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Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q1: Refer to Exhibit H of the application, the Prepared testimony of James R. Adkins ("Adkins Testimony"), pages 4 and 5, response to question 10.

a. What is the basis for Cumberland Valley's statement that the low interest rates will not last, given the projections for increases in interest rates have generally not materialized?

RESPONSE:

Most experts are projecting an increase in interest rates in the very near future. A New York Times front page article on the business section states that with Federal Reserve System ("The Fed") is ending its stimulus program of keeping interest rates low and these rates are expected to rise beginning in 2015. A copy of this article is attached to this response.

b. Provide documentation supporting the Federal financing Bank's ("FFB") seven year rate that existed in mid-April rate of 2.17 percent.

RESPONSE:

Documentation of this interest rate was not kept. However, attached is a copy of the listed Federal Financing Bank ("FFB") interest rate of 1.99% for a seven year period as of August 18, 2014.

c. Has the FFB updated its rates since April? If so, provide the most recent rates quoted by FFB.

RESPONSE:

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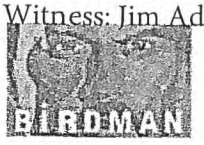
The FFB rates change almost daily and attached is a copy of USDA RD listing of interest rates as of August 18, 2014.



The New York Times | http://nyti.ms/1mQEdDK

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Fears of Renewed Instability as Fed Ends Stimulus

By JAMES B. STEWART AUG. 15, 2014

After a nearly uninterrupted five-year rally in stocks and bonds, some investors seem to be getting nervous. On July 31, the Dow Jones industrial average dropped 317 points, wiping out the year's gains. Last week, junk bond funds experienced record withdrawals and junk bond interest rates spiked.

Such gyrations may be healthy, a reminder that there are risks and that markets go down as well as up. But they could also be the harbinger of something more worrisome, which would be renewed financial instability as the Federal Reserve brings to an end its extraordinary easy money policy. The Federal Reserve has said it expects to raise interest rates in 2015 for the first time since the financial crisis.

"There's no real precedent for ending anything of this magnitude," said Jeremy Stein, who left the Fed's Board of Governors at the end of May to return to Harvard's economics department, where I caught up with him last month on the day of the Dow's big drop. As the Fed feels its way, he said, investors may have to prepare for greater volatility.

While at the Fed, Mr. Stein was viewed as the chief advocate for financial stability on the seven-member board, where he pondered the possible unintended consequences of the Fed's stimulus policies.

Mr. Stein said his differences with his fellow board members, and especially the chairwoman, Janet Yellen, had been exaggerated and were more a matter of nuance. "I certainly felt we were courting some risks" with the Fed's last round of quantitative easing, he acknowledged. "But then again, given the level of the unemployment rate at the time, some risk-taking was warranted."

In April, in his last speech as a Fed board member, Mr. Stein warned that monetary policy should be "less aggressive" when credit risk premiums were extremely low, as they were then, and they've gotten even lower since.

"To be clear, we are not necessarily talking about once-in-a-generation financial crises here, with major financial institutions teetering on the brink of failure," he said in a speech to the International Monetary Fund. "Nevertheless, the evidence suggests that even more modest capital market disruptions may have consequences that are large enough to warrant consideration when formulating monetary policy."

Mr. Stein's concerns have been gaining traction. They're expected to be a major topic at next week's annual gathering of Fed officials, policy makers and economists at Jackson Hole, Wyo. This week, former Treasury Secretary Robert Rubin and Martin Feldstein, a former chairman of the Council of Economic Advisers and a Harvard professor, sounded similar themes in an op-ed article in The Wall Street Journal, warning that the Fed-induced low rates "have led to reaching for yield in many ways and in very large magnitudes." They added, "The risk of excesses and the consequent instability have increased substantially."

Mr. Stein's analysis has also influenced Ms. Yellen, although she puts a higher priority than he does on full employment. Ms. Yellen devoted an entire speech to the subject of financial stability last month at the I.M.F., where she said the Fed had devoted "substantially increased resources" to monitoring stability and acknowledged that the Fed's low-interest rate policy had spurred "households and businesses to take on the risk of potentially productive investments." But, she went on, "Such risk-taking can go too far, thereby contributing to fragility in the financial system."

She even explored a previously taboo subject, which is whether the Fed contributed to the post-2000 housing bubble by keeping rates too low. While conceding the low rates may have been a factor, she warned that raising rates was "a very blunt tool" that would probably have had worse consequences than rising housing prices. While she said she saw no need now for tighter monetary policy than the Fed had charted, she did identify "pockets" of excess and added, "some investors may underappreciate the potential for losses and volatility going forward."

While some critics took Ms. Yellen to the woodshed for purporting to identify bubbles, comparing her comments to then Fed chairman Alan Greenspan's ill-timed reference in 1996 to the stock market's "irrational exuberance," Mr. Stein called Ms. Yellen's speech "admirable." The Fed chairwoman "was being forthright," he said. "She's struggling with this issue in an honest way, which is progress. I don't think anyone has yet figured out the right answer about how to deal with this."

Ms. Yellen is hardly alone in worrying that some asset prices are at unsustainable levels, especially in parts of the bond market. The activist investor Carl Icahn weighed in this week on Tumblr, saying, "Yellen's comments suggest, and I agree, that we are in an asset bubble." It's dubious that Ms. Yellen would go that far, but persistently high prices, especially in the bond market, have puzzled many economists.

After a brief spike last year after the Fed announced that it would taper its bond purchases, interest rates have fallen this year — the opposite of what many economists and investors expected. (Bond prices fall as interest rates rise, and vice versa.)

"You can only explain about 20 percent of the variability in asset prices based on fundamentals," Mr. Stein said. "We don't understand the other 80 percent. All the Fed can hope to do is to be slow and deliberate" and communicate its intentions.

The Princeton economist Markus K. Brunnermeier, an expert on asset bubbles and crashes, has identified what he calls "synchronization risk," a phenomenon in which investors ride a wave of price increases even if they realize the assets are overpriced. "It's what economists call a lack of common knowledge," he said. "We may all know an asset price is too high, but we don't know that others know it, too. Timing is everything. The danger is if you move too early and the market doesn't follow up. So everyone waits on the sidelines watching and listening," as long as asset prices keep rising. The danger comes when they all try to get out at the same time.

This seems especially true of many fund managers, who don't want to underperform their rivals and obsessively follow one another's moves. Professor Brunnermeier attributes the sudden spike in interest rates last year partly to a fund stampede once bond prices showed signs of cracking.

"I very much think that stability is a major issue, and the Fed has to take it into account," Professor Brunnermeier said. "Ideally, you want to see markets correct early rather than late in one big crash."

How to achieve that remains elusive. "Speaking only for myself, you don't want to raise rates too aggressively now," Mr. Stein said. "It may be too late for that. Financial markets are fairly fragile." Current official forecasts are for the federal funds rate to rise to 2.5 percent in 2016 from the current rate of 0.25 percent, and Mr. Stein said he was "comfortable" that a rise of that magnitude made sense if the economy stayed on its current course.

Still, he says the Fed should stick to its guns even if markets gyrate. "This is subtle, but I'd try to indicate a little more willingness to stay the course if financial markets fluctuate one way or the other," he said. "Markets seem to sense an element of a Fed put, and that complacency can be a source of risk in itself, so you have to push back on that a bit." (A put is an option that protects investors if prices decline.)

In other words, investors shouldn't expect the Fed to come to the rescue just because stock or bond markets falter. No one wants another crash, but a garden-variety correction may be just what's needed to avoid one in the future.

A version of this article appears in print on August 16, 2014, on page B1 of the New York edition with the headline: Fears of Renewed Instability as Fed Ends Stimulus.

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USDA United States Department of Agriculture
Rural Development

Utilities

Rural Utilities Loan Interest Rates

Back to Electric Program Homepage

Hardship Loan Rate

On November 1, 1993, the Rural Electrification Loan Restructuring Act, Pub. L. 103-129, 107 Stat. 1356, (RELRA) amended the Rural Electrification Act of 1936, 7 U.S.C. 901 et seq., (RE Act) to establish a new interest rate structure for insured electric loans. Insured electric loans approved on or after this date, are either municipal rate loans or hardship rate loans. Borrowers meeting the criteria set forth in 714.8 are eligible for 5 percent hardship rate loans.

Treasury and Federal Financing Bank (FFB) Rates

The following list of interest rates for loans shall not constitute an offer or commitment to make a loan at these rates. The interest rates listed are illustrative only of the rates that would apply to funds advanced on the date identified here as the "Issue Date." These rates change daily.

Issue Date:08/18/14

08/15/14 TREASURY YIELD CURVE SEMIANNUAL RATES

3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.03	0.05	0.09	0.42	0.86	1.55	1.99	2.34	2.86	3.13

APPROXIMATE FFB QUARTERLY RATES*

3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.03	0.06	0.11	0.47	0.90	1.54	1.95	2.26	2.69	2.80

*These approximate FFB rates are based upon a common type of RUS loan in which the quarterly loan payments are derived by amortizing over 30 years, but the loan matures with a balloon payment at the maturity indicated in the column heading (for example, 10 years). The column headings are approximate maturity terms, since the loans end on quarterly payment dates.

Treasury rate loans are not available for terms

For information as to available "Call Options" and their associated pricing spreads, please contact the Electric Program directly (Northern Regional, Southern Regional, Power Supply Division).

To obtain the latest Federal Reserve Statistical Release of daily interest rates, you may use this link to go to the Federal Reserve Bank, where that information is available.

Municipal Interest Rates for the 3rd Quarter of CY 2014

In accordance with 7 CFR 1714.5, the interest rates are established as shown in the following table for all interest rate terms that begin at any time during the first of calendar year 2014.

Interest Rate Term Ends in (Year ....)	RUS Rate (0.000 percent)
2015	0.125
2016	0.500
2017	0.750
2018	1.000
2019	1.250

2020	1.500
2021	1.750
2022	2.000
2023	2.125
2024	2.375
2025	2.500
2026	2.625
2027	2.750
2028	2.750
2029	2.875
2030	3.000
2031	3.000
2032	3.125
2033	3.125
2034	3.250
2035 or later	4.000

Last Modified:08/18/2014

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Q2: Refer to the Adkins Testimony, page 7, response to question 15. Provide an analysis for the calendar years 2009-2013 indicating the total number of industrial customers whose energy requirements are greater than 1,000 kW. Provide the number of coal companies included for each year.

RESPONSE:

Year	# Customer > 1,000 kW	# Coal Companies
2009	13	10
2010	12	8
2011	11	8
2012	11	7
2013	10	8

Cumberland Valley Electric
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Q3: Refer to the Adkins Testimony, page 8 of 16 and JRA Exhibit II. Mr. Adkins' states, and JRA Exhibit II shows, that the following four rate classes are under recovering costs: Residential, Schools, and churches; Marketing Rate for ETS units; Large Power 50 – 2,500 kW,; and Outdoor Lighting. Explain why Cumberland Valley is proposing a 5.74 percent increase for the Small commercial – Single Phase class when it is not among the under-recovering rate classes.

RESPONSE:

Cumberland Valley is proposing an increase in the customer charge for its Schedule II – Small Commercial and Small Power which has a schedule of rates for single phase service and a schedule of rates for three phase service. In both schedules of rates in this tariff, the customer charge is proposed to increase from its current $5.74 per month to $11.04. Cumberland Valley is proposing no change in the demand charge nor a change to its energy rates in this tariff. The customer charge is being increased based on the cost of service study which indicates the current customer charge is significantly less than the monthly customer related costs of $25.01 for single phase service and $51.15 for three phase service. The proposed customer charge for this tariff is among the lowest in the state. Cumberland Valley did not propose to lower any of the other rates within this tariff for the primary reason to help keep the increase to the residential rate class below five percent. A proposed reduction in the other rates for this tariff would have caused an increase in the revenue requirements for the residential rate class.

Cumberland Valley Electric
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Q4: Refer to the Adkins Testimony, page 11 of 16. Is Cumberland Valley aware of any instances where the Commission has granted a general rate increase to an electric distribution cooperative using the return on equity method, or Capital Growth Method? If yes, provide a listing of the case references.

RESPONSE:

I am not aware of any instances where the Commission has granted a general rate increase using the equity method or the Capital Growth Method as the primary criteria for determining the amount of increase for electric cooperatives. A rate of return on capitalization is always an amount that is developed in most rate applications before this Commission and a rate of return on equity is a component of the rate of return on capitalization. The Times Interest Earned Ratio ("TIER") has been the primary criteria because TIER is one of the primary financial ratios contained in each of their mortgage agreements with the Rural Utility Service ("RUS"). The equity method or the Capital Growth Method has been used by electric cooperatives as the basis for increase requests in several rate cases Case No. 2010-00222 for Meade County RECC and Case No. 2011-00096 for South Kentucky RECC. Commission Staff utilized the Capital Growth Method in its testimony in Nolin RECC's 1990 rate application in Case No. 90-064. I believe that Cumberland Valley's current situation does indicate a major limitation on the use of TIER as the primary basis for determining margin levels for electric cooperatives. It may also be a limitation when interest rates are extremely high and may be the major reason as to why many electric cooperatives went a significant number of years between rate cases in those years when high interest rates were being experienced. Other measure should be a part of the process such as the equity method or Capital Growth Method.

Cumberland Valley Electric
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Commission Staff's Second Request for Information

Q5: Provide an electronic copy of Exhibits G, J, and R in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible. If it is necessary to update the exhibits in response to questions contained in this information request, provide the updated version instead of the original version in both paper copy and electronically.

RESPONSE:

Exhibits G, J, R and S are provided in electronic form in a CD Rom filed as a part of responses to Data Requests I the rate application.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q6: Refer to Exhibit K of the application.

a. On page 1 of 9, confirm that for the column titled Adjusted Test Year, the amounts shown for Net margins, Interest on long-term debt, Net rate base, and Equity Capitalization are correct.

RESPONSE:

The Adjusted Test Year Column is incorrect. Please see page 3 of this Item for the Revised Exhibit K for the proper amounts.

b. On page 2 of 9, confirm that for the column titled Adjusted Test Year, the amounts shown for Working capital and Accumulated depreciation are correct.

RESPONSE:

The Adjusted Test Year Column is incorrect. Please see Revised Exhibit K on page 3 of this Item.

c. On page 5 of 9, confirm that for the column titled Adjusted Test Year, all of the amounts shown are correct.

RESPONSE:
The Adjusted Test Year Column is incorrect. Please see Revised Exhibit K on page 3 of this Item.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

d. Refer to pages 6 and 7 of 9 of Exhibit K and to the response to Commission's Staff First Request for Information ("Staff's First Request"), item 3. The response states that the attached pages are revising pages 6 and 7 of exhibit K. It appears that page 3 of 3 of the response is actually a revision of page 8 of 9 of Exhibit K. Confirm that page 3 or 3 of the response is a revision of page 8 of 9 of Exhibit K.

RESPONSE:

It is confirmed that page 3 of 3 of the Staff's First Data Request is a revision of page 8 of 9 of Exhibit K in the application.

e. Refer to page 8 of 9 of Exhibit K and to the response to Staff's First Request, Item 3 page 3 of 3. In the columns titled Proposed and Test Year 2013, on both pages, the amounts shown for long-term debt are $43,813,061. On Exhibits S and 5 of the application, long-term debt is shown to be $42,813,061. Explain this discrepancy.

RESPONSE:

The proper amount is the $42,813,061.

f. Given the numerous discrepancies noted above and corrected pages provided in Cumberland Valley's response to Staff's First Request Items 2 and 3, provide an updated Exhibit K, pages 1 through 9, incorporating all corrections resulting from the above questions and including previously provided corrections.

RESPONSE;

Please see Revised Exhibit K on page 3 of this Item.

Revised Exhibit K
page 1 of 9
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
Computation of Rate of Return
December 31, 2013

	Actual Test Year	Adjusted Test Year
Net margins	$ 3,031,856	$ 896,650
Non-cash patronage dividends	(2,957,019)	-
Interest on long-term debt	354,342	896,650
Total	$ 429,179	$ 1,793,300
Net rate base	$ 64,147,015	$ 63,885,540
Rate of return	0.67%	2.81%
Equity Capitalization	$ 63,330,183	$ 61,209,421
Rate of return	0.68%	2.93%

Revisde Exhibit K
page 2 of 9
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
Determination of Rate Base
December 31, 2013

	Actual Test Year	Adjusted Test Year
Gross rate base:		
Total electric plant	$ 95,868,118	$ 95,868,118
Material and supplies	740,992	740,992
(13 months average for test year)		
Prepayments	175,484	175,484
(13 months average for test year)		
Working capital:		
12.5% of operating expense		
less cost of power	932,570	933,302
	97,717,163	97,717,895
Deductions from rate base:		
Accumulated depreciation	33,482,599	33,744,806
Consumer advances	87,549	87,549
Net rate base	64,147,015	63,885,540

	Material	Prepayments
December	700215	46,119
January	727988	144,873
February	780466	137,255
March	783170	129,630
April	791792	278,691
May	883306	276,023
June	863355	267,683
July	882933	255,477
August	934890	242,395
September	821512	193,680
October	464235	144,608
November	502353	95,169
December	496675	69,683
Average	740,992	175,484

Revised Exhibit K
page 3 of 9 Witness:
Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
Computation of Rate of Return
December 31, 2013

		Calendar Year				
	Test Year 2013	1st 2012	2nd 2011	3rd 2010	4th 2009	5th 2008
Net margins	3,031,856	2,473,447	3,687,972	3,465,120	2,699,404	1,251,055
Interest on long-term debt	354,342	427,212	449,190	567,377	715,609	1,097,400
Total	3,386,198	2,900,659	4,137,162	4,032,497	3,415,013	2,348,455
Net rate base	64,147,015	60,934,675	58,106,354	55,768,535	53,432,709	50,337,035
Rate of return	5.28%	4.76%	7.12%	7.23%	6.39%	4.67%

Return excluding G & T patronage dividends:		Calendar Year				
	Test Year 2013	1st 2012	2nd 2011	3rd 2010	4th 2009	5th 2008
Net margins	3,031,856	2,473,447	3,687,972	3,465,120	2,699,404	1,251,055
G & T patronage dividends	2,957,019	2,364,260	2,700,063	1,513,478	1,568,691	449,351
Interest on long-term debt	354,342	427,212	449,190	567,377	715,609	1,097,400
Total	429,179	536,399	1,437,099	2,519,019	1,846,322	1,899,104
Net rate base	64,147,015	60,934,675	58,106,354	55,768,535	53,432,709	50,337,035
Rate of return, excluding G & T	0.67%	0.88%	2.47%	4.52%	3.46%	3.77%

Revised Exhibit K
page 4 of 9
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
Determination of Rate Base
December 31, 2013

		Calendar Year				
	Test Year 2013	1st 2012	2nd 2011	3rd 2010	4th 2009	5th 2008
Gross rate base:						
Total electric plant	95,868,118	91,907,099	87,488,900	84,725,706	81,157,733	76,552,042
Material and supplies (13 mo. ave test y	740,992	700,215	587,895	515,580	575,110	557,729
Prepayments (13 mo. ave test year)	175,484	46,119	42,743	39,578	37,173	36,527
Working capital:						
12.5% of operating expense						
less cost of power	932,570	924,738	891,626	917,403	887,266	791,617
	97,717,163	93,578,171	89,011,164	86,198,267	82,657,282	77,937,915
Deductions from rate base:						
Accumulated depreciation	33,482,599	32,589,402	30,851,298	30,384,843	29,148,936	27,544,773
Consumer advances	87,549	54,094	53,512	44,889	75,637	56,107
Net rate base	64,147,015	60,934,675	58,106,354	55,768,535	53,432,709	50,337,035

Revised Exhibit K
page 5 of 9
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
TIER and DSC Calculations
December 31, 2013

	Actual Test Year	Adjusted Test Year
TIER:		
Margins, excluding G&T capital credits	74,837	896,650
Interest on long term debt	354,342	896,650
TIER	1.21	2.00
DSC:		
Margins, excluding G&T capital credits	74,837	896,650
Depreciation expense	3,115,270	3,377,477
Interest on long term debt	354,342	896,650
Principal payment on long term debt	2,108,110	2,108,110
DSC	1.44	1.72

Revised Exhibit K
page 6 of 9
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
TIER and DSC Calculations
December 31, 2013

TIER calculations:	Test Year 2013	Calendar Year 1st 2012	2nd 2011	3rd 2010	4th 2009	5th 2008	6 2007	7 2006	8 2005
Margins, excluding G&T capital credits	74,837	109,187	987,909	1,951,642	1,130,713	801,704	1,306,875	1,231,132	1,301,542
Interest on long term debt	354,342	427,212	449,190	567,377	715,609	1,097,400	1,404,391	1,536,005	1,581,326
TIER, excluding G&T capital credits	1	1	3	4	3	2	2	2	2
Margins, including G&T capital credits	3,031,856	2,473,447	3,687,972	3,465,120	2,699,404	1,251,055	1,306,875	1,231,132	1,301,542
Interest on long term debt	354,342	427,212	449,190	567,377	715,609	1,097,400	1,404,391	1,536,005	1,581,326
TIER	9.56	6.79	9.21	7.11	4.77	2.14	1.93	1.80	1.82
DSC calculations:									
DSC = ((Margins + depreciation + interest) / (interest + principal payments))									
Margins, excluding G&T capital credits	74,837	109,187	987,909	1,951,642	1,130,713	801,704	1,306,875	1,231,132	1,301,542
Depreciation expense	3,115,270	2,968,519	2,868,087	2,750,265	2,614,634	2,496,587	2,023,252	772,795	830,868
Interest on long term debt	354,342	427,212	449,190	567,377	715,609	1,097,400	1,404,391	1,536,005	1,581,326
Principal payment on long term debt	2,108,110	1,884,303	2,138,705	1,656,579	1,548,792	1,423,184	2,023,252	772,795	830,868
Modified DSC	1.44	1.52	1.66	2.37	1.97	1.74	1.38	1.53	1.54
Margins, including G&T capital credits	3,031,856	2,473,447	3,687,972	3,465,120	2,699,404	1,251,055	1,306,875	1,231,132	1,301,542
Depreciation expense	3,115,270	2,968,519	2,868,087	2,750,265	2,614,634	2,496,587	2,023,252	772,795	830,868
Interest on long term debt	354,342	427,212	449,190	567,377	715,609	1,097,400	1,404,391	1,536,005	1,581,326
Principal payment on long term debt	2,108,110	1,884,303	2,138,705	1,656,579	1,548,792	1,423,184	2,023,252	772,795	830,868
DSC	2.64	2.54	2.71	3.05	2.66	1.92	1.38	1.53	1.54

Revised Exhibit K
page 7 of 9
Witness: Jim Adkins

TIER calculations:	9 2004	10 2003	11 2002	12 2001	13 2000	14 1999	15 1998	16 1997
Margins, excluding G&T capital credits	1,582,741	1,269,802	1,138,484	400,751	1,156,863	1,205,193	938,655	546,389
Interest on long term debt	1,586,100	1,499,454	1,325,488	1,219,580	1,043,979	1,015,690	959,725	807,272
TIER, excluding G&T capital credits	2	2	2	1	2	2	2	2
Margins, including G&T capital credits	1,582,741	1,269,802	1,138,484	400,751	1,156,863	1,205,193	938,655	546,389
Interest on long term debt	1,586,100	1,499,454	1,325,488	1,219,580	1,043,979	1,015,690	959,725	807,272
TIER	2.00	1.85	1.86	1.33	2.11	2.19	1.98	1.68
DSC calculations:								
DSC = ((Margins + depreciation + inter / (interest + principal payments))								
Margins, excluding G&T capital credits	1,582,741	1,269,802	1,138,484	400,751	1,156,863	1,205,193	938,655	546,389
Depreciation expense	696,986	627,027	546,526	499,231	488,541	488,149	450,404	439,712
Interest on long term debt	1,586,100	1,499,454	1,325,488	1,219,580	1,043,979	1,015,690	959,725	807,272
Principal payment on long term debt	696,986	627,027	546,526	499,231	488,541	488,149	450,404	439,712
Modified DSC	1.69	1.60	1.61	1.23	1.75	1.80	1.67	1.44
Margins, including G&T capital credits	1,582,741	1,269,802	1,138,484	400,751	1,156,863	1,205,193	938,655	546,389
Depreciation expense	696,986	627,027	546,526	499,231	488,541	488,149	450,404	439,712
Interest on long term debt	1,586,100	1,499,454	1,325,488	1,219,580	1,043,979	1,015,690	959,725	807,272
Principal payment on long term debt	696,986	627,027	546,526	499,231	488,541	488,149	450,404	439,712
DSC	1.69	1.60	1.61	1.23	1.75	1.80	1.67	1.44

Cumberland Valley Electric
Case No. 2014-00159
Equity Capitalization
December 31, 2013

	Test Year	Calendar Year							
	Proposed	2013	2012	2011	2010	2009	2008	2007	2006
Equity Capitalization: without G&T patronage capital									
Total margins and equities	37,973,410	40,094,172	37,000,392	34,652,023	31,322,996	27,772,595	26,176,652	19,208,836	18,470,849
Less G&T Patronage capital	20,577,050	20,577,050	18,212,790	15,512,727	13,999,249	12,430,558	11,981,207	11,981,207	11,981,207
	17,396,360	19,517,122	18,787,602	19,139,296	17,323,747	15,342,037	14,195,445	7,227,629	6,489,642
Long-term debt	43,813,061	43,813,061	37,921,171	37,526,041	35,722,364	34,433,777	36,034,733	38,956,192	36,164,171
Total	61,209,421	63,330,183	56,708,773	56,665,337	53,046,111	49,775,814	50,230,178	46,183,821	42,653,813
Equity capitalization ratio	28.4%	30.8%	33.1%	33.8%	32.7%	30.8%	28.3%	15.6%	15.2%
Equity Capitalization: with G&T patronage capital									
Total margins and equities	37,973,410	40,094,172	37,000,392	34,652,023	31,322,996	27,772,595	26,176,652	19,208,836	18,470,849
Long-term debt	43,813,061	43,813,061	37,921,171	37,526,041	35,722,364	34,433,777	36,034,733	38,956,192	36,164,171
Total	81,786,471	83,907,233	74,921,563	72,178,064	67,045,360	62,206,372	62,211,385	58,165,028	54,635,020
Equity capitalization ratio	46.43%	47.78%	49.39%	48.01%	46.72%	44.65%	42.08%	33.02%	33.81%
Equity to Total Assets: with G&T patronage capital									
Total margins and equities	37,973,410	40,094,172	37,000,392	34,652,023	31,322,996	27,772,595	26,176,652	19,208,836	18,470,849
Total assets	91,086,437	94,207,169	85,721,370	82,033,415	77,308,129	72,654,442	72,654,442	61,916,128	58,600,742
Equity to total asset ratio	41.69%	42.56%	43.16%	42.24%	40.52%	38.23%	36.03%	31.02%	31.52%

Revised Exhibit K
page 9 of 9
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2014-00159
Equity Capitalization
December 31, 2013

	2005	2004	2003	2002	2001	2000	1999	1998	1997	
Equity Capitalization: without G&T patronage capital										
Total margins and equities	17,766,967	16,851,711	15,651,417	14,893,784	14,209,771	14,448,356	13,637,844	12,549,250	11,967,312	
Less G&T Patronage capital	11,981,207	11,981,207	11,981,207	11,981,207	11,981,207	11,981,207	11,981,207	11,981,207	11,981,207	
	5,785,760	4,870,504	3,670,210	2,912,577	2,228,564	2,467,149	1,656,637	568,043	(13,895)	
Long-term debt	36,959,909	32,372,777	29,048,712	25,740,740	24,287,265	20,656,473	18,820,514	18,620,664	16,939,007	15,812,844
Total	42,745,669	37,243,281	32,718,922	28,653,317	26,515,829	23,123,622	20,477,151	19,188,707	16,925,112	
Equity capitalization ratio	13.5%	13.1%	11.2%	10.2%	8.4%	10.7%	8.1%	3.0%	-0.1%	
Equity Capitalization: with G&T patronage capital										
Total margins and equities	17,766,967	16,851,711	15,651,417	14,893,784	14,209,771	14,448,356	13,637,844	12,549,250	11,967,312	
Long-term debt	36,959,909	32,372,777	29,048,712	25,740,740	24,287,265	20,656,473	18,820,514	18,620,664	16,939,007	
Total	54,726,876	49,224,488	44,700,129	40,634,524	38,497,036	35,104,829	32,458,358	31,169,914	28,906,319	
Equity capitalization ratio	32.46%	34.23%	35.01%	36.65%	36.91%	41.16%	42.02%	40.26%	41.40%	
Equity to Total Assets: with G&T patronage capital										
Total margins and equities	17,766,967	16,851,711	15,651,417	14,893,784	14,209,771	14,448,356	13,637,844	12,549,250	11,967,312	
Total assets	58,265,269	52,243,971	48,193,455	43,820,838	41,678,530	37,635,992	35,134,408	34,036,218	31,069,920	
Equity to total asset ratio	30.49%	32.26%	32.48%	33.99%	34.09%	38.39%	38.82%	36.87%	38.52%	

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q7: Refer to Exhibit L of the application and to the response to Staff's First Request, Item 3, page 3 of 3. Exhibit L shows an amount for G&T capital credits of $7,592,151. Page 3 of 3 of the response to item 3 shows G&T capital credits in the amount of $20,577,050. Explain this discrepancy. Provide corrected exhibits as necessary.

RESPONSE:

The amount in Exhibit L is in error and a revised Exhibit L is attached.

Cumberland Valley Electric
Case No. 2014-00159
Reconciliation of Rate Base and Capital
December 31, 2013

Reconciliation of Rate Base and Capital used to determine revenue requirements are as follows:

Equity Capitalization, with G&T capital credits	82,907,233
G&T capital credits	(20,577,050)
Equity, excluding G&T capital credits	62,330,183
Reconciling items:	
Capital credits from associated organizations (Allocated but unpaid)	(1,634,210)
Working capital requirements	932,570
Material and supplies, 13 month average	740,992
Prepayments, 13 month average	175,484
Cash and temporary investments	(1,514,221)
Accounts receivable	(5,635,829)
Material and supplies	(496,675)
Prepayments	(79,310)
Deferred charges	(884,355)
Accumulated operating provisions	3,324,752
Accounts payable	3,968,442
Short term borrowings	-
Consumer deposits	1,348,825
Accrued expenses	1,570,368
Net Rate Base	$ 64,147,015

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q8: Refer to Exhibit P of the application.

a. The cost of the 2013 annual meeting shows an increase of 61 percent over the cost of the 2012 annual meeting. Fully explain the reasons contributing to an increase of this magnitude. Provide an analysis comparing the cost of the 2013 annual meeting to the cost of the 2012 annual meeting in summary form by major category of expense.

RESPONSE:

Description	2012	2013
Entertainment	7,000	8,900
Advertising	3,083	1,485
Annual meeting shirts	1,701	1,551
Venue and associated costs	1,000	1,050
Concessions	1,330	1,125
KAEC fees	410	1,300
Prizes	777	786
Delegates	0	700
Supplies and others	560	587
Labor and benefits	10,494	12,921
CFL light bulbs / buckets*	2,360	15,833
Summary	28,715	46,238
CFL bulbs/buckets	(2,360)	(15,833)
Adjusted annual meeting cost	26,355	30,405

*No bulbs were purchased in 2012

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Cumberland Valley purchases CFL light bulbs in bulk. CFL bulbs are low usage bulbs that are used to replace the higher usage incandescent bulbs. These are given away at various times throughout the year. Bulbs are given away at the annual meeting, during energy conservation presentations to consumers, during Cooperative Month when consumers come into the office, when a consumer complains of a high electric bill, or when a consumer requests the bulbs. Most CFL bulbs are recorded in the annual meeting expense account. Removing the total CFL bulbs and buckets reflect that the annual meeting costs are similar from the prior year to the current year.

b. Provide the date of the 2014 annual meeting.

RESPONSE:

The 2014 annual meeting date was June 6, 2014.

c. If the 2014 annual meeting has been held, provide the actual cost incurred, if known, or the estimated costs.

RESPONSE:

The estimated cost of 2014 annual meeting is $32,183, which includes the cost for the CFL light bulbs.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q9: Refer to Exhibit R of the application, page 7 of 33. Explain why Account 589, Rents, of $1,500 was allocated 100 percent to Lines.

RESPONSE:

The expense amount in Account 589 should have been allocated to the various functions similar to miscellaneous distribution operations expense instead of assigned to Lines. The attached Revised Cost of Service Study contains this change.

CUMBERLAND VALLEY ELECTRIC

COST OF SERVICE STUDY

REVISED

CASE NO. 2014-00159

April - May 2014 - J. Adkins

CUMBERLAND VALLEY ELECTRIC
CASE NO 2014-00159
TEST YEAR REVENUE REQUIREMENTS WITH ADJUSTMENTS

TEST YEAR EXPENSES

Acct No.	Description	Actual Test Year	Adjustments 1, 2, 5 & 6	Adjustments 3, 7 & 8	Adjustments 9, 10 & 11	Adjustments 12 & 13	Purchased Power Adjustment (a)	Margins Adjusment		Adjusted Test Year
555	Purchased Power									
	Demand Charges	-								-
	Energy Charges	-						-		-
	Renewable Resource Energy	-						-		-
	Total Purchased Power	35,772,176					(4,394,432)	-		31,377,744
580	Operations Supv & Eng	-								-
581	Load Dispatching									-
582	Station Expense	5,345								5,345
583	Overhead Line Exp.	630,416	3,121							633,537
584	Underground Line Exp	36,067								36,067
585	Street Lights	-								-
586	Meter Expense	457,235	10,477							467,712
587	Consumer Installations	113,872	42							113,914
588	Misc. Distribution Exp	160,557	33	(893)						159,697
589	Rents	1,500					-			1,500
	Total Dist. Operations	1,404,992	13,674	(893)	-	-	-	-		1,417,773
										-
590	Maint Supv & Eng	-								-
592	Maint of Station Equip	-								-
593	Maint. Overhead Lines	2,353,694	30,474					-		2,384,168
594	Maint of Underground Lines	-								-
595	Maint Line Transformers	45,231	61							45,291
596	Maint of Street Lights	-	-							-
597	Maintenance of Meters	122,356	2,030							124,386
598	Maintenance of Security Lights	-								-
598	Maint Misc Distrib Plant	138,751	3,405	(1,597)			-	-		140,559
	Total Dist. Maint.	2,660,031	35,970	(1,597)	-	-	-	-		2,694,404
										-
901	Supervision	-								-
902	Meter Reading Expense	215,438	3,662							219,100
903	Cons Recds & Collections	1,512,538	32,460	(410)						1,544,588
904	Uncollectible Accounts	144,000					-			144,000
	Total Consum Accts	1,871,976	36,121	(410)			-	-	#	1,907,687

									-
907	Customer Information								-
908	Customer Accounting	115,455	2,959						118,414
909	Consumer Information	38,215		(339)					37,876
910	Mis. Customer Information	-							-
912	Key Accounts Expneses	-							-
	Total Customer Serv.	153,670	2,959	(339)			-	- #	156,290
920	Administrative Salaries	749,441	21,551						770,992
921	Office Supplies	103,036					-		103,036
923	Outside Services	52,389							52,389
924	Property Ins	-					-		-
925	Injuries & Damages	-							-
926	Employ Pensions & Benef	-							-
928	Regulatory Exp	-							-
929	Duplicate Charges	(42,883)							(42,883)
930	Misc General Exp	410,258	209	(17,164)	(86,674)				306,628
931	Rents	-							-
935	Maintenance of Gen. Plant	97,652	869	(582)					97,939
	Total Admin & General	1,369,893	22,628	(17,746)	(86,674)		-	- #	1,288,101
									-
403.6	Deprec. Distribution Plant	2,946,757		299,724					3,246,481
403.7	Deprec. General Plant	168,513		(37,517)					130,996
	Total Depreciation	3,115,270	-	262,207			-	- #	3,377,477
									-
408	Taxes other than Property Taxes	51,441							51,441
408.7	Misc. Taxes								-
426	Contributions	10,671		(10,671)					0
	Total Miscellaneous	62,112	-	(10,671)			-	- #	51,441
									-
427.1	Interest - RUS Constuc	188,213		-		288,054			476,267
427.11	Interest - CoBank	67,245				102,916	-		170,161
427.2	Interest - CFC	98,884				151,338			250,222
	Total Interest on LTD	354,342	-	-		542,308	-	-	896,650
									-
431	Other Interest Expense	813						-	813
431.1	Interest on Consumer Deposits	2,363					-		2,363
		-						-	-
	Total ST Interest	3,176	-	-			-	- #	3,176

	Total Costs	46,767,637	111,353	230,551	(86,674)		(4,394,432)	-	43,170,743
	Margin Requirements	354,342					-	542,308	896,650
	Total Revenue Require.	47,121,979	111,353	230,551	(86,674)		(4,394,432)	542,308	44,067,393
									-
	Less; Misc Income								-
450	Forfeited Discounts	513,016							513,016
451	Misc Service Revenue	150,085						-	150,085
452	Return Check Charge	-							-
454	Rent from Electric Prop.	979,726				23,512		-	1,003,238
456	Other Electric Revenue	3,695				(44,894)			(41,199)
	Total Misc Income	1,646,522	-	-	-	(21,382)	-	-	1,625,140
									-
	Less: Other Income								-
415	Net Revenue from Merchandising	-							-
417	Revenue - Nonutility Operations	-							-
419	Interest Income	121,888				-			121,888
420	Maitenance Income and Expense	-							-
421	Misc. Non-operating Income	-							-
424	G&T Capital Credits	2,957,019				(2,957,019)			-
424	Other Capital Credits	54,741						-	54,741
	Total Other Income	3,133,648	-	-	-	(2,957,019)	-	-	176,629
									-
	Revenue Requirements								-
	from Rates	42,341,808	111,353	230,551	(86,674)	2,978,401	(4,394,432)	542,308	42,265,623
	TIER	2.00							2.00

				1	2	6	5		
				Wages &	Payroll	FAS	R&S	Health	
				Salaries	Tax	106	Retirement	Insurance	
		Amount	Percent	Adj.	Adj.	Adj.	Adj.	Adj.	Total
583.00	Overhead line	65,842	2.80%	1,142	53	948	978	0	3,121
586.00	Meter	221,002	9.41%	3,835	178	3,181	3,284	0	10,477
587.00	Customer installations	896	0.04%	16	1	13	13	0	42
588.00	Miscellaneous distribution	699	0.03%	12	1	10	10		33
593.00	Overhead line	642,796	27.37%	11,153	516	9,252	9,551	0	30,474
595.00	Transformers	1,278	0.05%	22	1	18	19	0	61
597.00	Maintenance of meters	42,827	1.82%	743	34	616	636	0	2,030
598.00	Miscellaneous maintenance	71,832	3.06%	1,246	58	1,034	1,067	0	3,405
902.00	Meter reading	77,235	3.29%	1,340	62	1,112	1,148	0	3,662
903.00	Consumer records	684,695	29.15%	11,880	550	9,855	10,174	0	32,460
908.00	Consumer information	62,417	2.66%	1,083	50	898	927	0	2,959
912.00	Demonstration and selling	0	0.00%	-	0	0	0	0	0
920.00	Administrative	454,590	19.35%	7,888	365	6,543	6,755	0	21,551
930.00	Miscellaneous	4,400	0.19%	76	4	63	65	0	209
935.00	Maintenance general plant	18,325	0.78%	318	15	264	272	0	869
	Total	2,348,834	100%	40,755	1,887	33,809	34,902	0	111,353

FUNCTIONALIZATION SUMMARY

Expense	Purchased Power	Stations	Lines	Transformers	Services	Meters	Consumer Services & Accounting	Outdoor Lighting	Total
Purchased Power	31,377,744								31,377,744
Distibution Operations		6,031	673,443	-	82,060	527,711	-	128,527	1,417,773
Distribution Maintenance		-	2,515,388	47,784	-	131,232	-	-	2,694,404
Consumer Accounts							1,907,687		1,907,687
Customer Service							156,290		156,290
Administative & General		1,257	665,077	9,968	17,101	137,346	430,569	26,784	1,288,101
Depreciation		27,881	2,201,512	373,321	297,834	262,768	43,787	170,374	3,377,477
Miscellaneous		410	33,261	5,481	4,387	4,060	1,307	2,536	51,441
Interest on Long Term Debt		7,302	582,590	97,694	78,038	70,156	16,047	44,823	896,650
Short Term Interest		26	2,064	346	276	249	57	159	3,176
Total Costs	31,377,744	42,907	6,673,334	534,594	479,696	1,133,522	2,555,744	373,202	43,170,743
Margin Requirements	-	7,302	582,590	97,694	78,038	70,156	16,047	44,823	896,650
Revenue Requirements	31,377,744	50,209	7,255,924	632,288	557,734	1,203,678	2,571,792	418,025	44,067,393

CUMBERLAN[illegible]LEY ELECTRIC
CASE NO. 2014-00159
FUNCTIONALIZATION OF TEST YEAR EXPENSES

[illegible]hibit R
[illegible]chedule 2
Page 7 of 33
Witness: Jim Adkins

Acct No.	Description	Expenses Adjusted Test Year	FUNCTIONALIZATION Puchased Power	Stations	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Total	Alloc. Basis
	Purchased Power											
555	Demand Charges	7,412,934	7,412,934								7,412,934	
	Energy Charges	23,964,150	23,964,150								23,964,150	
	Green Power	660	660								660	
	Total Purchased Power	31,377,744	31,377,744	-	-	-	-	-	-		31,377,744	DA
		-									-	
580	Operations Supv & Eng	-		-	-	-	-	-	-	-	-	
581	Load Dispatching	-		-							-	DA
582	Station Expense	5,345		5,345						-	5,345	DA
583	Overhead Line Exp.	633,537			564,725		68,813				633,537	DA
584	Underground Line Exp	36,067			32,150		3,917				36,067	DA
585	Street Lights	-						-	-		-	DA
586	Meter Expense	467,712			-			467,712			467,712	DA
587	Consumer Installations	113,914				-			-	113,914	-	2
588	Misc. Distribution Exp	159,697		679	75,856	-	9,243	59,441	-	14,477	159,697	
589	Rents	1,500		6	713	-	87	558		136	1,500	
		1,417,773		6,031	673,443	-	82,060	527,711	-	128,527	1,417,773	
590	Maint Supv & Eng	-		-	-	-	-	-		-	-	3
592	Maint of Station Equip	-	-	-	-						-	DA
593	Maint. Overhead Lines	2,384,168			2,384,168		-			-	2,384,168	DA
594	Maint of Underground Lines	-			-		-				-	
595	Maint Line Transformers	45,291				45,291					45,291	DA
596	Maint of Street Lights	-								-	-	
597	Maintenance of Meters	124,386						124,386			124,386	DA
598	Maintenance of Security Lights	-		-						-	-	3
598	Maint Misc Distrib Plant	140,559			131,220	2,493	-	6,846			140,559	
		2,694,404	-	-	2,515,388	47,784	-	131,232	-	-	2,694,404	
		-									-	
	Supervision	-							-		-	
901	Meter Reading Expense	219,100							219,100		219,100	DA
902	Cons Recds & Collections	1,544,588							1,544,588		1,544,588	DA
903	Uncollectible Accounts	144,000							144,000		144,000	DA
904	Total Consum Accts	1,907,687							1,907,687		1,907,687	DA
		-									-	
906	Customer Information	-							-		-	
907	Customer Accounting	118,414							118,414		118,414	DA
908	Consumer Information	37,876							37,876		37,876	DA
909	Mis. Customer Information	-							-		-	
910	Key Accounts Expneses	-							-		-	
912	Total Customer Serv.	156,290							156,290		156,290	DA

CUMBERLAN[illegible]LEY ELECTRIC
CASE N[illegible]2014-00159
FUNCTIONALIZATION OF TEST YEAR EXPENSES

Acct No.	Description	Expenses Adjusted Test Year	Puchased Power	FUNCTIONALIZATION Stations	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Total	Alloc. Basis
920	Administrative Salaries	770,992		752	398,081	5,966	10,235	82,209	257,716	16,031	770,992	7
921	Office Supplies	103,036		101	53,200	797	1,368	10,986	34,441	2,142	103,036	7
923	Outside Services	52,389		51	27,050	405	696	5,586	17,512	1,089	52,389	7
924	Property Ins	-			-						-	7
925	Injuries & Damages	-		-	-	-	-	-	-	-	-	7
926	Employ Pensions & Benef	-		-	-	-	-	-	-	-	-	7
928	Regulatory Exp	-		-	-	-	-	-	-	-	-	7
929	Duplicate Charges	(42,883)		(42)	(22,141)	(332)	(569)	(4,572)	(14,334)	(892)	(42,883)	7
930	Misc General Exp	306,628		299	158,319	2,373	4,071	32,695	102,495	6,376	306,628	7
931	Rents	-		-	-	-	-	-	-	-	-	7
935	Maintenance of Gen. Plant	97,939		96	50,568	758	1,300	10,443	32,738	2,036	97,939	4
	Total Admin & General	1,288,101	-	1,257	665,077	9,968	17,101	137,346	430,569	26,784	1,288,101	4 Gen Plt
		-										
	Deprec. Distribution Plant	3,246,481		27,754	2,133,875	372,307	296,095	248,800	-	167,650	3,246,481	6
403.6	Deprec. General Plant	130,996		128	67,636	1,014	1,739	13,968	43,787	2,724	130,996	6
403.7	Total Depreciation	3,377,477		27,881	2,201,512	373,321	297,834	262,768	43,787	170,374	3,377,477	
		-										
	Taxes other than Property Taxe	51,441										
408	Misc. Taxes	-										
408.7	Contributions	0										
426	Total Miscellaneous	51,441		410	33,261	5,481	4,387	4,060	1,307	2,536	51,441	Tot Plt
		-										
	Interest - RUS Constuc	476,267										
427.1	Interest - CoBank	170,161										
427.1	Interest - CFC	250,222										
427.2	Total Interest on LTD	896,650	-	7,302	582,590	97,694	78,038	70,156	16,047	44,823	896,650	5
		-										
	Other Interest Expense	813										
	Interest on Consumer Deposits	2,363										
431		-										
	Total ST Interest	3,176		26	2,064	346	276	249	57	159	3,176	Rate Base
		-										
	Total Costs	43,170,743	31,377,744	42,907	6,673,334	534,594	479,696	1,133,522	2,555,744	373,202	43,170,743	
	Margin Requirements	896,650	-	7,302	582,590	97,694	78,038	70,156	16,047	44,823	896,650	
	Total Revenue Require.	44,067,393	31,377,744	50,209	7,255,924	632,288	557,734	1,203,678	2,571,792	418,025	44,067,393	

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2014-00159
FUNCTIONALIZATION OF TEST YEAR EXPENSES

Exhibit R
Schedule 2
Page 9 of 33
Witness: Jim Adkins

FOOTNOTES

1 Line Expenses are Allocated between Lines and Services Based on Plant Investment.

	$$$	%
Poles and Conductor	65,738,393	89.14%
Services	8,010,317	10.86%
Total	73,748,710	100.00%

2 Allocation of Dist. Oper. Supervision & Miscellaneous Expenses

	Actual	%	Superv	Miscell. Exp.	Rents
Load Dispatching	-	0.00%	-	-	-
Station Expense	5,345	0.43%	-	679	6
Overhead Line Exp.	596,874	47.50%	-	75,856	713
Underground Line Exp	-	0.00%	-	-	-
Services	72,730	5.79%	-	9,243	87
Meter Expense	467,712	37.22%	-	59,441	558
Consumer Installations	113,914	9.07%	-	14,477	136
	-	0.00%	-	-	-
	1,256,576	100%	-	159,697	1,500
			-	159,697	1,500

3 Allocation of Dist. Maint. Supervision & Miscellaneous Expenses

	Actual	%	Superv	Misc. Exp.
Stations	-	0.00%	-	-
Lines	2,384,168	93.36%	-	131,220
Transformers	45,291	1.77%	-	2,493
Services	-	0.00%	-	-
Meters	124,386	4.87%	-	6,846
Security Lighting	-	0.00%	-	-
Street Lighting	-	0.00%	-	-
	2,553,845	100%	-	140,559

4 General Plant Allocation Comes From the Rate Base Schedule Line General Plant Percent

5 Rate Base Allocation Comes from the Rate Base Schedule Line Rate Base Percent.

6 Depreciation Expense Allocation Comes from the Net Plant Percent in Rate Base

FOOTNOTES

7 Admin & General Expense Allocation except General Plant Acct. Description	Stations	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Total	
580 Operations Supv & Eng	-	-	-	-	-	-	-	-	
581 Load Dispatching	-		-		-	-	-	-	
582 Station Expense	5,345		-		-	-	-	5,345	
583 Overhead Line Exp.	-	564,725	-	68,813		-	-	633,537	
584 Underground Line Exp	-	32,150	-	3,917		-	-	36,067	
585 Street Lights	-	-	-	-	-	-		-	
586 Meter Expense	-	-	-		467,712	-	-	467,712	
587 Consumer Installations			-			-	113,914	113,914	
588 Misc. Distribution Exp	679	75,856	-	9,243	59,441	-	14,477	159,697	
589 Rents	6,025	672,731	-	81,973	527,153	-	128,391	1,416,273	
590 Maint Supv & Eng	-	-	-	-	-		-	-	
592 Maint of Station Equip	-	-	-	-	-	-		-	
593 Maint. Overhead Lines	-	2,384,168	-	-	-	-	-	2,384,168	
594 Maint of Underground Lines	-	-	-	-	-	-	-	-	
595 Maint Line Transformers	-	-	45,291	-	-	-	-	45,291	
596 Maint of Street Lights	-	-	-	-	-	-	-	-	
597 Maintenance of Meters	-	-	-	-	124,386	-	-	124,386	
598 Maintenance of Security Lights	-	131,220	2,493	-	6,846		-	140,559	
Maint Misc Distrib Plant	-	2,515,388	47,784	-	131,232	-	-	2,694,404	
Supervision						-		-	
901 Meter Reading Expense						219,100		219,100	
902 Cons Recds & Collections						1,544,588		1,544,588	
903 Uncollectible Accounts						144,000		144,000	
904 Total Consum Accts						1,907,687		1,907,687	
Customer Information									
906 Customer Information						-		-	
907 Customer Accounting						118,414		118,414	
908 Consumer Information						37,876		37,876	
909 Mis. Customer Information						-		-	
910 Key Accounts Expneses						-		-	
Total Customer Serv.						156,290		156,290	
Total all Expenses	6,025	3,188,118	47,784	81,973	658,385	2,063,977	128,391	6,174,654	6,174,654
Functions as % of Total	0.10%	51.63%	0.77%	1.33%	10.66%	33.43%	2.08%	100.00%	

Plant Accour	Description	$$$$	Distribution Plant Balances						
			Stations	Lines	Transformers	Services	Meters	Consumer & Accounting Services	Outdoor Lighting
301	Organization	-		-					
360	Land and Land Rights	5,485		5,485					
362	Station Equipment	750,823	750,823						
364	Poles, Towers & Fixtures	27,528,688		27,528,688					
365	Overhead Conductor & Devices	26,557,329		26,557,329					
367	Underground Conductor	3,636,573		3,636,573					
368	Line Transformers	10,072,076			10,072,076				
369	Services	8,010,317				8,010,317			
370	Meters	6,730,828					6,730,828		-
371	Security Lights	4,535,460							4,535,460
373	Street Lights	-							-
	Total Distribution Plant	87,827,579	750,823	57,728,076	10,072,076	8,010,317	6,730,828	-	4,535,460
	Distibution Plant Percent	100.00%	0.9%	65.7%	11.5%	9.1%	7.7%	0.0%	5.2%
	Total General Plant	7,223,917	7,048	3,729,877	55,904	95,903	770,265	2,414,710	150,209
	General Plant Percent	100.00%	0.1%	51.6%	0.8%	1.3%	10.7%	33.4%	2.1%
	Total Utility Plant	95,051,496	757,871	61,457,953	10,127,980	8,106,220	7,501,093	2,414,710	4,685,669
	Utility Plant Percent	100.00%	0.80%	64.66%	10.66%	8.53%	7.89%	2.54%	4.93%
	Accum. Depreciation								
	Distribution Plant	29,583,974	252,908	19,445,212	3,392,693	2,698,207	2,267,222	-	1,527,731
	General Plant	3,917,059	3,822	2,022,469	30,313	52,002	417,665	1,309,340	81,449
	Net Plant	61,550,464	501,141	39,990,272	6,704,974	5,356,011	4,816,207	1,105,371	3,076,489
	Net Plant Percent	100.00%	0.81%	64.97%	10.89%	8.70%	7.82%	1.80%	5.00%
	CWIP	297,749	2,545	195,707	34,146	27,156	22,819	-	15,376
	Subtotal	61,848,213	503,686	40,185,979	6,739,119	5,383,167	4,839,025	1,105,371	3,091,865
	Plus								
	Cash Working Capital	911,086	7,420	591,980	99,274	79,299	71,284	16,283	45,546
	Materials & Supplies	740,992	6,035	481,461	80,740	64,495	57,975	13,243	37,043
	Prepayments	175,484	1,429	114,021	19,121	15,274	13,730	3,136	8,773
	Minus: Consumer Advances	87,549	748	57,545	10,040	7,985	6,709	-	4,521
	Net Investment Rate Base	63,588,226	517,821	41,315,896	6,928,215	5,534,250	4,975,305	1,138,033	3,178,706
	Rate Basse Percent	100.00%	0.81%	64.97%	10.90%	8.70%	7.82%	1.79%	5.00%

CLASSIFICATION OF RATE BASE

	Consumer Related Costs	Demand Related Costs	Energy Related Costs	Security Lighting		Total
Stations		517,821				517,821
Lines	13,841,858	27,474,038				41,315,896
Transformers	1,988,580	4,939,635				6,928,215
Services	5,534,250					5,534,250
Meters	4,975,305					4,975,305
Consumer & Accounting Svc	1,138,033					1,138,033
Outdoor Lighting				3,178,706		3,178,706
	27,478,026	32,931,494	-	3,178,706		63,588,226

ALLOCATION OF RATE BASE TO RATE CLASSES

Function	Classification	Amount	Schedule I Residential Schools & Church	Schedule I Marketing ETS Rate	Schedule II Small Commercial No Demand	Schdule II mall Commerci With Demand	Schedule III 3 Phase School & Church	Schedule IV Large Power 2500 kW Plus
Stations	Demand	517,821	334,150	-	16,267	13,774	23,534	31,038
Lines	Consumer	13,841,858	12,889,378	-	768,863	81,608	26,814	1,749
Lines	Demand	27,474,038	17,729,016	-	863,099	730,794	1,248,628	1,646,777
Tansformers	Consumer	1,988,580	1,802,930	-	139,168	34,245	11,252	-
Transformers	Demand	4,939,635	4,470,579	-	239,689	46,006	128,290	-
Services	Consumer	5,534,250	5,076,476	275	352,983	26,744	8,787	-
Meters	Consumer	4,975,305	4,336,896	1,569	258,700	196,801	64,663	4,217
Consumer & Accounting		-						
Services	Consumer	1,138,033	971,715	66	57,964	9,228	2,021	198
Outdoor Lighting	Lighting	3,178,706						-
		63,588,226	47,611,141	1,910	2,696,733	1,139,201	1,513,990	1,683,978

SUMMARY OF CLASSIFICATION OF EXPENSES

	Consumer Related Costs	Demand Related Costs	Energy Related Costs	Security Lighting	Total
Purchased Power	-	7,413,594	23,964,150	-	31,377,744
Stations		50,209			50,209
Lines	2,430,916	4,825,008	-	-	7,255,924
Transformers	181,483	450,804	-	-	632,288
Services	557,734	-	-	-	557,734
Meters	1,203,678	-		-	1,203,678
Consumer Services					-
& Accounting	2,571,792	-	-		2,571,792
Lighting				418,025	418,025
	6,945,603	12,739,615	23,964,150	418,025	44,067,393

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2014-00159

CLASSIFICATION OF EXPENSES

Expense	2 Lines	Consumer Related Costs	Demand Related Costs	Total
Purchased Power	-	-	-	-
Distibution Operations	673,443	225,620	447,823	673,443
Distribution Maintenance	2,515,388	842,718	1,672,670	2,515,388
Consumer Accounts	-	-	-	-
Customer Service	-	-	-	-
Administative & General	665,077	222,817	442,259	665,077
Depreciation	2,201,512	737,561	1,463,950	2,201,512
Miscellaneous	33,261	11,143	22,117	33,261
Interest on Long Term Debt	582,590	195,182	387,408	582,590
Short Term Interest	2,064	691	1,372	2,064
Total Costs	6,673,334	2,235,734	4,437,600	6,673,334
Margin Requirements	582,590	195,182	387,408	582,590
Revenue Requirements	7,255,924	2,430,916	4,825,008	7,255,924

Expense	3 Transformers	Consumer Related Costs	Demand Related Costs	Total
Purchased Power	-	-	-	-
Distibution Operations	-	-	-	-
Distribution Maintenance	47,784	13,715	34,069	47,784
Consumer Accounts	-	-	-	-
Customer Service	-	-	-	-
Administative & General	9,968	2,861	7,107	9,968
Depreciation	373,321	107,153	266,168	373,321
Miscellaneous	5,481	1,573	3,908	5,481
Interest on Long Term Debt	97,694	28,041	69,653	97,694
Short Term Interest	346	99	247	346
Total Costs	534,594	153,442	381,151	534,594
Margin Requirements	97,694	28,041	69,653	97,694
Revenue Requirements	632,288	181,483	450,804	632,288

		Energy Related Costs	Demand Related Costs	
Purchased Power	31,377,744	23,964,150	7,413,594	31,377,744

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2014-00159

CLASSIFICATION OF EXPENSES

	Consumer Related Costs			
Expense	Services	Meters	Consumer Services & Accounting	Total
Purchased Power	-	-	-	-
Distibution Operations	82,060	527,711	-	609,771
Distribution Maintenance	-	131,232	-	131,232
Consumer Accounts	-	-	1,907,687	1,907,687
Customer Service	-	-	156,290	156,290
Administative & General	17,101	137,346	430,569	585,016
Depreciation	297,834	262,768	43,787	604,390
Miscellaneous	4,387	4,060	1,307	9,753
Interest on Long Term Debt	78,038	70,156	16,047	164,241
Short Term Interest	276	249	57	582
Total Costs	479,696	1,133,522	2,555,744	4,168,963
Margin Requirements	78,038	70,156	16,047	164,241
Revenue Requirements	557,734	1,203,678	2,571,792	4,333,204

Expense	Stations	Lighting
Purchased Power		-
Distibution Operations	6,031	128,527
Distribution Maintenance	-	-
Consumer Accounts	-	-
Customer Service	-	-
Administative & General	1,257	26,784
Depreciation	27,881	170,374
Miscellaneous	410	2,536
Interest on Long Term Debt	7,302	44,823
Short Term Interest	26	159
Total Costs	42,907	373,202
Margin Requirements	7,302	44,823
Revenue Requirements	50,209	418,025

DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 364 - POLES

1. Actual Data

Poles	Size	Investment	Number of Units	Unit Cost
25 & 30 '	30	4,400,399.42	14,150	$ 310.98
35 '	35	1,176,336.94	8,410	$ 139.87
40 '	40	7,972,258.67	18,185	$ 438.40
45 '	45	2,877,326.02	5,696	$ 505.15
50 '	50	974,246.16	1,537	$ 633.86
55 '	55	337,101.67	400	$ 842.75
60 '	60	95,779.67	85	$ 1,126.82
65 '	65	45,413.26	56	$ 810.95
70 '	70	19,138	22	$ 869.91
75 '	75	257	1	$ 257.25
		-	-	
Subtotal		17,898,257	48,542	
All other items		0		
Total Investment in Poles		17,898,257		

2. Determination of Demand and Consumer Related Investment

Use minimum size pole - 35 ft	139.8700
Number of poles	48,542
Consumer Related Investment	6,789,570
Total Investment in poles	17,898,257
Percent Customer Related	**37.93%**
Percent Demand Related	**62.07%**

ACCOUNT 365 - CONDUCTOR

1. Actual Data

Conductor	Investment	Number of Units	Unit Cost	Amps
6ACWC	833	14,483	$ 0.0575	120
8 ACWC	8,740	162,152	$ 0.0539	
4 HD CU	22,936	206,906	$ 0.1109	
6 HD CU	8,876	107,987	$ 0.0822	
2 ACSR	6,334,933	13,605,997	$ 0.4656	184
4 ACSR	650,273	2,260,737	$ 0.2876	
1/0 ACSR	1,808,873	4,464,110	$ 0.4052	230
2/0 ACSR	116,824	527,459	$ 0.2215	
3/0 ACSR	23,425	104,188	$ 0.2248	324
4/0 ACSR	1,551,716	2,188,918	$ 0.7089	340
226.8 MCM-CU	9,350.82	44,109	0.2120	
336.4 MCM	3,287,747	1,985,036	$ 1.6563	510
395.5 MCM AL	110	267	$ 0.4114	
AERIAL CABLE	80,927	71,319	$ 1.1347	
4/0 AERIAL CABLE	4,242	7,885	$ 0.5380	
AERIAL CABLE 2	836	200	$ 4.1823	
1/0 SP CABLE	7,470	950	$ 7.8632	
4/0 CABLE	70,292	23,880	$ 2.9436	
OH SPACER CABLE 556	618,451	585,554	$ 1.0562	
SUBTOTAL	14,606,856	26,362,137	$ 0.5541	
All other OH Conductor Invest.	-			
TOTAL	26,557,329		1	

2. Demand and Consumer Investment Percents

Use Exponential Curve	
Formula	y=b*m^x
Intercept	0.15554
X Variable 1	1.00394
Use zero intercept	0.15554
Amount of Conduit	26,362,137
Consumer Related Investment	4,100,456
Total Investment in conductor	14,606,856
Percent Customer Related	**28.07%**
Percent Demand Related	**71.93%**

DEMAND AND CONSUMER RELATED INVESTMENTS

Data for Exponential Curve			
Conuctor		Per Unit Cost	Wire Size
6 ACWC	$	0.06	120
2 ACSR	$	0.47	180
1/0 ACSR	$	0.41	230
3/0 ACSR	$	0.22	324
4/0 ACSR	$	0.71	340
336.4 MCM	$	1.66	530
			-

14,606,856

Breakdown of Lines into Demand Related and Consumer Related Components

Acct		Consumer-Related		Demand-Related	
No.	Investment	Percent	Amount	Percent	Amount
364.00	17,898,257	37.93%	6,789,569.56	62.07%	11,108,687
365.00	14,606,856	28.07%	4,100,456.04	71.93%	10,506,400
	32,505,113		10,890,025.59		21,615,088
%	**100.00%**		**33.50%**		**66.50%**

DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 368 - TRANSFORMERS

Type of Transfomer	Size In KVA	Number of Transfomers	Total Cost	Per Unit Cost
Various	0	-	-	-
10 KVA CONV	10	60	23,236	387.26
15 KVA CONV	15	176	79,595	452.25
25 KVA CONV	25	219	124,346	567.79
37.5 KVA CONV	37.5	47	22,268	473.79
50 KVA CONV	50	415	328,841	792.39
75 KVA CONV	75	13	12,457	958.27
100 KVA CONV	100	132	177,408	1,344.00
167 KVA CONV	167	88	161,939	1,840.22
250 KVA CIBVE	250	22	57,539	2,615.40
333 KVA CONV	333	51	175,919	3,449.40
500 KVA CONV	500	2	21,706	10,852.98
500 KVA 3PH PAD	500	11	79,745	7,249.53
750 - 1000 KVA 3PH PAD	750	7	66,566	9,509.48
1500 KVA PAD	1500	1	9,265.00	9,265.00
1.5 KVA CSP	1.5	213	22,260.23	104.51
3 KVA CSP	3	542	73,018.49	134.72
5 KVA CSP	5	893	152,295.32	170.54
7.5 KVA CSP	7.5	32	7,132.02	222.88
10 KVA CSP	10	4,694	1,064,945.05	226.87
15 KVA CSP	15	8,675	3,444,823.82	397.10
25 KVA CSP	25	3,991	2,044,954.57	512.39
50 KVA CSP	50	334	266,572.83	798.12
75 KVA CSP	75	2	1,645.42	822.71
500 KVA URD	500	2	40,445.31	20,222.66

DEMAND AND CONSUMER RELATED INVESTMENTS

Total	20,622	8,458,923	410.19

2. Demand and Consumer Investment Percents

Regression Equaltion	
Zero Intercept	$ 117.74
Slope - X Variable	$ 12.84
Use Intercept	117.74
Number of Transformers	20,622
Consumer Related Investment	2,427,933
Total Investment in transformers	8,458,923.40
Percent Customer Related	**28.70%**
Percent Demand Related	**71.30%**

ACCOUNT 368 - TRANSFORMERS

3. Data for Regression Line

Transformer	Size kVa	Unit Cost
5 kVA	5.00	222.88
10 kVa	10.00	228.90
15 kVa	15.00	398.19
25 kVa	25.00	515.27
37.5 kVa	37.50	473.79
50 kVa	50.00	794.95

ALLOCATION OF REVENUE REQUIREMENTS

Function	Classification	Amount	Green Power	Schedule I Residential, School & Church	Schedule I Marketing Rate	Schedule II Small Commercial - No Demand	Schedule II Small Commercial - W/Demand
Purchased Power	Demand	7,363,386		5,109,840	-	117,497	215,629
Purchased Power	Meters&Sus	50,209		32,400	-	1,577	1,336
Purchased Power	Energy	23,964,150		15,654,542	43,195	744,479	364,493
Stations	Demand	50,209		32,400	-	1,577	1,336
Lines	Consumer	2,430,916		2,263,641	-	135,028	14,332
Lines	Demand	4,825,008		3,113,581	-	151,578	128,343
Transformers	Consumer	181,483		164,540	-	12,701	3,125
Transformers	Demand	450,804		407,997	-	21,875	4,199
Services	Consumer	557,734		511,600	28	35,573	2,695
Meters	Consumer	1,203,678		1,049,228	380	62,587	47,612
Consumer Services & Accounting	Consumer	2,571,792		2,195,935	149	130,989	20,855
Lighting	Lighting	418,025					
Revenue Requirements		44,067,393		30,535,704	43,752	1,415,463	803,954

ALLOCACTION SUMMARY

	Amount		Schedule I Residential, School & Church	Schedule I Marketing Rate	Schedule II Small Commercial - No Demand	Schedule II Small Commercial - W/Demand
Consumer Related	6,945,603		6,184,945	556	376,879	88,620
Demand Related	12,739,615		8,696,218	-	294,105	350,841
Energy Related	23,964,150		15,654,542	43,195	744,479	364,493
Lighting	418,025					
Revenue Requirements	44,067,393		30,535,704	43,752	1,415,463	803,954

		ALLOCATION OF REVENUE REQUIREMENTS				
		Schedule III	Schedule IV	Schedule IV-A	Schedule VI	-
	Classifi-	3 Phase Schoo	Large Power	Large Power	Outdoor	-
Function	cation	& Churches	2500 kW Plus	50-2500 kW	Lighting	Total
Purchased Power	Demand	239,409	332,376	1,283,271	65,363	7,363,386
Purchased Power	Meters&Sus	2,282	3,009	8,455	1,150	50,209
Purchased Power	Energy	874,264	1,555,474	4,147,950	579,752	23,964,150
Stations	Demand	2,282	3,009	8,455	1,150	50,209
Lines	Consumer	4,709	307	8,190	4,709	2,430,916
Lines	Demand	219,285	289,208	812,542	110,471	4,825,008
Transformers	Consumer	1,027	-	-	90	181,483
Transformers	Demand	11,708	-	-	5,026	450,804
Services	Consumer	886	-	-	6,952	557,734
Meters	Consumer	15,644	1,020	27,207	-	1,203,678
Consumer Services			-		-	-
& Accounting	Consumer	4,568	447	11,917	206,930	2,571,792
Lighting	Lighting	-			418,025	418,025
Revenue Requirements		1,376,063	2,184,851	6,307,989	1,399,617	44,067,393
				ALLOCATION SUMMARY		
		Schedule III	Schedule IV	Schedule IV-A	Schedule VI	-
		3 Phase Schoo	Large Power	Large Power	Outdoor	-
		& Churches	2500 kW Plus	50-2500 kW	Lighting	Total
Consumer Related		26,834	1,774	47,314	218,681	6,945,603
Demand Related		474,965	627,603	2,112,724	183,159	12,739,615
Energy Related		874,264	1,555,474	4,147,950	579,752	23,964,150
Lighting		-	-		418,025	418,025
Revenue Requirements		1,376,063	2,184,851	6,307,989	1,399,617	44,067,393

COST OF RESULTS	COST TO SERVE			
	Schedule I Residential, School & Church	Schedule I Marketing Rate	Schedule II Small Commercial - No Demand	Schedule II Small Commercial - W/Demand
Billing Determinants				
Customer Charges	265,245		15,633	1,727
Demand kW	2,358,992		126,477	38,733
Energy kWh	303,966,144	838,809	14,478,749	7,078,107
Cost to Serve by Rate Class				
Customer Charges	$ 23.32		$ 24.11	$ 51.31
Demand kW	$ 3.69		$ 2.33	$ 9.06
Energy kWh	$ 0.05150	0.05216	$ 0.05142	$ 0.05150

COST TO SERVE

COST OF RESULTS	Schedule III 3 Phase Schoo & Churches	Schedule IV Large Power 2500 kW Plus	Schedule IV-A Large Power 50-2500 kW	Schedule VI Outdoor Lighting
Billing Determinants				
Customer Charges	548	33	923	136,989
Demand kW	67695	96,652	260,376	29,059
Energy kWh	16,989,450	30,205,800	80549209	11,103,122
Cost to Serve by Rate Class				
Customer Charges	$ 48.97	$ 53.77	$ 51.26	$ 4.65
Demand kW	$ 7.02	$ 6.49	$ 8.11	$ 54.47
Energy kWh	$ 0.05146	$ 0.05150	$ 0.05150	$ 0.05222

LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

RETAIL ENERGY SALES - kWh

Month	Schedule I Residential, School & Church	Schedule I Marketing Rate	Schedule II Small Commer-cial - No Demand	Schedule II Small Commer-cial - W/Demand	Schedule III 3 Phase School & Churches	Schedule IV Large Power 2500 kW Plus	Schedule IV-A Large Power 50-2500 kW	Schedule VI Outdoor Lighting	Total Energy Sales - kWh
January	37,700,174	178,747	1,436,178	550,070	1,525,190	3,094,200	6,272,953	924,493	51,682,005
February	31,443,810	157,904	1,229,800	579,676	1,670,824	2,736,000	6,970,357	925,047	45,713,417
March	30,529,097	142,940	1,198,034	530,694	1,450,553	2,849,400	5,639,878	924,493	43,265,089
April	21,769,268	78,131	1,069,088	579,064	1,380,698	3,344,400	6,471,310	921,999	35,613,958
May	18,147,731	27,282	1,089,671	563,048	1,313,749	3,070,800	6,400,187	921,584	31,534,052
June	21,063,064	1,683	1,198,506	652,695	1,117,325	2,826,000	6,982,542	926,432	34,768,247
July	22,473,294	928	1,223,391	689,275	1,158,199	2,059,200	6,763,192	924,216	35,291,695
August	22,927,158	792	1,284,085	679,498	1,552,174	2,165,400	7,327,366	926,986	36,863,458
September	20,224,245	991	1,192,847	659,890	1,618,738	1,992,600	7,026,551	925,462	33,641,324
October	18,533,801	19,474	1,102,086	586,537	1,354,836	1,992,600	6,790,550	926,016	31,305,900
November	24,519,978	86,374	1,092,318	484,645	1,376,113	2,062,800	6,971,866	927,471	37,521,565
December	34,664,524	143,563	1,341,069	523,015	1,458,973	2,012,400	6,932,457	928,925	48,004,926
	303,996,144	838,809	14,457,073	7,078,107	16,977,372	30,205,800	80,549,209	11,258,223	465,360,737
Percentage	65.32%	0.18%	3.11%	1.52%	3.65%	6.49%	17.31%	2.42%	100.0%

LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

MONTHLY CONTRIBUTION TO EKPC COINCIDENT DEMAND - KW

Month	Schedule I Residential, School & Church	Schedule I Marketing Rate	Schedule II Small Commer-cial - No Demand	Schedule II Small Commer-cial - W/Demand	Schedule III 3 Phase School & Churches	Schedule IV Large Power 2500 kW Plus	Schedule IV-A Large Power 50-2500 kW	Schedule VI Outdoor Lighting	Total Demand kW
January	80,009	-	1,394	3,195	4,554	3791	17,906	2406	113,255
February	79,063	-	1,462	2,560	2,684	3048	13,507	2407	104,731
March	77,487	-	2,352	3,330	3,389	2694	16,483	2411	108,146
April	52,159	-	1,845	2,723	2,218	5868	17,847	0	82,660
May	43,416	-	1,152	2,808	2,635	5708	15,246	0	70,965
June	58,573	-	1,131	2,219	2,242	5325	14,988	0	84,478
July	58,422	-	298	2,470	2,168	4455	15,042	0	82,855
August	54,386	-	610	2,614	3,378	3835	15,627	0	80,450
September	52,346	-	1,383	2,734	3,647	4880	15,814	0	80,804
October	54,025	-	668	2,198	2,547	3351	15,154	0	77,943
November	72,069	-	2,254	2,311	2,375	2306	14,784	0	96,099
December	74,014	-	2,834	2,739	3,582	3912	17,454	2446	106,981
	755,969	-	17,383	31,901	35,419	49,173	189,852	9,670	1,089,367
									1,089,367
Allocation %	69.40%	0.00%	1.60%	2.93%	3.25%	4.51%	17.43%	0.89%	100%

LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

MONTHLY PEAK DEMANDS FOR EACH RATE CLASS kW

Month	Schedule I Residential, School & Church	Schedule I Marketing Rate	Schedule II Small Commercial - No Demand	Schedule II Small Commercial - W/Demand	Schedule III 3 Phase School & Churches	Schedule IV Large Power 2500 kW Plus	Schedule IV-A Large Power 50-2500 kW	Schedule VI Outdoor Lighting	Total Demand kW
January	80,009		4,206	3,195	5,517	8,022	15405	2406	118,760
February	79,523		4,151	2,560	5,173	6,289	14072	2407	114,175
March	77,487		4,462	3,330	5,037	7,357	16158	2411	116,242
April	53,158		4,905	2,723	4,996	7,405	15622	2404	91,213
May	53,420		2,033	2,808	4,614	7,874	16545	2406	89,700
June	62,991		2,205	2,781	3,428	6,927	17798	2425	98,555
July	73,516		2,832	2,947	3,571	5,434	18545	2424	109,269
August	61,460		2,393	2,614	5,046	5,187	19827	2430	98,957
September	61,591		2,185	3,100	5,253	5,245	19616	2428	99,418
October	68,149		3,994	2,504	4,980	5,356	20136	2433	107,552
November	73,697		2,705	2,459	4,926	5,496	19972	2439	111,694
December	74,014		3,801	2,739	5,141	5,483	20040	2446	113,664
	819,015	-	39,872	33,760	57,682	76,075	213,736	29,059	1,269,199
									1,269,199
Lines	64.53%	0.00%	3.14%	2.66%	4.54%	5.99%	16.84%	2.29%	100%

LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

1,269,199

SUM OF THE PEAK DEMANDS FOR EACH CUSTOMER WITHIN THE RATE CLASS - KW

Month	Schedule I Residential, School & Church	Schedule I Marketing Rate	Schedule II Small Commer- cial - No Demand	Schedule II Small Commer- cial - W/Demand	Schedule III 3 Phase School & Churches	Schedule IV Large Power 2500 kW Plus	Schedule IV-A Large Power 50-2500 kW	Schedule VI Outdoor Lighting	Total Demand kW
January	211,005	651	10,197	2,006	6,422	9,022	18,540	2406	260,249
February	199,272	651	10,789	2,032	6,044	7,289	17,368	2407	245,852
March	208,551	630	11,151	2,094	5,898	8,357	19,865	2411	258,957
April	198,421	637	11,341	2,082	5,899	8,405	19,341	2404	248,530
May	189,854	546	11,480	2,049	5,608	8,874	20,509	2406	241,326
June	178,420	203	9,122	1,735	4,035	7,927	21,339	2425	225,206
July	181,339	133	9,171	1,766	4,146	6,434	22,483	2424	227,896
August	180,962	112	9,488	1,914	5,590	6,187	23,408	2430	230,091
September	175,837	147	9,757	1,960	5,727	6,245	23,283	2428	225,384
October	206,231	560	12,322	2,260	5,930	6,356	23,832	2433	259,924
November	212,161	679	10,596	2,226	6,309	6,496	24,747	2439	265,653
December	216,939	693	11,063	2,152	6,087	6,483	23,770	2446	269,633
	2,358,992	-	126,477	24,276	67,695	-	-	29,059	2,606,499
	90.50%	0.00%	4.85%	0.93%	2.60%	0.00%	0.00%	1.11%	100.00%

ALLOCATION OF CONSUMER RELATED COSTS

A. Lines (poles and conduit)

		Factor	Number of Consumers	Relative Weight	Allocation Percent
I	Residential, School and Church	1.00	22,112	22,112.00	93.12%
IA	Residenital ETS	1.00	0	-	0.00%
II	Small Commercial w/no Demand	1.00	1,319	1,319.00	5.55%
II	Small Commercial w/Demand	1.00	140	140.00	0.59%
III	3 Phase Scholls and Churches	1.00	46	46.00	0.19%
IV	Large Power - 2500 kW and Larger	1.00	3	3.00	0.01%
IV-A	Large Power - 50- 2500 kW	1.00	80	80.00	0.34%
VI	Outdoor Lighting	1.00	46	46.00	0.19%
			23,746	23,746	100.0%

B. Transformers

		1 Minimum Size Transform.	2 Cost of Minimum Transform.	3 Weighted Cost Min = 1	4 Number of Customers	5 Relative Weight	6 Allocation Percent
I	Residential, School and Church	15 KVA	$ 398.19	1.00	22,112	22,112	90.66%
IA	Residenital ETS	-	$ -	-	-	-	0.00%
II	Small Commercial w/no Demand	25 KVA	515.27	1.29	1,319	1,707	7.00%
II	Small Commercial w/Demand	3-15 KVA	$ 1,194.58	3.00	140	420	1.72%
III	3 Phase Scholls and Churches	3-15 KVA	1,194.58	3.00	46	138	0.57%
IV	Large Power - 2500 kW and Larger	-	-	-	3.00	-	0.00%
IV-A	Large Power - 50- 2500 kW	-	-	-	80.00	-	0.00%
VI	Outdoor Lighting	1.5 KVA	104.51	0.26	46.00	12	0.05%
					23,746.00	24,388.89	100.0%

ALLOCATION OF CONSUMER RELATED COSTS

C. Services

		1	2	3	4	5	6	
		Minimum Size Service	Cost Per Unit	Average Length of Service	Cost of Service	Number of Customers	Relative Weight	Allocation Percent
I	Residential, School and Church	2 Triplex	$ 2.58	100	258.26	22,112	5,710,646	91.73%
IA	Residenital ETS	2 Triplex	$ 2.58	15	38.74	8	310	0.005%
II	Small Commercial w/no Demand	2/0 Triplex	$ 3.01	100	301.05	1,319	397,079	6.38%
II	Small Commercial w/Demand	2/0 Quad	$ 4.30	50	214.89	140	30,085	0.48%
III	3 Phase Scholls and Churches	2/0 Quad	$ 4.30	50	214.89	46	9,885	0.16%
IV	Large Power - 2500 kW and Larger					3		0.00%
IV-A	Large Power - 50- 2500 kW					80		0.00%
VI	Outdoor Lighting	4 Triplex	$ 0.47	15	6.98	11,113	77,602	1.25%
		#REF!						
						34,821.00	6,225,606.53	100.00%

D. Meters

		1	2	3	4	5	6	
		Minimum Size Meter	Cost of Minimum Meter	Weighted Cost Meter	Number of Customers	Relative Weight	Allocation Percent	
I	Residential, School and Church	2-3 Wire	43.67	1.00	22,112	22,112.00	87.168%	
IA	Residenital ETS	2-3 Wire	43.67	1.00	8	8.00	0.032%	
II	Small Commercial w/no Demand	2-3 Wire	43.67	1.00	1,319	1,319.00	5.200%	
II	Small Commercial w/Demand	Demand	313.00	7.17	140	1,003.41	3.956%	
III	3 Phase Scholls and Churches	Demand	313.00	7.17	46	329.69	1.300%	
IV	Large Power - 2500 kW and Larger	Demand	313.00	7.17	3	21.50	0.085%	
IV-A	Large Power - 50- 2500 kW	Demand	313.00	7.17	80	573.37	2.260%	
VI	Outdoor Lighting					-	0.000%	
					23,708.00	25,366.97	100.0%	

ALLOCATION OF CONSUMER RELATED COSTS

E. Consumer & Accounting Services

Rate Class		Factor	Multiplier	Consumers Records	Total	Allocation Percent	
I	Residential, School and Church	4	1.00	4	22,112	88,448	85.39%
IA	Residenital ETS	3	0.25	1	8	6	0.01%
II	Small Commercial w/no Demand	4	1.00	4	1,319	5,276	5.09%
II	Small Commercial w/Demand	6	1.00	6	140	840	0.81%
III	3 Phase Scholls and Churches	4	1.00	4	46	184	0.18%
IV	Large Power - 2500 kW and Larger	6	1.00	6	3	18	0.02%
IV-A	Large Power - 50- 2500 kW	6	1.00	6	80	480	0.46%
VI	Outdoor Lighting	3	0.25	1	11,113	8,335	8.05%
-							
						103,587	100.00%

CUMBERLAN _LEY ELECTRIC
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SUMMARY RESULTS OF COST OF SERVICE STUDY

Exhibit R
Schedule 5
Page 33 of 33
Witness: Jim Adkins

	Schedule I Residential, Schl & Chur	Schedule I Marketing Rate	Schedule II Sml Com 1 Phase	Schedule II Sml Com 3 Phase	Schedule III 3 Phase Schl & Churches	Schedule IV Large Power 2500 kW Plus	Schedule IV-A Large Power 50-2500 kW	Schedule VI Outdoor Lights	Total
Revenue from Rates	27,553,696	43,098	1,442,770	820,602	1,344,715	2,160,882	5,994,568	$ 1,300,158	$ 40,660,489
Less Purchased Power Costs						-			
Demand	5,142,240	-	119,075	216,965	241,690	335,386	1,291,727	66,512	7,413,594
Energy	15,654,542	43,195	744,479	364,493	874,264	1,555,474	4,147,950	579,752	23,964,150
Total	20,796,782	43,195	863,554	581,458	1,115,955	1,890,859	5,439,677	646,264	31,377,744
Gross Margin	6,756,915	(97)	579,216	239,144	228,760	270,023	554,891	653,894	9,282,745
Less Distribution Costs						-			
Demand Related						-			
Stations	32,400	-	1,577	1,336	2,282	3,009	8,455	1,150	50,209
Lines	3,113,581	-	151,578	128,343	219,285	289,208	812,542	110,471	4,825,008
Transformers	407,997	-	21,875	4,199	11,708	-	-	5,026	450,804
Total Distribution Realted	3,553,978	-	175,030	133,877	233,275	292,217	820,998	116,647	5,326,021
Consumer Related						-			
Lines	2,263,641	-	135,028	14,332	4,709	307	8,190	4,709	2,430,916
Transformers	164,540	-	12,701	3,125	1,027	-	-	90	181,483
Services	511,600	28	35,573	2,695	886	-	-	6,952	557,734
Meters	1,049,228	380	62,587	47,612	15,644	1,020	27,207	-	1,203,678
Consumer Svc						-			-
& Accouting	2,195,935	149	130,989	20,855	4,568	447	11,917	206,930	2,571,792
Outdoor Lighting	-	-	-	-	-	-	-	418,025	418,025
Total Consumer Related	6,184,945	556	376,879	88,620	26,834	1,774	47,314	636,706	7,363,628
Total Distribution Costs	9,738,922	556	551,909	222,497	260,109	293,992	868,311	753,353	12,689,649
Margins from Rate Revenue	(2,982,008)	(654)	27,307	16,648	(31,348)	(23,969)	(313,421)	(99,459)	(3,406,904)
Other Revenue	1,222,269	-	64,001	36,402	59,651	95,856	265,916	57,674	1,801,769
Over (Under) Recovery	(1,759,738)	(654)	91,307	53,049	28,303	71,887	(47,505)	(41,785)	(1,605,135)

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Q10: Refer to Exhibit R of the application, page 8 of 33.

a. Depreciation Distribution Plant is shown as having been allocated using Footnote 6. Confirm that the allocation method used is actually based on the Distribution Plant percentages found on page 11 of 33.

RESPONSE:

That is confirmed.

b. Account 403.6, Depreciation General Plant is shown as having been allocated using Footnote 6. Confirm that the allocation method used is actually based on the General Plant percentages found on page 11 of 33.

RESPONSE:

That is confirmed.

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Q11: Refer to Exhibit R of the application, page 9 of 33.

a. Refer to the calculation of Footnote 1. Provide the breakdown of the plant accounts that are included in the $65,738,393 shown for "Poles and Conductor." If Services of $8,010,317 is included in the $65,738,393, confirm that it should not be included and provide a corrected cost of service study ("COSS")

RESPONSE:

The breakdown of the plant investment included in the $65,738,393 is provided below:

Plant Investment Amounts	
Land and Land Rights	$ 5,485
Poles, Towers & Fixtures	27,528,688
Overhead Conductor & Devices	26,557,329
Underground Conductor	3,636,573
Services	8,010,317
	$ 65,738,393

Services is confirmed as included in the above amount. I cannot confirm that it should not be included. The reason for the manner for its use is for the allocation of overhead and underground line expenses to lines and to services accounts proportional on plant investment. No adjustment has been made for this item in the Revised Cost of Service Study ("RCOSS").

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b. Refer to the calculation for Footnote 3. Confirm that the Transformer line item should contain an amount of $45,291 (as shown in the Transformers column of page 7 of 33) in the Actual column, which would change the percentage allocations. If this cannot be confirmed, explain why the $45,291 should not be included. If a correction is necessary, provide a correct COSS.

RESPONSE:

It is confirmed that the Transformer Item was left out and it has been included in the attached RCOSS.

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Q12: Refer to Exhibit R of the application, page 10 of 33. Explain why Account 389, Rents, of $1,500 is not included on this page.

RESPONSE:

This change has been made as a result Item 9 response. See RCOSS for this correction.

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Q13: Refer to Exhibit R of the application, page 13 of 33. The rate classes included on this page do not reconcile to the rate classes included on page 22-23 of 33. Provide an updated schedule showing the allocation of rate base to the rate class categories as shown on pages 22-23.

RESPONSE:

This schedule has been updated. See RCOSS.

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Q14: Refer to Exhibit R of the application, pages 17-21. Explain the different methods (zero-intercept and minimum size) used to determine the customer and demand-related components for Account 364, poles; Account 365, Overhead Conductors, and Account 368, Transformers; also, explain why Cumberland Valley used different methods in determination of the demand and customer-related components for the accounts.

RESPONSE:

The preferential method for the allocation of investment between demand related and consumer related is the following one:

- Zero intercept method based on a regression line,
- Zero intercept method based on an exponential curve,
- Minimum size method

The minimum size method was used for poles because the results from using either one of the zero intercept approaches did not provide a reasonable measure. The zero intercept method based on an exponential curve was used for the conductor because the zero intercept method based on a regression line did not provide a reasonable measure. A zero intercept method was utilized for the transformers because did provide a reasonable measure. Several reasons exist for not considering a result a reasonable measure. The primary reason for an unusable result is negative value when using one of the two intercept methods. Another reason for an unusable result is a value so low that provides percentages that are abnormal when using those percentages for determining the split between demand related and consumer related investment.

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Q15: Refer to Exhibit R of the application, pages 22, 23, and 29. Explain the rationale for allocating Transformers Demand to the rate classes based on the "Sum of the Peak Demands for Each Customer with the Rate Class – KW." Include in the response how individual customer peak demands are determined for customers without demand meters.

RESPONSE:

Each customer is served by a transformer that will vary in size and the size or capacity of the transformer will be dependent upon the size of each customer's load. Each transformer varies in cost and is normally based on transformer size. Therefore, it has been determined that transformer demand related costs should be allocated on the basis of individual consumer demands assuming that a reasonable relationship exists between the size of individual consumer's demand and the size of the transformer for that customer.

This approach is consistent with and deemed acceptable by the 1992 NARUC Electric Utility Cost Allocation Manual.

Individual peak demands for customers without demand meters has been based on the load research of East Kentucky Power Cooperative. This load research is conducted with all of its sixteen member systems and the final data used in this application has been developed by East Kentucky Power Cooperative.

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Q16: Refer to Exhibit R of the application, pages 24-25 of 33.

a. Explain how the demand "kW" for Schedule I, Schedule II (No Demand), and Schedule III were determined. Include in the response whether customers served under these classes have demand meters.

RESPONSE:

The demand kW for these schedules is based on the load research program of EKPC as stated in the response to Item 15 in this Staff Data Request.

b. Explain why the amounts for the "Energy kWh" for Schedule I and Schedule VI do not reconcile with the kWh amounts found in Exhibit G.

RESPONSE:

The energy kWh for Exhibit G is the proper amount and the RCOSS provides for the proper amounts on 24 and 25 of 33 of the RCOSS.

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Q17: Refer to Exhibit R of the application, page 30 of 33, Table B at the bottom of the page. Explain how the 3.00 in the "Weighted Cost" column was calculated for the rate class "Small Commercial w/ no Demand." If a correction is necessary, file the corrected COSS.

RESPONSE:

That correction has been made in the RCOSS.

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Q18: Refer to Exhibit R of the application, page 31 of 33, Table C at the top of the page. State the basis for the amounts in the "cost Per Unit" column.

RESPONSE:

The cost per unit is the cost of the service wire on a per unit or per foot basis.

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Q19: Refer to exhibit R of the application, page 32 of 33.

a. Explain how the amounts in the "Factor' and "Multiplier" columns were calculated.

RESPONSE:

The factor is based on the number of components in the rates within a tariff. An example is for Schedule I which has a customer charge, an energy charge, a fuel adjustment clause, and an environmental surcharge or a factor of 4. This approach gives some recognition to the magnitude of information that is maintained for each customer.

The multiplier segment gives some recognition to the fact that these rate classes are riders to other accounts. In other words, ETS units and outdoor lights are a part of bill that primarily written for another class.

b. Confirm that the "total" column for the Outdoor Lighting class of 11,113 represents number of lights rather than customer number. If this can be confirmed, explain why the number of lights is used in the table rather than the customer number.

RESPONSE:

The number of 11,113 represents the number of lights. Records must be kept for all lights.

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Q20: Refer to Exhibit R of the application, page 33 of 33. Provide a schedule similar to this schedule which shows the rate of return on rate base provided by each rate class at present and proposed rates.

RESPONSE:

Please see page two of this response for the requested schedule.

	Schedule I Residential, School & Churcl	Schedule I Marketing Rate	Schedule II Small Commer- cial - No Demand	Schedule II Small Commer- cial - W/Demanc	Schedule III 3 Phase School & Churches	Schedule IV Large Power 2500 kW Plus	Schedule IV-A Large Power 50-2500 kW	Schedule VI Outdoor Lighting	Total
Revenue from Rates	27,553,696	43,098	1,442,770	820,602	1,344,715	2,160,882	5,994,568	1,300,158	40,660,489
Purchased Power	20,796,782	43,195	863,554	581,458	1,115,955	1,890,859	5,439,677	646,264	31,377,744
Distibution Operations	1,037,913	171	59,463	34,673	28,052	27,680	89,118	140,702	1,417,772
Distribution Maintenance	2,020,559	41	108,793	55,205	80,319	100,477	287,487	41,522	2,694,404
Consumer Accounts	1,628,887	110	97,165	15,470	3,389	331	8,840	153,495	1,907,687
Customer Service	133,449	9	7,960	1,267	278	27	724	12,575	156,290
Administative & General	1,005,445	69	57,017	22,233	23,366	26,803	80,539	72,627	1,288,101
Depreciation	2,526,112	100	143,139	60,543	80,714	89,743	259,855	217,271	3,377,477
Miscellaneous	38,545	2	2,184	921	1,218	1,355	3,929	3,293	51,447
Interest on Long Term Debt	671,080	27	38,026	16,064	21,349	23,746	68,788	57,572	896,650
Short Term Interest	2,377	0	135	57	76	84	244	204	3,176
Total Costs	29,861,149	43,725	1,377,437	787,891	1,354,715	2,161,105	6,239,201	1,345,526	43,170,748
	9,064,367	529	513,883	206,433	238,760	270,246	799,524	699,262	11,793,004
Margins before Other Revenue	(2,307,453)	(627)	65,333	32,712	(10,000)	(223)	(244,633)	(45,368)	(2,510,259)
Other Revenue	1,222,269	-	64,001	36,402	59,651	95,856	265,916	57,674	1,801,769
Net Margins	(1,085,183)	(627)	129,334	69,113	49,651	95,632	21,283	12,306	(708,490)
TIER	(0.62)	(22.26)	4.40	5.30	3.33	5.03	1.31	1.21	0.21
Net Investment Rate Base	47,611,141	1,910	2,696,733	1,139,201	1,513,990	1,683,978	4,878,257	4,063,016	63,588,226
Return on Rate Base	-0.87%	-31.39%	6.21%	7.48%	4.69%	7.09%	1.85%	1.72%	0.30%
Increase in Revenue	1,315,615	-	82,855	9,153	21,920	29,741	62,958	83,604	1,605,135
Return on Rate Base w/Increas	1.89%	-31.39%	9.28%	8.28%	6.14%	8.86%	3.14%	3.78%	2.82%

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Q21: Refer to exhibit W of the application.

a. Account 131.15, Commercial Bank – e-acct increased by $674,000, from $380,000 to $1,054,000, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

An average of $900,000 per month is deposited into this account from e-checks and credit cards. Money from this account is transferred to the general cash account as needed. The amount remaining in this account at December 2013 was transferred to the general account in January 2014.

b. Account 154, Material & Supplies decreased by $196,000, from $680,000 to $484,000 from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

Some larger jobs were in process at the end of 2012 which were completed during 2013. Thus, more material and supplies were on hand at the end of 2012 to complete these jobs.

c. Account 186.10, Miscellaneous increased by $884,000 from zero to $884,000, from 2012 to the 2013 test period. Provide a detailed explanation for why the account increased by this magnitude.

RESPONSE:

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Our Account 186.10, Def Debit Long Range Plan has not had any activity during 2012 or 2013. Account 186.30, Misc Def Debits-RS Prepayment increased from zero to $884,000, from the 2012 to the 2013 test period. In May 2013, a journal entry was posted to record the R&S Prepayment. This prepayment is being amortized monthly over 15 years per Rural Utilities Service guidance.

d. Account 224.14, CFC Loans decreased by $675,000, from $2,892,000 to $2,217,000 from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

Account 224.12 CFC Loans decreased by $2,892,000, from $2,892,000 to zero from 2012 to the 2013 test period. The CFC loans were refinanced with CoBank in February 2013. Account 224.14 NCSC Loans decreased by $433,000, from $2,650,000 to $2,217,000, from 2012 to the 2013 test period. This decrease is a result of the principal payments made on the loans.

e. Account 224.20 FFB Notes increased by $16,474,000, from $30,053,000 to $46,527,000, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

CVE does not have an Account 224.20 FFB Notes but Account 224.35 L-T Debt-FFB Const Notes Exec has increased by $16,474,000, from 2012 to the 2013 test period. A new work plan was approved in the amount of $17,608,000. At the time a work plan is approved, a credit entry is posted to Account 224.35 L-T Debt-FFB Const Notes Exec for the amount of the new loan. The increase in this account of

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$16,474,000 results from the $17,608,000 new loan less the amount of FFB principal payments of $1,134,000 paid during 2013.

f.. Account 224.21 FFB Notes Unadvanced decreased by $10,708,000 from zero to ($10,708,000), from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

CVE does not have an Account 224.21 FFB Notes Unadvanced but Account 224.45 FFB Notes Executed-Const Debit has decreased by ($10,708,000), from 2012 to the 2013 test period. A new work plan was approved in the amount of $17,608,000. At the time a work plan is approved, a debit entry is posted to FFB Notes Executed-Const Debit for the amount of the new loan. Loans in the amount of $6,900,000 have been advanced which leaves a balance of unadvanced loans fund of $10,708,000 at the 2013 test period.

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Q22: Refer to Exhibit X of the application.

a. Account 583.0, Overhead Line Expense increased by $75,465, from $554,951 to $630,416, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

Property tax has increased due to increase in assessed values and increase in tax rates. Labor and related expenses have increased some due to the type of work being performed such as transformer testing and inspections, line inspections, etc. and labor has decreased in other areas such as construction.

b. Account 584.0, Underground Line Expense increased by $13,472, from $22,596 to $36,067, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

We began using underground locating services in March 2013 which totaled approximately $12,000 for the test year. Property taxes have also increased due to an increase in assessed values and increase in tax rates.

c. Account 593.01, Right of Way Cutting decreased by $255,626, from $1,152,790 to $897,164, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

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RESPONSE:

The number of Right of Way (ROW) crews was temporarily reduced given our current financial condition. However, some increase is expected in the future to adequately maintain the ROW.

d. Account 593.02, Right of Way Materials decreased by $10,527, from $15,921 to $5,394, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

Decision was made not to do any ROW spraying in 2013. ROW spraying supplies were approximately $12,000 for 2012.

e. Account 595.0, Maint of Line Transformers increased by $27,520, from $17,771 to $45,231, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

Increase is due to repairs and maintenance on transformers including idle transformers that were taken out of the field. These were repaired as needed for future use.

f. Account 597.0, Maintenance of Meters decreased by $11,379, from $133,795 to $122,416, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

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RESPONSE:

Large power meters were tested in 2012. These are required to be tested every two years so they were not tested in 2013 and this resulted in a decrease in this account balance from 2012.

g. Account 902.0, Meter Reading Expenses increased by $33,176, from $182,262 to $215,438, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

Monthly communication cost with the substations has increased. Labor cost has also increased in Account 902.0 because employees have read some of the meters for monthly billing when we experienced communication issues with the substations and we did not have current readings for billing. In addition, all meters on one substation were read in an attempt to determine line loss issues.

h. Account 908.0, Customer Assist Exp decreased by $19,006, from $134,461 to $115,455, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

The decrease in Account 908.00 was due to reallocating labor cost of an employee whose job duties changed because of a new hire in July 2012. Labor cost was accumulating in Account 908.00 and shifted to Account 920.00.

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i. Account 909.0, Info and Inst Adv Exp decreased by $6,576, from $44,791 to $38,215, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

Some of the informational materials and supplies that were purchased during 2012 were used in 2013.

j. Account 920.0, Admin and General Salaries increased by $103,682, from $645,759 to $749,441, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

The job duties of one employee changed and labor charges were reallocated between account 920.00 and account 908.00. There were increases in fleet management and overall labor costs that were charged to account 920.00.

k. Account 923.0, Outside Services Employed increased by $8,577, from $43,812 to $52,389, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

RESPONSE:

Increases due to legal fees, engineering fees and inventory of a local municipality that was a candidate for possible acquisition.

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l. Account 929.0, Duplicate Charges decreased by $12,831, from ($30,052) to ($42,883), from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

This account includes concurrent credits for the use of electricity for our own use. The offsetting debits are included in operating expenses. Some of the decrease is due to additional use of electricity in the transportation building.

m. Account 427.2, Int on Other Long Term Debt CFC decreased by $122,165, from $135,210 to $13,045, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

All loans with CFC were refinanced with CoBank in February 2013 resulting in the decrease in interest expense to CFC. Interest expense paid to CoBank is included in Account 427.26, Int on Other Long Term Debt CoBank.

n. Account 427.26, Int on Other Long Term Debt CoBank decreased by $67,245, from $67,245 to zero, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

Account 427.26, Int on Other Long Term Debt-CoBank increased by $67,245, from zero to $67,245, from 2012 to the 2013 test period. All loans previously with CFC were refinanced with CoBank in February 2013 and the related interest expense is

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included in Account 427.26, Int on Other Long Term Debt CoBank. Interest expense paid on the loans prior to March 2013 is included in Account 427.2, Int on Other Long Term Debt CFC.

o. Account 431.0, Interest Expense Other decreased by $39,375, from $41,738 to $2,363, from 2012 to the 2013 test period. Provide a detailed explanation for why this account decreased by this magnitude.

RESPONSE:

This account includes interest paid on utility deposits. Prior to July 12, 2012, the interest rate was 6%. Beginning July 12, 2012 the rate for the remainder of 2012 was .104%. The rate for 2013 was .18%. This rate is calculated annually be the PSC.

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Q23: Refer to Exhibit Y of the application.

a. The 12/31/13 trial balance shows that account 107.75 Work in Progress – Office Remodel at Gray has a balance of $380,089.

1. Provide a detailed description of the project, including construction start and end dates, and the total estimated cost of the project.

RESPONSE:

The project was a partial remodel of the Gray office. The Gray office was constructed in 1965 and had many items that were in need of repair. Some of these items were: leaky roof replaced, front and side entrance areas remodeled, bathrooms remodeled and made handicap accessible, areas painted and drop ceilings added, several doors replaced, flooring replaced in some areas. Design of the project started in 2012. Construction of the project began 1st quarter of 2013 with completion in September 2013. The total cost of the project was $380,089.

2. Explain whether Cumberland Valley filed for a Certificate of Public Convenience and Necessity pursuant to KRS 278,020, and if not, why.

RESPONSE:

Cumberland Valley did not file for a Certificate of Public Convenience and Necessity (CPCN), but did inquire to the Commission as to the need for one. Cumberland Valley has a letter from Jeff Derouen dated September 14, 2011 stating Cumberland Valley would not need a CPCN. Please see pages 4 -5 of this Item for this letter.

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b. The 12/31/13 trial balance shows that account 107.8 Work in Progress, Gray Office Addition has a balance of $56,457.

1. Provide a detailed description of the project, including construction start and end dates, and the total estimated cost of the project.

RESPONSE:

The project was in the initial stages of planning an addition to the Gray Headquarters Office Building. All costs were for architectural services in the planning and design phase. Construction on the projected never started. An estimated cost on the project would be $800,000.

2. Explain whether Cumberland Valley filed for a Certificate of Public Convenience and Necessity pursuant to the KRS 278.020, and if not, why.

RESPONSE:

Cumberland Valley was in the initial stages of the planning and design process. Once plans were solidified and costs were obtained Cumberland Valley was preparing to apply for a Certificate of Public Convenience and Necessity.

c. The 12/31/13 trail balance shows that account 201.1 Patrons Capital Credits has a balance of $35,278,151. Provide a detailed analysis of the components of this balance.

RESPONSE:

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The components of this account would span many years. Some details of the entries into this account are: yearly allocation entries, general retirement entries, voiding check entries, replacing capital credit check entries, and small adjusting entries.

Steven L. Beshear
Governor

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Secretary
Energy and Environment Cabinet

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David L. Armstrong
Chairman

James W. Gardner
Vice Chairman

Charles R. Borders
Commissioner

September 14, 2011

Mr. Ted Hampton
President and Chief Executive Officer
Cumberland Valley Electric
Highway 25E
Gray, Kentucky 40734

Dear Mr. Hampton:

On September 9, 2011, you and Aaron Greenwell of my staff had two telephone conversations regarding the need for Cumberland Valley Electric ("Cumberland Valley") to obtain a certificate of convenience and necessity ("CPCN") for certain construction. Based on the information provided and the circumstances that were discussed, I understand that Mr. Greenwell informed you that Cumberland Valley would not need a CPCN.

It is my understanding from Mr. Greenwell that Cumberland Valley intends to add pitch to a flat roof to address water leaks and to address issues of handicap access to bathrooms and entryways at its existing headquarters building. I also understand that a cost of $300,000 represents a rough estimate of the costs associated with this construction.

According to its Annual Report for Calendar Year 2010, Cumberland Valley had net utility plant of $54,340,862.56.[1] The proposed construction, therefore, represents an increase of less than one percent in Cumberland Valley's net utility plant. Such an increase in utility plant is generally considered ordinary. In addition, the following information was considered in issuing this opinion: it will not be necessary for Cumberland Valley to amend a construction work plan to undertake the proposed construction; Cumberland Valley will fund the construction through internally generated funds; Cumberland Valley will not be required to issue any evidence of indebtedness; and, the construction will not require in an immediate increase in Cumberland Valley's rates. This opinion is based upon the above facts. If any of this information is not accurate, please contact me immediately so I can clarify this staff opinion.

[1] Annual Report of Cumberland Valley Electric, Inc. to the Public Service Commission for the Calendar Year Ended December 31, 2010 at 6.

This opinion is not binding on the Commission should the issues herein be formally presented for Commission resolution.

If you have any questions or concerns, feel free to contact me at (502) 564-3940. A copy of this letter will be placed in the Commission's general correspondence file for Cumberland Valley.

Sincerely,

Jeff Derouen
Executive Director

cc: Cumberland Valley correspondence file

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Q24: Refer to Exhibit Z of the application. Provide the derivation of the amount shown for Equity of $19,517,122

RESPONSE:

Provided below is the derivation the stated equity amount. It represents the distribution equity of Cumberland Valley after the removal of EKPC's capital credits. It is the equity amount used for rate-making purposes for distribution electric cooperatives.

Total Margins & Equities	$ 40,094,172
EKPC Capital Credits	20,577,050
Distribution Equity	$ 19,517,122

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Q25: Refer to Exhibit 1 of the application, Cumberland Valley's depreciation study as of December 31, 2004.

a. The last paragraph of page 3 of 72 of the depreciation study states that there are many factors affecting depreciation rates and accrued deprecation that are constantly changing. The study also states that a review of depreciation should be made at least every five years so that Cumberland Valley's depreciation practices reflect the changes in the various factors affecting deprecation rates. Given that it has been over nine years since its last depreciation study, explain why Cumberland Valley did not have a study conducted in anticipation of filing this rate application.

RESPONSE:

Cumberland Valley is aware that the depreciation study contains the recommendation that the study be updated every five (5) years. Other than changing meters, we do not feel there have been enough changes in plant additions and retirements of an unusual nature that the results would be significantly different from the study in 2004. Cumberland Valley reviews the financial statements and ratios on a monthly basis. Weather plays an important part of the financial situation and we had anticipated that the financials would improve and a rate application would not be necessary, however, that did not come to fruition, so a rate application was necessary. This did not provide for enough time to update the depreciation study.

b. Identify the individual or company that preformed the study.

RESPONSE:

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Jim Adkins, with assistance from an individual who performed the service life statistics, composite remaining life, and accrued depreciation calculations.

c. Identify the computer programs used in producing the study.

RESPONSE:

Excel programs established with the assistance of an individual who retired from the utility industry. This individual performed studies and taught classes on performing depreciation studies.

d. In its previous rate case, Case No. 2005-00187, the results of the December 31, 2004 depreciation study were accepted by the Commission. Confirm that Cumberland Valley implemented the depreciation rates approved in Case No. 2005-00187. If the approved rates were not implemented, explain why.

RESPONSE:

The rates proposed in the study were not implemented because RUS approval was never received. Cumberland Valley is proposing to increase the rate for metering equipment to match all other electric cooperatives in Kentucky who have requested this increase.

e. Many of the depreciation rates proposed as a result of the 2004 depreciation study were outside the range of Rural Utilities Service ("RUS") guidelines. Did Cumberland Valley obtain RUS approval of the proposed rates? Provide copies of correspondence between Cumberland Valley and RUS regarding approval of the proposed rates.

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RESPONSE:

The depreciation study was submitted to RUS for approval. Cumberland Valley has never received any correspondence from RUS regarding the study. Per discussion with other cooperatives in Kentucky who have submitted studies to RUS, this is not uncommon.

f. For Account 370, Meter; Account 370.1 Automated Meter; and Account 370.11, Automated Meters II, provide the total number of meters in each account, a complete description of the meters, and the dates the meters were placed in service.

RESPONSE:

The installed dates are not available as Cumberland Valley does not maintain vintage accounting records. Vintage accounting is not required by RUS, nor supported by the accounting software Cumberland Valley uses.

Account 370, Meters	1,415 demand meters 30,397 2-3 wire meters These are base meters where the Turtle module is installed to make the meter AMI compatible.
Account 370.1, Automated Meters	2,208 Turtle I technology modules (which are being replaced with Turtle II modules)
Account 370.11, Automated Meters II	33,686 Turtle II technology modules

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Q26: Refer to Exhibit 2 of the application, Payroll Adjustment.

a. Are all of the Hourly Employees listed on pages 4 and 5 of 6 union members?

RESPONSE:

Yes.

b. Identify any non-union hourly employees by employee number and indicate their job titles.

RESPONSE:

Employee 53-Part-Time Clerk, Employee 54-Part-Time Clerk, Employee 55-Part-Time Clerk, Employee 56-Part-Time Clerk.

c. Identify the two employees who received merit increased by employee number, indicating their job titles. Provide the reasons why Cumberland Valley determined the employees should be granted a $2,500 merit increase.

RESPONSE:

Employee 9-IT Administrator-Recommendation was made by supervisor to CEO. This employee was doing an excellent job, going above the requirements of the job and taking initiative to help implement software changes for Cumberland Valley.

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Employee 10-Accountant- Recommendation was made by supervisor to CEO. This employee was doing an excellent job, going above the requirements of the job and taking initiative to help implement software changes for Cumberland Valley.

d. Refer to Exhibit 2 of the application, page 4 of 6. Explain why Cumberland Valley included Employee 12, who retired in 2013 in normalized wages.

RESPONSE:

Employee 12 should have been removed from normalized wages.

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Q27: Refer to Exhibit 4 of the application, Depreciation Adjustment.

a. Refer to page 2 of 6. In the middle of the page is a calculation of the Transportation clearing adjustment. The amounts shown for Normalized and Test Year do not agree with amounts shown as "Less charged to clearing" for the normalized and test year depreciation accrual amounts above that calculation. Explain this discrepancy.

RESPONSE:

The amount reflected in Exhibit 4, page 2 included an incorrect formula. The correct amount for transportation clearing is as follows:

Transportation clearing:	
Normalized	(308,050)
Test year	(302,676)
	(5,374)

The decrease is $563 less than the application. The majority of this decrease is recorded in maintenance accounts.

b. On page 3 of 6, the rate for Account 370, Meters is shown as 6.70 percent, or a service life of 15 years. The depreciation study indicates that the proposed rate for Account 370, Meters, Account 370.1 Automated Meters, and Account 370.11, Automated Meters II is 3.23 percent, or a service life of 31 years. Explain this discrepancy and state when Cumberland Valley began using a depreciation rate of 6.70 percent for meters.

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RESPONSE:

The rate being used by Cumberland Valley is 3.23 percent. We are proposing to use 6.70% for all meters as meters are being replaced on a faster pace since the implementation of AMI. This is consistent with all other electric cooperatives that have filed rate applications with this Commission since 2001.

c. Refer to page 4 of 6, which shows distribution plant additions of $5,162,874. Explain whether the additions resulted from major projects or were additions in the normal course of business. Describe the nature of the additions.

RESPONSE:

The additions were in the normal course of business and are similar to other years' additions and activities.

d. Refer to page 5 of 6. Expand this schedule by providing a detailed analysis for Distribution Plant in the same format as that provided for General Plant.

RESPONSE:

Cumberland Valley does not maintain detail accumulated depreciation accounts for distribution accounts, nor does the Uniform System of Accounts require the detail. The depreciation accrual is listed on page 3 and the original cost of retirements are listed on page 4 by account. The removal and salvage are not accounted for by account.

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Q28: Refer to exhibit 5, Interest Expenses Adjustment, and the response to Staff's First Request, Item 6.

a. Provide an update of the current interest rates for outstanding long-term debt as of the most recent date available and continue to update monthly until the date of the hearing in this proceeding.

RESPONSE:

Please see pages 4 and 5 of this Item.

b. The response to item 6 of Staff's First Request shows FFB Loans with maturity dates of December 2013. Explain why there are balances for these loans appearing on this schedule if the maturity date is December 2013. Explains the company's financial plan as it relates to these loans, i.e., are the loans to be retired or will be they be refinanced and/or replaced with new financing?

RESPONSE:

Our FFB loans all have short term maturities. These loans currently mature the last day of each calendar quarter. This enables us to take advantage of the low interest rates that these loans currently have available. The interest rate on these loans for a term of three months is currently .032% and the next maturity date is September 30, 2014. We have the option each quarter to move these loans to a longer term which will also be at a higher interest rate. We monitor the interest rates and when the rates appear to be rising we will move them to a fixed rate for a longer term.

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c. For any loans listed with a maturity date of 2014, provide an explanation of the company's financial plan as it relates to these loans. Is the company planning on retiring and not re-issuing any associated debt, or is the Company planning on re-issuing these Long-Term Debt issues?

RESPONSE:

The only loan with a maturity date of 2014 that will be paid off is Loan NCSC #2004. The other 2014 maturity dates are quarterly loans that will be renewed.

d. Page 1 of Exhibit 5 shows a normalized interest expense of $896,650. However the calculation as shown results in an amount of $896,505. Explain this discrepancy.

RESPONSE:

The amount in Exhibit 5 shows the proper amount. The calculated amount is based on an interest rate that has been rounded while the amount calculated was based on an average of daily rates in mid-April 2014.

e. Exhibit 5 and Exhibit S, page 2 of 4, show an adjustment for interest expense of $542,308. Exhibit S, page 3 of 4, shows an adjustment of $556,752. Explain the discrepancy.

RESPONSE:

Attached is correct copy of page 3 of 4 of Exhibit S. The wrong copy was filed with the Application.

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f. Exhibit 5 shows actual test-year interest expense of $354,342. Cumberland Valley's response to Staff's First Request, item 6, shows test-year interest expense is $354,951. Explain this discrepancy.

RESPONSE:

The amount listed in the application in Exhibit 5 is the proper amount and it also is the same amount as contained in the RUS Form 7. An error was made in the preparation of item 6 of Staff's First Request.

g. Refer to page 3 of 4 of the response to Staff's First Request, item 6. Identify the lender that is referred to as NCSC.

RESPONSE:

NCSC stands for the National Cooperative Service Corporation which is a subsidiary to National Rural Utilties Cooperative Finance Corporations (NRUCFC).

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Schedule of Long-Term Debt (Ongoing Request)

Type of Debt Issued	Date of Issue	Date of Maturity	8/28/2014 Oustanding Amount	Cost Rate to Maturity
RUS loans				
1B290	Dec-97	Jun-32	1,221,283.60	5.375%
1B295	Nov-98	Jun-32	1,197,700.05	5.000%
1B300	Aug-00	Mar-35	957,754.94	0.250%
Advance Payment			(1,345,722.62)	
			2,031,015.97	
FFB loans				
H0010	Mar-01	Sep-14	2,853,290.07	0.032%
H0015	Jul-03	Sep-14	3,426,797.32	0.032%
H0020	Jul-04	Sep-14	1,684,751.77	0.032%
H0025	Feb-05	Sep-14	1,531,592.49	0.032%
H0030	Oct-05	Sep-14	2,291,628.90	0.032%
H0035	Sep-06	Sep-14	1,559,232.16	0.032%
H0040	May-07	Sep-14	868,388.98	0.032%
H0045	Aug-08	Sep-14	3,486,526.97	0.032%
H0050	Nov-08	Sep-14	2,179,079.34	0.032%
H0055	Jan-10	Sep-14	2,614,866.50	0.032%
H0060	Jul-11	Sep-14	3,650,913.01	0.032%
H0065	Jul-12	Sep-14	2,205,706.67	0.032%
F0070	Jan-13	Sep-14	3,000,000.00	0.032%
F0075	Jun-13	Sep-14	1,900,000.00	0.032%
F0080	Dec-13	Sep-14	2,000,000.00	0.032%
F0085*	Jul-14	Dec-14	3,000,000.00	0.053%
			38,252,774.18	

*FFB Loan for $3,000,000 on July 22, 2014

NCSC loans				
2004	Nov-10	Aug-14	83,436.16	2.700%
2005	Nov-10	Aug-15	301,948.87	3.050%
2006	Nov-10	Aug-16	320,665.49	3.350%
2007	Nov-10	Aug-17	202,674.75	3.600%
2008	Nov-10	Aug-18	253,479.96	3.800%
2009	Nov-10	Aug-19	248,981.06	4.000%
2010	Nov-10	Aug-20	264,048.38	4.150%
2011	Nov-10	Aug-21	211,859.16	4.200%
2012	Nov-10	Aug-22	164,699.46	4.300%
			2,051,793.29	

CoBank loans				
628T01	Feb-13	May-31	1,542,225.87	3.680%
628T02	Feb-13	Feb-22	615,650.66	2.590%
628T03	Feb-13	Nov-20	240,643.34	2.410%
628T04	Feb-13	May-16	89,984.24	1.860%
			2,488,504.11	

Total Long Term Debt	44,824,087.55

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Q29: Refer to Exhibit 6, Retirement and Security.

a. Show the calculation that resulted in a 25 percent reduction of its 2013 billing rate as a result of making an Accelerated Funding Payment to the National Rural Electric Cooperative Association ("NRECA") Retirement and Security Plan.

RESPONSE:

The billing rates are supplied by NRECA. Pages 2 - 4 of this Item are the rates as presented by NRECA. Page 3 of this Item reflects the rate without the reduction for prepayment, which is 25% higher.

b. Explain how Cumberland Valley determined the amount of the prepayment of $914,847.

RESPONSE:

This was supplied by NRECA. A copy of the statement attached to the Item pages 5-6.

NRECA

Retirement Security Plan
Accelerated Funding (Prepayment): Credit for Retroactive Rate Adjustment
CUMBERLAND VALLEY ELECTRIC INC
Subgroup: 01-18057-001

Prepayment Credit Calculation

Page 2 of this statement shows the calculation of a credit ("Prepayment Credit") due to the adjustment of 2013 billing rates retroactive to 1/1/2013 under the Prepayment Option. The Prepayment Credit is based on 2013 Trust Contributions actually paid in excess of those that would have been paid under the adjusted (lower) billing rate obtained through Prepayment.

The credit determined for each month is adjusted with interest at the rate used for determining the Prepayment Amount (8% annual interest). It is expected that a large portion of the total Prepayment Credit will be used for your July RS Plan invoice, with the remainder, if any, used for the August invoice. Therefore, the Prepayment Credit has been adjusted for interest to August 1, 2013. It will not be adjusted for interest beyond August 1, 2013. (Any residual credit remaining after August can be used January 2014)

Application of the Prepayment Credit to RS Plan Invoices

The Prepayment Credit may only be used to reduce Trust Contributions to the RS Plan. The Prepayment Credit may not be used for RS Plan Administrative Fees or any other outstanding invoices such as your Group Benefits Plans or 401(k) Pension Plan. Please apply the Prepayment Credit by reducing the total Trust Contribution due, as indicated on the monthly invoice, by the amount of available Prepayment Credit.

Required Payment by Check/Manual Submission when using the Prepayment Credit

The online RS Plan contributions ACH payment functionality on Cooperative.com is not available for months in which payments are offset by credits. Therefore, when using Prepayment Credits as payment for an invoice, the Trust Contribution (invoiced amount minus the available Prepayment Credit) must be paid by check. Also note that online adjustment to individual participant billing amounts is not available in the months you use the Prepayment Credit, and must be submitted using the Adjustment Worksheet provided with your invoice. Please follow the instructions on your invoice for payments by check, using the Adjustment Worksheet to report individual participant billing changes. You must also submit your monthly Administrative Fee by check.

Enclose a Copy of the Credit Worksheet on page 2 with your Remittance

Each time you send a remittance for a particular invoice that has been offset by the Prepayment Credit, you must enclose a copy of page 2 of this statement, completing all lines of the Credit Worksheet.

If the amount of available Prepayment Credit exceeds the amount of Trust Contributions on the invoice, you would not send a check for the Trust Contribution, but you must send a completed Credit Worksheet with your Trust Contribution remittance (entering a $0 amount due) to document the use of the Prepayment Credit.

Questions?

If you have questions about the Prepayment Credit please contact NRECA's Member Contact Center. The Member Contact Center can be reached at 866-NRECA-99 (866-673-2299) from 7:00 AM until 7:00 PM Central Time, Monday through Friday.

Retirement Security Plan
Accelerated Funding (Prepayment): Credit for Retroactive Rate Adjustment
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Enter all requested information in the Credit Worksheet below and submit this page with your RS Plan Trust Contribution remittance. Please follow the steps on page 3 to ensure you provide all required information correctly.

Calculation of Credit

Month	(a) Trust Contribution*	(b) Trust Billing Rate BEFORE Prepayment	(c) Trust Billing Rate AFTER Prepayment	(d) Trust Contribution based on reduced billing rate in (c) = (a)/(b) x (c)	(e) Interest Adjustment Factor **	Credit at August 1, 2013 = (d - a) x (e)
January	$ 45,493.70	38.08%	28.37%	$ 33,893.28	1.0459	$ 12,132.88
February	$ 45,493.70	38.08%	28.37%	$ 33,893.28	1.0392	$ 12,055.16
March	$ 45,493.70	38.08%	28.37%	$ 33,893.28	1.0326	$ 11,978.59
April	$ 45,493.70	38.08%	28.37%	$ 33,893.28	1.0260	$ 11,902.03
May	$ 45,493.70	38.08%	28.37%	$ 33,893.28	1.0194	$ 11,825.47
June	$ 45,493.70	38.08%	28.37%	$ 33,893.28	1.0129	$ 11,750.07
Total Prepayment Credit						**$ 71,644.20**

* March value excludes any "2012 Accelerated Billing True-up" adjustment applied to the March Invoice
** 8% interest from beginning of month shown to August 1, 2013

Credit Worksheet - please complete all lines below

Please enter the Invoice # shown on the Trust Contribution Remittance: _____

1. Total Prepayment Credits used in prior months. If this is the first month that you are using the Prepayment Credit, enter $0. If not, enter item 4 from the prior month's Credit Worksheet. $ _____

2. Available Prepayment Credit (Total Prepayment Credit from the Calculation of Credit table above minus item 1, not less than $0) $ _____

3. Prepayment Credit being applied to the current month's invoice (lesser of the Trust Contribution from invoice or item 2) $ _____

4. Accumulated Prepayment Credits that have been applied to the current and prior invoices (item 1 plus item 3). NOTE this line should never exceed the Total Prepayment Credit from the Calculation of Credit table above. $ _____

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Prepayment Credit Checklist

Please make sure you follow each of the following steps when you pay your monthly RS Plan Invoice:

☐ 1. Enter all requested information on the Credit Worksheet on page 2 of this document:
- If your total Prepayment Credit is larger than the current month's Trust Contribution and therefore needs to be used over 2 or more months, make sure you keep a clean copy of the page 2 Credit Worksheet on hand to use in the following month.
- Retain copies of your completed Credit Worksheets. If you need to complete one in the following month, have the prior month's completed Credit Worksheet on hand as a starting point for completing the current month's Credit Worksheet.

☐ 2. Complete the Trust Contribution Remittance provided with your monthly RS Plan Invoice. The amount entered on the Remittance should equal the Trust Contribution from the invoice minus the amount on line 3 of the Credit Worksheet.

☐ 3. If the amount of your Trust Contribution that you enter on the Remittance is greater than $0, write a check for the amount, made payable to: NRECA Retirement Security Plan. Include your invoice# on your check. If the amount is $0, no check is required.

☐ 4. Mail the check (if any), the Trust Contribution Remittance, and the Credit Worksheet to the address shown on the Trust Contribution Remittance. If you are reporting changes to contribution amounts for any individuals, also include completed Adjustment Worksheets in the mailing.

☐ 5. Complete the Administrative Fee Remittance provided with your monthly RS Plan Invoice, and submit with your Administrative Fee payment, following the directions shown on the Administrative Fee Remittance. Note the Administrative Fee check should be made payable to "NRECA", and is sent to a different address than the one used for the Trust Contribution.

NRECA
A Touchstone Energy® Cooperative

Retirement Security Plan
Accelerated Funding Payment Request Form
CUMBERLAND VALLEY ELECTRIC INC

Subgroups: 01-18057-001 RNR01A

This form initiates the billing process for the Accelerated Funding Payment. You should submit this request only after your co-op has approved making the prepayment and the co-op is ready to send funds. After NRECA receives this request the co-op will be provided an invoice for the Accelerated Funding Payment and instructions on how to remit payment.

Please complete this form and then email or fax the form to NRECA:

Email	Prepayments@NRECA.coop
Fax	703-907-6227

1. The co-op elects to participate in the Accelerated Funding Payment option as follows:

☐ A one time, lump sum payment (payment summary shown below)

☐ Payment in installments over ___ (enter 2, 3, or 4) years.

- The first installment payment is due in 2013, with the remainder of the installments due each January 1 thereafter.
- A co-op representative will be required to sign a Prepayment Liability Agreement formalizing the terms of the installment payments. The Agreement will be provided to the co-op after NRECA receives this completed request form.

2. Please provide contact information for the co-op staff member who will receive the prepayment invoice and respond to NRECA requests for additional information:

Name	
Email address	
Phone	

3. Exclusion for collectively bargained subgroups:

An Accelerated Payment must be made for all subgroups shown above. An exception will be granted for subgroups subject to collective bargaining. Please provide subgroup ID's for such subgroups if you would like them to be excluded from the Accelerated Payment invoice provided:

1)	2)	3)

Accelerated Funding Payment Summary (total of all subgroups of the co-op*)

If paid by 1/31/2013	$891,677
If paid by 2/28/2013	$897,414
If paid by 3/31/2013	$903,188
If paid by 4/30/2013	$908,999
If paid by 5/31/2013	$914,847
If paid by 6/30/2013	$920,733
If paid by 7/31/2013	$926,657
If paid by 8/31/2013	$932,620

* see attached pages for individual prepayment calculations for each subgroup

NRECA

Retirement Security Plan
Accelerated Funding Payment
CUMBERLAND VALLEY ELECTRIC INC
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Demographic Data From January 2013 Bill

Total payroll used for billing purposes	$955,750
Total participants included for billing purposes	11 active, 0 disabled

2013 Billing Rates

Refer to footnotes 1 and 2 on the following page for other important information

	Prior to Accelerated Funding Payment	Co-op Elects to Make Accelerated Funding Payment (applicable retroactive to 1/1/2013)
Employer Rate	38.08%	28.37%
Employee Rate	0.00%	0.00%
Administration Fee Rate	0.98%	0.98%
Total Billing Rate	39.06%	29.35%

Accelerated Funding Payment

Refer to footnotes 3 and 4 on the following page for other important information

If paid by 1/31/2013	$891,677
If paid by 2/28/2013	$897,414
If paid by 3/31/2013	$903,188
If paid by 4/30/2013	$908,999
If paid by 5/31/2013	$914,847
If paid by 6/30/2013	$920,733
If paid by 7/31/2013	$926,657
If paid by 8/31/2013	$932,620

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Q30: Refer to Exhibit 7, Financial Accounting Standard 106, employer's Accounting for Postretirement Benefits, and the response to Staff's First Request, Item 42.

a. Provide Cumberland Valley's accruals for post-retirement benefits for the calendar years 2009-2012.

RESPONSE:

The accruals are as follows:

Year	Accrual
2009	166,800.00
2010	227,765.00
2011	227,765.00
2012	223,380.00

b. Refer to the response to Staff's First Request, Item 42. Provide a narrative description of each section of the actuarial valuation study describing the process involved and how the amounts reported in the study are determined.

RESPONSE:

Service cost – Represents the change in time, aging of employees, and the increase in medical insurance premiums based on employee census.
Interest cost – Represents the interest rate factor based on the accumulated benefit obligation.
Amortization – Represents the amortization of the accumulated actuarial gains or losses. The amortization period is 20 years.

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c. Exhibit 7, page 1, line 20, shows the test-year accrual for Statement of Financial Accounting Standards 106 costs. In the same format shown as of December 31, 2013, on pages 2-8 of the response to item 42 of Staff's Frist Request, provide the actuarial variance results as of December 31, 2012, that resulted in the 2013 accrual of $273,824.

RESPONSE:

	2012	2013
Service cost	87,291	152,857
Interest cost	160,409	163,587
Amortization	(24,320)	(42,620)
Total	223,380	273,824

d. Refer to the response to Staff's First Request, Item 42, page 3 of 8. Under the section titled changed in Accumulated Benefit Obligation, explain the amount of $111,285 identified as Disbursements.

RESPONSE:

This represents payments of health insurance premiums for retired employees.

e. Refer to the response to Staff's First Request, Item 42, page 4 of 8.

(1) $52,620 is the amount of the "Amortization of net loss (gain)" on line 3 under "Other charges in plant assets and benefit obligations recognized in other comprehensive income."

(i) Provide the amount of the net loss being amortized.

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RESPONSE:

Accumulated comprehensive income is being amortized as follows:
$852,409 / 20 years = $42,620.

(ii) Identify the period over which the loss was incurred and the period over which it is being amortized.

RESPONSE:

The loss is an accumulation from the inception of the adoption of FAS 106. The loss is being amortized over a 20 year period.

(2) On line 4 under the same heading, $24,320 is shown as the "Adjustment for current year net loss (gain)." Provide a general description of how the loss was derived, along with the source documents which show its derivation.

RESPONSE:

This is the difference between the recorded amounts and the amount updated from the current study.

f. Refer to the response to Staff's First Request, Item 42, page 6 of 8, specifically, the top portion of the page, which has the heading FAS 106 Components."

(1) Explain the derivation of the amounts shown for the service cost, interest cost, and the amortization of actuarial loss.

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RESPONSE:

The service cost, interest cost, and amortization shown on page 3 reflect the activity during the current year. The amounts shown on page 6 reflect the amounts to be recorded in the year after the study. Refer to the response to Question 30.b. for descriptions.

(2) Provide the amount of the loss being amortized.

RESPONSE:

Amortization of accumulated comprehensive income as follows:
$852,409 / 20 years = $42,620.

(3) Identify the period over which the loss was incurred and the period over which it is being amortized.

RESPONSE:

20 years.

g. Explain how the "Expected pay-as-you-go" expense of $119,161 was derived.

RESPONSE:

This is the estimated health insurance premiums for existing retirees.

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Q31: Refer to Exhibit 9 of the application, Professional Services.

a. Page 2 of 2 shows three payments to Patrick Hauser for contract review in the amounts of $1,923.64, $1,605.00 and $1,815.00. Fully explain the nature of these expenditures and explain why Cumberland Valley considers them to be a normal recurring expense.

RESPONSE:

The amounts of $1,923.64 and $1,605.00 were paid to Mr. Hauser for work performed during Cumberland Valley Electric's refinance of CFC loans with CoBank during 2013. Mr. Hauser performed reviews of the documentation from CoBank and filed the necessary mortgage documents with appropriate county agencies. Mr. Hauser also advised and prepared information needed by Cumberland Valley Electric in order to complete the refinance through CoBank.

The amount of $1,815.00 was paid to Mr. Hauser for his work on lease agreements with Cornett Electronics. These agreements were made to give Cumberland Valley access to tower sites that will be used as the infrastructure for expanded and more reliable radio coverage across our service area.

All three of these invoices would be considered by Cumberland Valley to be normal business practices recurring from time to time.

b. Provide a detailed analysis of the items that make up the costs identified in 30a.

RESPONSE:

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The costs of $1,923.64 and $1,605.00 were specifically for items such as: filing of mortgages at the county court houses, travel to each county in the service territory, phone calls, document preparation, reviewing the loan applications and postage.

The cost of $1,815.00 was specifically for items such as: research at the county clerk's office, review and revision of lease agreement, review of contracts and phone calls.

c. Page 2 of 2 shows two payments to James R Adkins for interest rate evaluation and margin and rates meeting in the amounts of $625.00 and $896.75. Fully explain the nature of these expenditures and explain why Cumberland Valley considers them to be a normal recurring expense.

RESPONSE:

In January 2013 Cumberland Valley had Mr. Adkins visit our office to evaluate current interest rate strategies and do an overall financial evaluation and recommendation on when a rate increase was needed. Cumberland Valley considers monitoring interest rate strategies and financial consultation to be normal recurring business expenses.

d. Page 2 of 2 shows a payment to Kenneth W. Bryant for year-end accounting services in the amount of $3,360.00. Fully explain the nature of this expenditure and explain why Cumberland Valley considers it to be a normal recurring expense.

RESPONSE:

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Cumberland Valley requested the assistance of Mr. Bryant to help with year-end reports. Mr. Bryant helped with the preparation and completion of the PSC Report for 2012. Preparation of reports at year-end is an annual occurrence. Therefore Cumberland Valley felt that having Mr. Bryant's assistance would constitute a normal recurring expense.

e. Page 2 of 2 shows a payment to Robert Prevatte for an internal audit in the amount of $1,600.00. Fully explain the nature of this expenditure and explain why Cumberland Valley considers it to be a normal recurring expense.

RESPONSE:

Mr. Prevatte has performed a yearly internal audit for several years. The most recent audit was done in October 2013. The nature of this audit is to determine if internal controls are functioning as intended. Areas looked at during the 2013 audit included: Consumer Bill Adjustments, Consumer Rate Verification, Deposit Levels, Accounts Payable/Purchasing, and Document Vault Quality Control. Cumberland Valley considers this a normal recurring business expense.

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Q32: Refer to Exhibit 10 of the application, Direct Fees and Expenses.

a. Identify the Board's designated representatives and alternates for the Kentucky Association of Electric Cooperative ("KAEC"), NRECA, and East Kentucky Power Cooperative, Inc. ("EKPC").

RESPONSE:

Kentucky Association of Electric Cooperative's designated representatives are Vernon Shelley, Director and Ted Hampton, CEO. NRECA's designated representative is Chester Davis with no alternate. East Kentucky Power's designated representative is Elbert Hampton with no alternate.

b. Pages 2 through 5 of Exhibit 10 show payments on 2/22/13 to all directors for attending a special board meeting. Fully explain the reason for this board meeting and when it was held.

RESPONSE:

This board meeting was held on February 26, 2013 at 6 pm. The reason for the special meeting was nomination of directors and discussing annual meeting.

c. Pages 2 through 5 of 6 show payments on 2/28/13 and 3/5/13 to Messer's Davis, Vanover, Hampton, and Moses for a NRECA director conference. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered in the conference and how attendance benefits Cumberland Valley. Provide the date and location of the conference.

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RESPONSE:

The meeting was the National Rural Electric Cooperative Association's Annual Meeting of Members. This meeting of our national organization is held each year to conduct the associations' business meeting, and discuss national and local issues effecting electric cooperatives. The meeting serves as a forum for director education programs, an expo for displaying the latest technology available in our industry and general networking opportunity with industry experts. The date of the conference was the week of February 14, 2013 and was held in New Orleans, Louisiana.

d. Page 2 of 6 shows a payment of 10/16/13 to Mr. Davis for a Region 3 meeting. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered at the meeting and how Mr. Davis's attendance benefits Cumberland Valley. Provide the date and location of the meeting.

RESPONSE:

This meeting was an NRECA Region 2 & 3 yearly meeting. This meeting is a gathering of CEO's, GM's and cooperative directors to discuss challenges facing the industry. They vote on policy and procedures to be implemented by NRECA in the coming year. Director training classes, political action programs and industry expert sessions are available. This meeting was held in Birmingham, Alabama on October 1st thru October 3rd 2013.

e. Page 2 of 6 shows a payment in the amount of $415.00 on 8/19/13 to Mr. Davis for a NRECA Director Conference. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered at the conference and

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how Mr. Davis's attendance benefits Cumberland Valley. Provide the date and location of the conference.

RESPONSE:

See response to 32d above. This is the same meeting.

f. Page 2 of 6 shows a payment in the amount of $300.00 on 6/19/13 to Mr. Vanover for the EKPC annual meeting. According to Cumberland Valley's response to the Staff's First Request, Item 31, Mr. Hampton is the EKPC representative. Explain why this payment was not removed for ratemaking purposes if Mr. Vanover is not the designated representative for EKPC.

RESPONSE:

See Exhibit 10 page 1 of 6 and page 6 of 6 of initial application all per diems were removed for ratemaking purposes including the $300 for Mr. Vanover.

g. Page 2 of 6 shows a payment in the amount of $550.00 on 1/20/13 to Mr. Vanover for NRECA Classes & Hotel. Provide details of this payment, including a detailed narrative or documentation describing the classes and how Mr. Vanover's attendance benefits Cumberland Valley. Provide the date and location of the classes.

RESPONSE:

This payment was specifically for a director education class entitled "Rate Strategies for 21st Century Challenges". This course was held at the NRECA Annual Meeting.

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Cumberland Valley believes director education is very important as they make decisions and set policy for the cooperative. The course was held the week of February 14, 2013 and the location was New Orleans, Louisiana.

h. Pages 3 through 5 of 6 show payments to Messer's Shelly, Creech and Moses for NRECA Summer School. Provide a detailed narrative or documentation describing fully the training provided and how it benefits Cumberland Valley. Provide the date and location of the school.

RESPONSE:

Mr. Creech attended the following classes:

902.1 Understanding the Role of the Board Chair
913.1 Cooperative Foundation: Co-op Legacy, Principles and Impact on Communities.
901.1 Rules and Procedures for Effective Board Meetings

Mr. Moses attended the following classes:

925.1 Co-op Bylaws: Guiding Principles & Current Issues
929.1 Current Issues in Policy Development

Mr. Shelley attended the following classes:

925.1 Co-op Bylaws: Guiding Principles & Current Issues
974.1 Rate Strategies for 21st Century Challenges (unable to attend credit given)
951.2 Developing Effective Boardroom Decision Making- 1.5 days

Cumberland Valley believes director education is very important as they make decisions and set policy for the cooperative. The date of the Summer School was May 31st thru June 5th 2013 in Myrtle Beach, South Carolina.

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i. Page 3 of 6 shows a payment in the amount of $75.00 on 12/31/13 to Mr. Shelley for a KAEC meeting. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered at the meeting and how Mr. Shelley's attendance benefits Cumberland Valley. Provide the date and location of the meeting.

RESPONSE:

The meeting was a Kentucky Association of Electric Cooperatives (KAEC) board meeting. Mr. Shelley is Cumberland Valley's representative on the KAEC board. Topics on the agenda included items such as: review of previous minutes, Operations Committee Reports, Financial Reports, Capital and Operating Budgets, Marketing Reports, HR updates, Legislative Updates, NRECA and CFC Updates. Cumberland Valley believes Mr. Shelley's representation on the KAEC board is vital to the cooperative program, Cumberland Valley and our membership. KAEC is a very important statewide organization for pooling cooperative resources. The meeting was in Louisville, KY on December 16, 2013.

j. Page 3 of 6 shows payments to Mr. Shelley for NRECA Classes & Hotel ($125.37), for NRECA Summer Classes and Hotel ($2,030.68) and Credit given on NRECA Class ($550.00). Provide the reasons for these expenditures, including date, location and a detailed narrative or documentation describing the conference, meeting or training that occurred and how Mr. Shelley's attendance benefits Cumberland Valley.

RESPONSE:
See response to 32h. The credit given for $550 was for a class Mr. Shelley was unable to attend.

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Commission Staff's Second Request for Information

k. Pages 4 and 5 of 6 show payments to Messer's Creech and Moses for KAEC Director Training on 11/20/13 and 12/31/13. Provide a detailed narrative or documentation describing fully the training provided and how it benefits Cumberland Valley. Provide the date and location of the training.

RESPONSE:

This was a KAEC Coordinated Training Program attended by Mr. Creech and Mr. Moses. The courses attended were: "Appraising and Compensating the CEO" and "Co-op Bylaws: Guiding Principles". Cumberland Valley believes director education is very important as they make decisions and set policy for the cooperative. The date of the training was November 16th and 17th and the location was Louisville, Kentucky.

l. Pages 4 and 5 of 6 show payments to Messer's Creech and Moses for NRECA Summer Classes & Hotel on 5/19/13. Provide a detailed narrative or documentation describing fully the training provided and how it benefits Cumberland Valley. Provide the date and location of the training.

RESPONSE:

See response to 32h.

m. Pages 4 and 5 of 6 show payments to Messer's Creech and Moses for NRECA Classes Hotel on 6/18/13. Provide a detailed narrative or documentation describing fully the training provided and how it benefits Cumberland Valley. Provide the date and location of the training.

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RESPONSE:

See response to 32h.

n. Page 4 of 6 shows a payment to Mr. Creech for NRECA Winter School in the amount of $1,866.42. Provide a detailed narrative or documentation describing fully the training provided and how it benefits Cumberland Valley. Provide the date and location of the training.

RESPONSE:

This expenditure was for director training at NRECA Winter School. Mr. Creech attended the following classes:

929.10 Current Issues in Policy Development
925.10 Co-op Bylaws: Guiding Principles & Current Issues
970.10 The Role of Renewables in Power Supply

Cumberland Valley believes director education is very important as they make decisions and set policy for the cooperative. The date of this training was December 15th thru December 18th 2013 and was located in Nashville, Tennessee.

o. Page 4 of 6 shows payments to Mr. Creech for NRECA Classes ($1,650.00) and NRECA Classes Hotel ($220.32). Provide a detailed narrative or documentation describing fully the training provided and how it benefits Cumberland Valley. Provide the date and location of the training.

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RESPONSE:

See response to 32n.

p. Page 5 of 6 shows payments to Mr. Moses for NRECA Classes and Hotel ($1,100.00) and NRECA Winter Classes & Hotel ($1,320.32). Provide a detailed narrative or documentation describing fully the training provided and how it benefits Cumberland Valley. Provide the date and location of the training.

RESPONSE:

This expenditure was for director training at NRECA Winter School. Mr. Moses attended the following classes:

966.10 Understanding the New World of Power Supply
970.10 The Role of Renewables in Power Supply

Cumberland Valley believes director education is very important as they make decisions and set policy for the cooperative. The date of this training was December 15th thru December 18th 2013 and was located in Nashville, Tennessee.

q. In the same format as Exhibit 10, provide a schedule by conference, meeting or training session showing expenses incurred for each director in attendance.

RESPONSE:

Please see pages 9 - 15 of this Item.

Cumberland Valley Electric
Case No. 2014-00159
Director Conference, Meetings and Training

Exhibit
page of
Wit: Robert Tolliver

Director	DATE OF MEETING, CONFERENCE OR TRAINING	AMOUNT	REG MTG	OTHER MTG	PER DIEM	MILEAGE	AIR FARE	MTG FEES	HOTEL	MEALS	HEALTH INS / STIPEND	HEALTH INS	MISC	TOTAL
NRECA Annual Meeting/Director Training														
Chester Davis	2/14/2013				2,100.00	828.29			1,285.87	222.84				4,437.00
Roger Vanover	2/14/2013				2,400.00	783.09		550.00	1,697.41	219.73				5,650.23
Elbert Hampton	2/14/2013				1,500.00	836.77			1,001.01	214.19				3,551.97
Kevin Moses	2/14/2013				2,100.00	392.68		1,100.00	1,832.74	82.33				5,507.75
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
			0.00	0.00	8,100.00	2,840.83	0.00	1,650.00	5,817.03	739.09	0.00	0.00	0.00	19,146.95

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Director Conference, Meetings and Training

Exhibit
page of
Wit: Robert Tolliver

Director	DATE OF MEETING, CONFERENCE OR TRAINING	AMOUNT	REG MTG	OTHER MTG	PER DIEM	MILEAGE	AIR FARE	MTG FEES	HOTEL	MEALS	HEALTH INS / STIPEND	HEALTH INS	MISC	TOTAL
NRECA Region 2 & 3 Conference														
Chester Davis	10/1/2013				1,200.00	410.19		415.00	831.25	104.42				2,960.86
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
			0.00	0.00	1,200.00	410.19	0.00	415.00	831.25	104.42	0.00	0.00	0.00	2,960.86

Cumberland Valley Electric
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Director Conference, Meetings and Training

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Director	DATE OF MEETING, CONFERENCE OR TRAINING	AMOUNT	REG MTG	OTHER MTG	PER DIEM	MILEAGE	AIR FARE	MTG FEES	HOTEL	MEALS	HEALTH INS / STIPEND	HEALTH INS	MISC	TOTAL
East KY Power Annual Meeting														
Roger Vanover	6/11/2013				300.00									300.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
			0.00	0.00	300.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	300.00

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Page 11 of 15
Witness: Robert Tolliver

Cumberland Valley Electric
Case No. 2014-00159
Director Conference, Meetings and Training

Exhibit
page of
Wit: Robert Tolliver

Director	DATE OF MEETING, CONFERENCE OR TRAINING	AMOUNT	REG MTG	OTHER MTG	PER DIEM	MILEAGE	AIR FARE	MTG FEES	HOTEL	MEALS	HEALTH INS / STIPEND	HEALTH INS	MISC	TOTAL
NRECA Summer School														
Vernon Shelley	5/31/2013				1,500.00	627.72		1,325.00	994.45	167.30				4,614.47
Kermit Creech	5/31/2013				1,200.00	539.58		1,650.00	464.64	94.91				3,949.13
Kevin Moses	5/31/2013				900.00	543.53		1,100.00	464.64					3,008.17
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
			0.00	0.00	3,600.00	1,710.83	0.00	4,075.00	1,923.73	262.21	0.00	0.00	0.00	11,571.77

Cumberland Valley Electric
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Director Conference, Meetings and Training

Exhibit
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Director	DATE OF MEETING, CONFERENCE OR TRAINING	AMOUNT	REG MTG	OTHER MTG	PER DIEM	MILEAGE	AIR FARE	MTG FEES	HOTEL	MEALS	HEALTH INS / STIPEND	HEALTH INS	MISC	TOTAL
KAEC Annual Meeting														
Vernon Shelley	12/18/2012								125.37					125.37
Vernon Shelley	12/16/2013									75.00				75.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
			0.00	0.00	0.00	0.00	0.00	0.00	125.37	75.00	0.00	0.00	0.00	200.37

Cumberland Valley Electric
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Director Conference, Meetings and Training

Exhibit
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Wit: Robert Tolliver

Director	DATE OF MEETING, CONFERENCE OR TRAINING	AMOUNT	REG MTG	OTHER MTG	PER DIEM	MILEAGE	AIR FARE	MTG FEES	HOTEL	MEALS	HEALTH INS / STIPEND	HEALTH INS	MISC	TOTAL
KAEC Director Training														
Kermit Creech	11/16/2013				900.00	268.38		732.00	262.22	42.59				2,205.19
Kevin Moses	11/16/2013							732.00						732.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
			0.00	0.00	900.00	268.38	0.00	1,464.00	262.22	42.59	0.00	0.00	0.00	2,937.19

Cumberland Valley Electric
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Director Conference, Meetings and Training

Exhibit
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Director	DATE OF MEETING, CONFERENCE OR TRAINING	AMOUNT	REG MTG	OTHER MTG	PER DIEM	MILEAGE	AIR FARE	MTG FEES	HOTEL	MEALS	HEALTH INS / STIPEND	HEALTH INS	MISC	TOTAL
NRECA Winter School														
Kermit Creech	12/15/2013				900.00	314.14		1,650.00	791.57	81.03				3,736.74
Kevin Moses	12/15/2013							1,100.00	220.32					1,320.32
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
														0.00
			0.00	0.00	900.00	314.14	0.00	2,750.00	1,011.89	81.03	0.00	0.00	0.00	5,057.06
Total			0.00	0.00	15,000.00	5,544.37	0.00	10,354.00	9,971.49	1,304.34	0.00	0.00	0.00	42,174.20

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q33: Refer to Exhibit 11, Miscellaneous Expenses.

a. In the same format as used in Exhibit 11 for other Miscellaneous accounts, provide detailed schedules for Account 909.00, Informational Advertising and Account 930.11, General Advertising.

RESPONSE:

Please see pages 3-4 of this Item.

b. Page 2 of 3 shows three payments to Lands' End Merchants Corp Sales for Employee Shirts. Fully explain the nature of this expenditure and why Cumberland Valley considers this to be a normal recurring expense.

RESPONSE:

The three payments to Lands' End Merchants Corp. on exhibit 11 are for employee's shirts ordered for Cumberland Valley's 2013 annual meeting. Cumberland Valley furnishes all employees with one shirt that is to be worn at the annual meeting. Cumberland Valley is required to hold an annual meeting each year per our by-laws due to our business classification as an Electric Cooperative. Cumberland Valley believes that our employees are the face of the company and by having the employees dress in Cumberland Valley attire it helps make our employees available to answer questions, address concerns and also promote goodwill with the members in our community. We believe that the annual meeting is a great opportunity to allow our employees to engage with our members in a way that they typically don't get a chance to during normal operations. Cumberland Valley considers this cost a normal recurring expense.

Cumberland Valley Electric
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Commission Staff's Second Request for Information

c. Page 2 of 3 shows a payment to Boy Scouts of America for presentation of the flag at the annual meeting. Would Cumberland Valley characterize this payment as a fee or a donation?

RESPONSE:

This expenditure was charged to annual meeting expense as the Boy Scouts of America performed a service at our annual meeting. Cumberland Valley would characterize this payment as a fee.

d. Page 2 of 3 shows a payment to Ky Assoc of Elect Coop in the amount of $26,753.74 for Entertainment/Bucket & Bulbs. Provide a detailed analysis of this expense.

RESPONSE:

Entertainment	$7,250.00
Sound System & Technician	$1,250.00
Buckets	$4,208.40
Bulbs	$11,550.00
Poster & Printed Material	$174.00
KAEC Service Fee	$1,300.84
Tax	$1020.50
TOTAL	$26,753.74

Cumberland Valley Electric
Case No. 2014-00159
ACCT. 930.11 GENERAL ADVERTISING EXPENSE

Exhibit
page of
Jim Adkins

CK DATE	CK NO.	VENDOR NAME	DESCRIPTION	AMOUNT
1/31/2013	58312	KY ASSOC OF ELECT COOP	KY LIVING	$5,872.13
1/31/2013	58354	MOUNTAIN ADVOCATE MEDIA	STATEMENT OF NON DISC	$246.50
1/31/2013	58328	TIMES TRIBUNE	STATEMENT OF NON DISC	$191.25
1/31/2013	58393	HARLAN DAILY ENTERPRISE	STATEMENT OF NON DISC	$193.80
2/20/2013	58436	MOUNTAIN ADVOCATE MEDIA	BASKETBALL PREVIEW	$50.00
2/21/2013	58440	TRI-CITY LITTLE LEAGUE, INC.	4X5 AD SIGN	$100.00
2/28/2013	58618	KY ASSOC OF ELECT COOP	KY LIVING	$5,869.12
3/6/2013	58690	WHITLEY COUNTY MIDDLE SCHOOL BA	BILLBOARD	$250.00
3/14/2013	58731	CUMBERLAND TOURIST COMMISSION	ADS ON FESTIVAL POSTERS	$300.00
3/31/2013	58831	KY ASSOC OF ELECT COOP	KY LIVING	$5,881.32
4/30/2013	59219	JELLICO COMMUNITY HOSPITAL FOUNI	FAIRWAY SPONSOR	$300.00
4/30/2013	59187	KY ASSOC OF ELECT COOP	KY LIVING	$5,875.19
5/31/2013	59510	MOUNTAIN ADVOCATE MEDIA	CONGRATS TO GRADUATES	$75.00
5/31/2013	59467	KY ASSOC OF ELECT COOP	KY LIVING	$5,870.77
6/30/2013	59843	NEWS JOURNAL	CONGRATS TO GRADUATES	$100.00
6/30/2013	59882	KY ASSOC OF ELECT COOP	KY LIVING	$7,884.05
7/31/2013	60133	W K D P	TRUCK SALE AD	$350.00
7/31/2013	60054	RADIO STATION WYWY	TRUCK SALE AD	$875.00
7/31/2013	60084	WEKX - FM	TRUCK SALE AD	$144.00
7/31/2013	60106	WEZJ/FM	TRUCK SALE AD	$144.00
8/31/2013	60351	KY ASSOC OF ELECT COOP	KY LIVING	$11,709.96
9/30/2013	60681	TIMES TRIBUNE	CVE GENERAL INFO AD	$349.00
9/30/2013	60594	KY ASSOC OF ELECT COOP	KY LIVING	$5,819.47
10/31/2013	60833	KY ASSOC OF ELECT COOP	KY LIVING	$5,800.44
11/20/2013	60954	MOUNTAIN ADVOCATE MEDIA	SCAM ALERT & VETERAN'S	$216.32
11/30/2013	61117	KY ASSOC OF ELECT COOP	KY LIVING	$5,811.35
11/30/2013	61072	TIMES TRIBUNE	BASKETBALL GOOD LUCK AD	$125.00
12/18/2013	61177	LYNN CAMP HIGH SCHOOL	BANNER AD	$100.00
12/31/2013	61350	MOUNTAIN ADVOCATE MEDIA	CHRISTMAS GREETINGS	$195.00
12/31/2013	61306	KY ASSOC OF ELECT COOP	KY LIVING	$5,819.14
				76,517.81

Cumberland Valley Electric
Case No. 2014-00159
ACCT. 909.00 INFO AND INST ADVERTISING EXPENSE

Exhibit
page of
Wit: Jim Adkins

CK DATE	CK NO.	VENDOR NAME	DESCRIPTION	AMOUNT
1/31/2013	58312	KAEC	Kentucky Living Magazine	$2,936.07
1/31/2013	58396	WCTT-FM	RADIO SAFETY ADS	$275.00
2/28/2013	58618	KAEC	Kentucky Living Magazine	$2,934.56
2/28/2013	58651	WCTT-FM	RADIO SAFETY ADS & INFO	$450.00
3/31/2013	58831	KAEC	Kentucky Living Magazine	$2,940.65
3/31/2013	58854	WCTT-FM	CVE CONTACT INFO ADS	$175.00
4/30/2013	59187	KAEC	Kentucky Living Magazine	$2,937.59
5/29/2013	59368	OLEIKA SHRINE CIRCUS	HALF PAGE AD	$120.00
5/31/2013	59467	KAEC	Kentucky Living Magazine	$2,935.39
6/30/2013	59882	KAEC	Kentucky Living Magazine	$3,941.96
8/31/2013	60351	KAEC	Kentucky Living Magazine	$5,854.98
9/24/2013	60492	WCHS BASKETBALL	1/4 PAGE PROGRAM AD	$50.00
9/27/2013	60517	BORDER BOWL	PROGRAM AD	$500.00
9/30/2013	60594	KAEC	Kentucky Living Magazine	$2,909.73
10/31/2013	60833	KAEC	Kentucky Living Magazine	$2,900.22
11/30/2013	61117	KAEC	Kentucky Living Magazine	$2,905.63
11/30/2013	61072	TIMES TRIBUNE	SCAM ALERT	$118.50
11/30/2013	61126	W K D P	SCAM ALERT	$420.00
12/31/2013	61306	KAEC	Kentucky Living Magazine	$2,909.56
				38,214.84

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q34: Refer to Exhibit 12 of the application where Cumberland Valley estimates the expenses associated with this rate case. On a monthly basis, beginning with the first month in which it incurred any rate-case expense, provide the amount of Cumberland Valley's actual rate-case expenses, by category, in the same format as the estimate. Consider this an ongoing request which is to be updated monthly.

RESPOSNE:

Please see pages 2 of this Item.

Date	Check Number	Vendor	Vendor Number	Amount	Category	Description	Account Number
7/3/2014	63309	News Journal	11986	$1,317.60	Advertising	Rate increase notice	928.00
7/10/2014	63375	The Leslie County News	13481	$1,500.00	Advertising	Rate increase notice	928.00
7/10/2014	63364	The Times-Tribune	11607	$1,893.39	Advertising	Rate increase notice	928.00
7/10/2014	63366	Commonwealth Journal	12003	$529.73	Advertising	Rate increase notice	928.00
7/10/2014	63370	The Sentinel-Echo	12681	$1,102.05	Advertising	Rate increase notice	928.00
7/10/2014	63383	Mountain Advocate	38003	$914.40	Advertising	Rate increase notice	928.00
7/18/2014	63409	James R. Adkins	13333	$56,161.75	Consulting	Rate design/filing	928.00
7/18/2014	63414	Mountain Advocate	38003	$457.20	Advertising	Rate increase notice	928.00
8/7/2014	63583	The Commonwealth Journal	12003	$227.01	Advertising	Rate increase notice	928.00
8/7/2014	63581	News Journal	11986	$658.80	Advertising	Rate increase notice	928.00
8/7/2014	63575	Harlan Daily Enterprise	11770	$1,605.00	Advertising	Rate increase notice	928.00
8/7/2014	63597	Middlesboro Daily News	12682	$1,920.00	Advertising	Rate increase notice	928.00

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Commission Staff's Second Request for Information

Q35: Refer to Exhibit 14 of the application, page 1 of 2. Explain the column "DLC" and what the amounts in that column represent.

RESPONSE:

DLC stands for Direct Load Control and is a credit for CVE's participation in East Kentucky Power's (EKPC) Direct Load Control Program.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q36: Refer to Exhibit 16 of the application. Explain why the amounts on line 30, Test Year Revenues, and line 31, kWh usage, do not reconcile with the revenue and kWh amounts found in Exhibit J for the following rate classes: Schedule I, Schedule II, and the second Schedule II, Schedule III, and Schedule VI. If a correction is necessary, provide an updated exhibit.

RESPONSE:

Please see page 2 of this response for a corrected Exhibit 16.

END OF YEAR CUSTOMER ADJUSTMENT

	Sched I Residential	Sched II Small Commercial	Sched II Small Commercial	Sched III Schools & Churches	Sched IV Large Rate	Sched IV-A Large Power Rate	Sched VI Outdoor Lights
December	22,122	1,298	144	45	3	76	11,115
January	22,124	1,297	143	45	3	76	11,116
February	22,156	1,297	142	45	3	76	11,103
March	22,141	1,287	142	45	3	75	11,117
April	22,088	1,291	144	45	3	75	11,084
May	22,103	1,301	147	46	3	76	11,065
June	22,080	1,307	148	46	3	76	11,138
July	22,058	1,296	145	46	3	77	11,111
August	22,092	1,299	145	46	3	77	11,130
September	22,086	1,315	145	46	3	76	11,115
October	22,094	1,312	145	46	2	77	11,106
November	22,111	1,312	140	46	2	80	11,127
December	22,112	1,319	140	46	2	80	11,135
Average	22,105	1,302	144	46	3	77	11,112
Increase	7	17	(4)	0	(1)	3	23
Test Year Base Revenue	27,553,696	1,442,770	820,602	1,344,715	2,160,882	5,994,568	1,300,158
kWh usage	303,996,144	14,478,749	7,078,107	16,989,450	30,205,800	80,549,209	11,103,122
Average per kWh	0.09064	0.09965	0.11594	0.07915	0.07154	0.07442	0.11710
Total Billings	265,245	15,633	1,727	548	33	923	136,989
Average Monthly kWh Use	1,146	926	4,098	31,003	915,327	87,269	81
Increase in consumers x average use x average rate x 12 months =							
Increase in revenue	8,534	18,401	(21,930)	11,326	(604,443)	257,788	2,567
Increase in consumers x average use x average cost per kWh purchased x 12 months =							
Increase in p0wer cost	6,030	11,826	(12,114)	9,163	(541,080)	221,826	1,404
Net Increase	2,504	6,575	(9,817)	2,162	(63,362)	35,961	1,163
Adjustment	(24,812)						

Base Power cost	31,377,744
kWh Purchased	489,975,525
Cost per kWh Purchsed	0.06404

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q37: Refer to Exhibit 17 of the application.

a. Refer to page 2 of 3, Section A. State whether ground wiring costs are included in the pole costs shown in this section. If yes, state whether $12.50 should have been subtracted from the weighted average cost when calculating the pole charges in Section B.1. on this page.

RESPONSE:

Cumberland Valley used the same format and formulas that was approved and used by all other CATV attachment calculations that have been filed before this Commission. Ground wiring costs are included in the cost of the poles.

b. Refer to page 3 of 3. Confirm that the rate of return of 3.54 percent shown as the Cost of Money is based on the Commission's May 2, 2006 Order in Case No. 2005-00187 and does not take into consideration the additional revenues granted to Cumberland Valley in its August 21, 2006 Order on rehearing in the same proceeding. If this can be confirmed, explain whether Cumberland Valley believes the rate of return should be increased in the exhibit to reflect a higher rate of return. In no, explain. If yes, provide a revised Exhibit 17.

RESPONSE:

Cumberland Valley included the additional revenues granted as a result of the rehearing.

Cumberland Valley Electric
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Commission Staff's Second Request for Information

c. Refer to page 2 of 3. Provide the general ledger account detail to substantiate the cost of 35-, 40-, and 45-foot poles and cost of anchors.

RESPONSE:

The continuing property records ("CPRs") are attached. Note that the CPRs for anchors and guys include the cost for both. Cumberland Valley's engineers estimated that the cost of the anchor is two-thirds the cost of the total CPR unit.

Asset Management

Trial Balance

DEC 2013

Asset GL Div: 0 GL Account: 364.0 GL Dept: 0 POLES-TOWERS-FIXTURES

Asset/ Description	Beginning Qty/ Ending Qty	Beginning Amount/ Ending Amount	Added Qty/ Retired Qty	Added Amount/ Retired Amount	Average Unit Price
M36400100	14,157	4,386,946.01	19	21,487.30	-1,921.92
25 & 30 POLES	14,150	4,400,399.42	-26	-8,033.89	
M36400101	8,417	1,177,342.52	0	0.00	143.65
35 POLE	8,410	1,176,336.94	-7	-1,005.58	
M36400102	18,166	7,944,483.15	27	31,385.61	1,461.87
40 POLE	18,185	7,972,258.67	-8	-3,610.09	
M36400103	5,690	2,867,642.09	8	10,685.09	1,613.99
45 POLE	5,696	2,877,326.02	-2	-1,001.16	
M36400104	1,535	972,426.35	2	1,819.81	909.90
50 POLE	1,537	974,246.16	0	0.00	
M36400105	400	337,101.67	0	0.00	
55 POLE	400	337,101.67	0	0.00	
M36400106	85	95,779.67	0	0.00	
60 POLE	85	95,779.67	0	0.00	
M36400107	56	45,413.26	0	0.00	
65 POLE	56	45,413.26	0	0.00	
M36400108	22	19,137.98	0	0.00	
70 POLE	22	19,137.98	0	0.00	
M36400109	1	257.25	0	0.00	
75 POLE	1	257.25	0	0.00	
M36400200	20,236	4,017,604.51	19	8,210.27	706.62
CROSSARMS	20,245	4,023,964.13	-10	-1,850.65	
M36400300	56,161	5,495,585.90	32	18,640.33	744.50
ANCHOR AND GUYS	56,185	5,513,453.85	-8	-772.38	
M36400400	1	1,918.50	0	0.00	
PLATFORM	1	1,918.50	0	0.00	
M36400500	661	90,833.55	1	261.35	261.35
BRACKET, TRANSFORMER CLUSTER	662	91,094.90	0	0.00	

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q38: Refer to the response to Staff's First Request, Item 13.

a. Explain why there were no capital credits paid in 2013.

RESPONSE:

Cumberland Valley's financial condition had deteriorated to a level that is it was not a prudent management recommendation to pay capital credits.

b. Discuss Cumberland Valley's plans with regard to paying capital credits in 2014.

RESPONSE:

Cumberland Valley will pay capital credits again when the financial condition improves to a level that management feels comfortable in recommending paying capital credits. Most likely this will not occur in 2014. Financial information that will be evaluated will be items like TIER, OTIER, equity levels, and cash position. The Board of Directors will make the final decision on paying capital credits.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q39: Refer to the response to Staff's First Request, Item 14. Cumberland Valley did not respond to the request. Provide the information requested.

RESPONSE:

Cumberland Valley does not have any written policies that address the compensation of its attorney, auditor or other service providers. The only set compensation would be for our attorney retainer at $900 per month, our yearly financial audit at $11,000 and engineering and consulting retainer at $718. See pages 2 thru 18 of this item for auditor's engagement letter and engineering and consulting contract. No changes occurred during the test year.

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147
zumstein@windstream.net

MEMBER
• AMERICAN INSTITUTE OF CPA'S
• KENTUCKY SOCIETY OF CPA'S
• INDIANA SOCIETY OF CPA'S
• AICPA DIVISION FOR FIRMS

June 14, 2013

Ted Hampton, General Manager
Cumberland Valley Electric Cooperative
Gray, Kentucky 40734

Dear Mr. Hampton:

This will confirm our understanding of the arrangements for my audit of the financial statements for the year ended May 31, 2013. I will audit the Cooperative's balance sheet as of May 31, 2013, and the related statements of revenue and patronage capital and cash flows for the year then ended, for the purpose of expressing an opinion on them.

Audit Objective

The objective of my audit is the expression of an opinion about whether your financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America. My audit will be conducted in accordance with auditing standards generally accepted in the United States of America and will include tests of accounting records and other procedures I consider necessary to enable me to express such an opinion. If circumstances preclude me from issuing an unqualified opinion, I will discuss the reasons with you in advance. If, for any reason, I an unable to complete or are unable to form or have not formed an opinion, I may decline to express an opinion or to issue a report as a result of this engagement.

Audit Procedures

My procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of certain assets and liabilities by correspondence with selected customers, creditors, and financial institutions. I will also request written representations from your attorney as part of the engagement. At the conclusion of my audit, I will request certain written representations (a "representation letter") from you about the financial statements and related matters.

An audit includes examining, on a test basis, evidence supporting the amounts and disclosures in the financial statements; therefore, my audit will involve judgment about the number of transactions to be examined and the areas to be tested. I will plan and perform the audit to obtain reasonable assurance about whether the financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the entity or to acts by management or employees acting on behalf of the entity.

Ted Hampton, General Manager
Cumberland Valley Electric Cooperative

Because an audit is designed to provide reasonable, but not absolute, assurance and because I will not perform a detailed examination of all transactions, there is a risk that material misstatements or noncompliance may exist and not be detected by me. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct or material effect on the financial statements. However, I will inform you and those charged with governance, defined as the person(s) with responsibility for overseeing the strategic direction of the entity and obligations related to the accountability of the entity, including oversight of the financial reporting process, of any material errors and any fraudulent reporting or misappropriations of assets that come to my attention. I will also inform you and those charged with governance of any violations of laws or governmental regulations that come to my attention, unless clearly inconsequential. My responsibility as auditor is limited to the period covered by my audit and does not extend to any later periods for which I am not engaged as auditor.

An audit includes obtaining an understanding of the entity and its environment, including its internal control sufficient to assess the risks of material misstatement of the financial statements due to error or fraud and to design the nature, timing, and extent of further audit procedures. An audit is not designed to provide assurance on internal control or to identify deficiencies in internal control. However, I will communicate to you and those charged with governance internal control matters that are required to be communicated under professional standards.

I may from time to time, and depending on the circumstances, use third party service providers in serving your account. I may share confidential information about you with these service providers, but remain committed to maintaining the confidentiality and security of your information. Accordingly, I maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, I will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and I will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that I am unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to sharing of your confidential information with the third party service provider. Furthermore, I will remain responsible for the work provided by any such third party providers.

Management Responsibilities

You are responsible for making all management decisions and performing all management functions; for designing an individual with suitable skill, knowledge, or experience to oversee the tax services and any other nonattest services I provide; and for evaluating the adequacy and results of those services and accepting responsibility for them.

You are responsible for maintaining internal controls, including monitoring ongoing activities; for the selection and application of accounting principles; and for the fair presentation in the financial statements of financial position, results of operations, and cash flows in conformity with U.S. generally accepted accounting principles. You are also responsible for making all financial records and related information available to me and for the accuracy and completeness of that information. Your responsibilities include adjusting the financial statements to correct material misstatements and confirming to me in the management representation letter that the effects of any uncorrected misstatements aggregated by me during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud and for informing me about all known or suspected fraud or illegal acts affecting the company

involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the financial statements. Your responsibilities include informing me of your knowledge of any allegations of fraud or suspected fraud affecting the company received in communications from employees, former employees, regulators, or others. In addition, you are responsible for identifying and ensuring that the entity complies with applicable laws and regulations.

Other Engagement Matters and Limitations

In addition my engagement for the year ending May 31, 2013, I will prepare the IRS Form 990. Further, I will be available during the year to consult with you on the tax effects of any proposed transactions or contemplated changes in business policies.

Rural Utilities Services

In accordance with requirements of the Rural Utilities Service (RUS), I assure you of the following:

- The audit is being performed as a requirement of RUS security instrument and any violation of RUS audit requirements shall place the RUS borrower in technical default of the RUS security instrument.
- The Auditor's Report will be signed by Alan M. Zumstein, CPA, who is a certified public accountant in good professional standing with the state licensing board.
- I will comply with U.S. generally accepted government auditing standards, the rules and regulations of professional conduct promulgated by the accountancy board of the state of Kentucky and the Code of Professional Ethics of the American Institute of CPAs.
- I am independent as defined and interpreted by the Professional Ethics Division of the AICPA and as defined by 7 CFR 1773.4(b).
- I belong to an approved peer review program (Private Companies Practice Section) and have received an unqualified opinion within three years of the "as of" date of the audit.
- The audit will be performed and the Auditor's Report, report on internal control over financial reporting and compliance and other matters, and management letter will be performed in accordance with requirements of RUS, will comply with U.S. generally accepted auditing standards and will be submitted to the Board of Directors within three months of the "as of" audit date.
- Audit work papers will be made available to RUS, Office of Inspector General (OIG) and the General Accounting Office (GAO). RUS, OIG, or GAO may photocopy all audit and compliance work papers as requested.
- I will disclose all disallowance's resulting from testing performed as set forth in 7 CFR 1773.40 and will follow the requirements of reporting irregularities and illegal acts outlined in 7 CFR 1773.7.
- I will report audit findings to the Board of Directors as required by 7 CFR 1773.25.

Audit Administration, Fees and Other

I understand that your employees will prepare all cash, accounts receivable, and other confirmations I request and will locate any documents selected by me for testing.

Fees for these services will be $11,000. Invoices will be submitted as work progresses, and are payable upon presentation. Should any situation arise that would materially increase this fee, I will, of course, notify you.

Ted Hampton, General Manager
Cumberland Valley Electric Cooperative

If this letter correctly expresses your understanding of these arrangements, please indicate your approval by signing the enclosed copy and returning to me. I have also included a Certificate of Debarment and Suspension and my last peer review report and letter of comments, as required for audits of RUS borrowers.

Respectfully submitted,

Alan M. Zumstein

Alan M. Zumstein, CPA

Approved by:

By: Ted Hampton Date: 6-14-13

PATTERSON & DEWAR ENGINEERS, INC.
2685 MILSCOTT DRIVE • DECATUR, GEORGIA 30033
P.O. BOX 1048 • DECATUR, GEORGIA 30031
404-296-5990 • FAX 404-299-3542

A. NORMAN DELONG
GEORGE E. INGRAM
JOSEPH E. PERRY, III
J. W. PORTER, JR.
MICHAEL J. KLINE
GEORGE L. CHAPMAN
J. B. FRANKLIN

RICHARD CANADAY
H. EDGAR HALL
RICHARD C. RUSH
LAYNE A. JORDAN
DANIEL H. PARKER
WILLIAM E. HENRY
LEX W. STRICKLAND, JR.

June 7, 2004

Cumberland Valley Electric, Inc.
Highway 25E
Gray, Kentucky 40734

Attn: Mr. Ted Hampton, Manager

RE: Retainer Services and Contract

Dear Mr. Hampton:

We are pleased to offer an Engineering Retainer Contract between Cumberland Valley Electric, Inc. (CVE) and Patterson & Dewar Engineers, Inc. The contract serves as a vehicle to simplify the request for and the rendering of general engineering services desired, and it may be terminated with a thirty day written notice. It is considered non-exclusive and allows CVE to utilize other engineering firms as needed.

The retainer contract is based on a set number of professional engineer's days being allotted to the electric system each year. Normally, this breaks down to half the days for field visits to your system and the remaining time in our office. The visits are scheduled at a time mutually satisfactory to both parties. The time is allotted for each calendar year with no carry-over from one year to the next.

The fee for the retainer contract includes all direct labor, travel subsistence and overhead costs. This fee is subject to change with written notice. Additional services performed by Patterson & Dewar Engineers will be as approved by CVE management and will be billed at our current hourly rates - a list of which can be furnished upon request.

Billing is around the 10th of each month for the previous month.

This retainer contract is for **twelve (12)** days per year of a professional engineer's time at **$600** per month beginning at the date indicated below.

If you and your Board of Directors are in agreement, please sign below.

This letter can serve as a contract simply by having the document signed in triplicate by the appropriate representative, and returning two copies.

We thank you for the opportunity to be of service.

Very truly yours,

PATTERSON & DEWAR ENGINEERS, INC.

Joseph E. Perry, III, P.E.
V.P. & Chief Electrical Engineer

Accepted:

CUMBERLAND VALLEY ELECTRIC, INC

By: Ted Hampton
Ted Hampton
Title: General Manager
Date: 6-15-04

KY57RET.DOC

Public reporting burden for this collection of information is estimated to average one hour per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information. Send commends regarding this burden estimate or any other aspect of this collection of information, including suggestions for reducing this burden to Department of Agriculture, Clearance Officer, OC, OMB Control # 0572-0118, AG Box 7630, Washington, DC 20250. You are not required to respond to this collection of information unless this form displays the currently valid OMB control number.

ENGINEERING SERVICE CONTRACT
ELECTRIC SYSTEM DESIGN AND CONSTRUCTION

AGREEMENT, made June 8, 2004, *between* Cumberland Valley Electric Cooperative, Inc. of Gray, Kentucky

(hereinafter called the "Owner") and Patterson & Dewar Engineers, Inc.

of Decatur, GA *hereinafter called the "Engineer").*

WHEREAS, *the Owner has obtained loans made or guaranteed by the United States of America, acting through the Administrator of the Rural Utilities Service (hereinafter called the "Administrator"), to finance in whole or in part a rural electric system pursuant to the Rural Electrification Act of 1936, as amended, and plans the construction of a project designated* KY57, *being hereinafter called the "Project," consisting of approximately the following facilities* and support services:

Distribution and Transmission Lines:

** *miles (____ km) of ____ kV line,*

____ miles (____ km) of ____ kV line,

Substations:

Name None *____ MVA ____ kV to ____ kV*

____ MVA ____ kV to ____ kV

Other Support Services:

Construction Work Plans	**
Long Range System Studies	**
Work Order Inspections and Certification of Inventory of Work Orders (RUS Form 219's)	**
Other Services	**

*** As required at negotiated prices.*

NOW, THEREFORE, *in consideration of the mutual undertakings herein contained, the parties hereto agree as follows:*

ARTICLE I

General Obligations

In accordance with the normal standards and practices used in the profession, the Engineer shall render diligently and competently all engineering services which shall be necessary or advisable for the expeditious, economical, and sound design and construction of the Project, with due consideration given to applicable ecological and environmental requirements. The enumeration of specific duties and obligations to be performed by the Engineer hereunder shall not be construed to limit the general undertakings of the Engineer.

ARTICLE II

Preconstruction Period

Section 1. *The Engineer shall give thorough consideration to aesthetics and the protection of the environment in all phases of construction of the Project, including line routing and station locations. Where RUS or the Owner has prepared an environmental document or the Owner must comply with the conditions of a Special Use Permit imposed by a Federal land management agency, the Engineer shall incorporate all environmental commitments of the applicable documents that specifically relate to the facilities to be constructed.*

Section 2. *The Engineer shall, within thirty (30) days after the date of execution of this Agreement, make a complete field inspection and investigation for the purpose of determining the most economical and practicable location of the proposed lines.*

The Engineer shall cooperate with the Owner's right-of-way agent and attorney in developing a schedule of right-of-way procurement and assist the Owner in developing suitable property maps for use by the Owner's easement solicitors.

Section 3. *Prior to the preparation of Plans and Specifications by the Engineer, the Owner shall furnish to the Engineer the following as may be applicable:*

(a) Copies of pertinent Engineering Studies, including Construction Work Plans when available, on which to base the design of the electrical facilities to be built; key maps of the Owner's present and proposed facilities and detail or vicinity maps showing location of existing lines, consumers served, and easements obtained.

(b) Detailed lists of materials, if any, on hand or on order which are to be furnished by the Owner in the construction of the Project, together with the quantity and the value of each item of such material.

(c) With respect to materials contained in the assembly units indicated for removal, a list showing values of individual material items for which the Contractor will be credited with respect to salvaged materials returned to the Owner if not included in item (b) above.

Section 4. *Sufficient soil test data to ensure adequate foundation designs shall be provided by the* _____ *Owner* __X__ *the Engineer [check one].*

Section 5. *If requested by the Owner, the Engineer shall prepare and submit to the Owner estimates of quantities of materials to be furnished by the Owner for use in connection with the construction of the Project. The Engineer shall procure and submit to the Owner forms of contracts and other documents for such materials and for such other services as may be necessary or desirable in connection with the construction of the Project.*

Section 6. *For transmission lines, the Engineer shall prepare and submit to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required, a summary of transmission line and substation design data with supporting calculations. The Plans and Specifications and the Plan and Profile, if any, shall be based on the design data approved by the Owner and by the Administrator, if approval of the Administrator is required.*

Section 7. *The Engineer shall prepare and submit to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required, plan and profile sheets for all transmission lines.*

Section 8. *In specifying right-of-way clearing for transmission lines where "feathering" and/or undulating boundaries are required, the Engineer shall mark all brush and trees to be removed unless such marking is the responsibility of another authority. The Engineer shall also compute all clearing units, and show all clearing units on the plan and profile drawings or on separate drawings prepared for this purpose.*

Section 9. *The Engineer shall prepare, and within* AR/TBD *days after the date of execution of this Agreement, submit to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required, two copies of complete and detailed plans and specifications, drawings, maps, and other documents required for the construction of the Project (all of the foregoing being hereinafter collectively called the "Plans and Specifications"). In the preparation of the Plans and Specifications, the Engineer shall consult with the Owner to the end that the Project shall serve the purpose intended by the Owner. Unless otherwise directed by the Owner, the Engineer shall use Construction Work Plans and Engineering Studies, as furnished by the Owner, as a basis for the preparation of the Plans and Specifications. The Engineer shall diligently make such changes in the Plans and Specifications as may be required by the Owner or the Administrator as a condition of approval thereof.*

Section 10. *The Engineer shall, for each substation, prepare and furnish for the Owner's approval and for the Administrator's approval, if approval of the Administrator is required, the following drawings and such others as may be necessary or desirable for the construction of the Project:*

One line diagram (relays, breakers, transformers, switches, etc.)

Three line diagram (PT, CT, phasing, etc.)

Plot plan (excluding land surveys and plots necessary in acquisition of property)

Grading plan, fence layout and details

Structure plan and details

Structure elevations (with section views)

Footing plan and details

Grounding plan and details

Cable trench and layout plan

Lighting plan and details

Control house plan and details

Control house elevations and details

Material lists

_____

_____

Section 11. *All maps, drawings, plan and profile sheets, plans and specifications, contract forms, addenda, estimates, studies, and other documents required to be prepared or submitted by the Engineer under this Article II or other articles of this Agreement shall conform to the applicable standard specifications and other forms prescribed by the Administrator, unless deviation therefrom shall have been approved by the Administrator.*

Section 12. *The Engineer shall furnish to the Owner all engineering information, data, and drawings required for procuring all necessary or desirable permits, licenses, franchises, and authorizations from public bodies, and all necessary or desirable permits, licenses, or agreements with respect to the crossing of navigable streams, railroads, and power lines, and with respect to the paralleling or crossing of communications lines and signal circuits, and shall assist the Owner to the extent necessary to obtain such permits, licenses, franchises, authorizations, and agreements. The Engineer shall also furnish to the Owner all engineering information, data, and drawings required for procuring transmission line right-of-way through condemnation proceedings. If*

requested by the Owner, the Engineer shall attend, or appear as a witness in, hearings or other proceedings before public service commissions or other regulatory bodies in connection with procuring of the foregoing.

Section 13. *When notified by the Administrator (if approval of the Administrator is required) and by the Owner of their approval of the form of Construction Contract, the Engineer shall immediately take all appropriate and necessary action to procure full, free, and competitive bidding for the award of such contract or contracts, and when requested assist the Owner with the purchase of material and equipment. The term "Construction Contract" as used herein shall also include right-of-way clearing contracts, equipment contracts, or materials contracts if such contracts are utilized in the construction of the project. In fulfilling this responsibility, the Engineer shall prepare and submit to the Owner for approval a recommended list of qualified bidders to construct the project. Upon approval of such list by the Owner, the Engineer, in collaboration with the Owner, shall fix a date for the opening of bids for such contracts. The Engineer shall prepare and furnish to the qualified bidders the Plans and Specifications and Construction Drawings together with all necessary forms and other documents.*

Section 14. *The Engineer shall be available to each prospective bidder for consultation with respect to the details of the Plans and Specifications and all other matters pertaining to the preparation of the proposals for the construction of the Project or the supply of materials or services therefor. The Engineer, or a competent representative of the Engineer, shall attend and supervise all openings of bids for the construction of the Project or for the furnishing of materials or services therefor. In case fewer than three (3) bids are received for the construction of the Project or component parts of the Project, the Owner shall be notified immediately and such bids shall remain unopened unless permission is obtained from the Owner for the opening of such bids. If bids are opened, the Engineer shall carefully check and prepare detailed assembly unit price tabulations of all bids received, and shall render to the Owner all such assistance as shall be required in connection with consideration of the bids received so that contracts may be prudently and properly awarded in accordance with the policy and procedure prescribed by the Owner and the Administrator.*

Section 15. *If any change is to be made in the Plans and Specifications after the Construction Contract has been approved by the Owner and by the Administrator, if approval of the Administrator is required, the Engineer shall prepare and submit the necessary details for a contract amendment in accordance with the procedure prescribed by the Owner and the Administrator.*

ARTICLE III

Staking

Section 1. *The Engineer, with the approval of the Owner, shall determine when staking of the Project shall begin; provided, however, that the Engineer shall not commence staking until the Owner shall have certified that all right-of-way authorizations and easements reasonably required for the construction of the Project have been procured. The Owner shall furnish qualified persons to negotiate with landowners or tenants with respect to such right-of-way authorizations and easements and the locations of meter poles or service entrances. The Engineer shall proceed diligently with such staking and continue therewith in such manner as not to retard the progress of construction of the Project.*

The staking shall be done in a thorough and workmanlike manner and in accordance with the latest revision of the National Electrical Safety Code, applicable State codes, plans and specifications, and approved transmission line plan and profile sheets. The Engineer shall in no case stake lines other than those authorized by the Owner. The Engineer shall replace all stakes lost or removed prior to or during construction of the Project. All costs, including costs of stakes, equipment, and other material used in connection with the staking, shall be borne by the Engineer. All stakes shall be marked to show the pole number. Where practicable, all stakes shall be driven in such manner that the pole number shall be visible from the pole hauling truck when poles are being distributed. Each transmission structure stake shall be marked with the station number and the height and class of pole. Where it is probable that the Contractor will have difficulty in locating stakes, the Engineer shall drive a four-foot (1.2 m) building lath or equivalent in addition and adjacent to the stake. The Engineer shall give due consideration to the location of the consumer's load center and service termination in staking pole locations on or near the consumer's premises so that the service entrance cable or low voltage conductors to buildings will be as short as possible.

Section 2. *The Engineer shall cause staking sheets or structure lists to be maintained in such form as the Owner shall require, on which shall be accurately entered all pertinent and useful information and directions concerning the construction of the Project. Five counterparts of the staking sheets or structure lists shall be supplied by the engineer to the Contractor and two copies shall be supplied to the Owner. When revisions in staking sheets or structure lists are necessary, the Engineer shall cause all copies of the staking sheets or structure lists to be corrected to reflect such revisions in the information or directions previously incorporated thereon.*

Section 3. *The Engineer shall prepare and submit to the Owner a report showing the quantity, kind, price, and extended total of all units of construction for each portion of the Project at the time such portion is released to the Contractor for construction.*

Section 4. *A competent resident engineer, with full authority to act for the Engineer, shall be maintained by the Engineer at the site of the Project at all times when staking is being performed.*

ARTICLE IV

Construction Management

Section 1. *The Engineer shall supervise the construction of the Project and shall make a diligent effort to ensure the expeditious and economical construction thereof in accordance with the Plans and Specifications and the terms of the Construction Contract or contracts and ensure that all specified environmental criteria are followed. The Engineer shall carefully inspect all materials and equipment prior to their incorporation in the Project and shall promptly reject those not in compliance with the Specifications. The Engineer shall also supervise and inspect the incorporation of the materials in the Project and the workmanship with which such materials are incorporated. Such inspection shall be deemed to be adequate if a reasonable percentage of all construction units are inspected at the time of installation. The Engineer, as representative of the Owner, shall have sole responsibility for requiring the Contractor to perform the Construction Contract in accordance with its terms and the Plans and Specifications; and, in performing the duties incident to such responsibility, the Engineer shall issue to the Contractor such directives and impose such restrictions as may be required to obtain reasonable and proper compliance by the Contractor with the terms of the Construction Contract and the Plans and Specifications, in construction of the Project; provided that the Engineer shall not be required to exercise any actual control over employees of the Contractor. The term "supervise" when used herein shall not confer upon the Engineer responsibility for the Contractor's construction means, methods, or techniques. The obligations of the Engineer hereunder run to and are for the benefit of only the Administrator and the Owner.*

Section 2. *The Engineer shall measure ground resistance at all substation ground fields prior to bonding the ground field to the substation structure. In addition, upon recommendation by the Engineer and authorization by the Owner, the Engineer shall measure the ground resistance at the following locations:*

(a) At all transmission structures with overhead ground wire prior to the installation of the overhead ground wire.

(b) At all transmission structures with pole grounds prior to the installation of power conductor. The Engineer shall prepare a report of the ground resistance measurements mentioned above and submit such report to the Owner together with recommendations for changes, if any, required to ensure satisfactory operation. To the extent such changes are approved, the Engineer shall make appropriate changes in the Plans and Specifications in accordance with the provisions of Section 15 of Article II.

Section 3. *The Engineer shall maintain at the site of the Project during the entire period of construction a competent resident engineer with full authority to act for the Engineer, unless specifically directed otherwise by the Owner in writing. When necessary to assure adequate inspection, one or more competent inspectors shall also be maintained when construction units are being installed or corrective work is being performed, the number of inspectors being subject to approval by the Owner. The Engineer shall report, in writing, defects in workmanship or materials to the Contractor and the Owner and shall instruct the Contractor to correct such defects immediately, in accordance with the terms of the Construction Contract. A resident engineer shall be present during the final inspection of completed construction.*

Section 4. *The Engineer shall test along lines, immediately after they have been energized, for objectionable radio interference. All cases of radio interference due to faulty construction of or defective equipment in the Project shall be reported to the Contractor for correction.*

ARTICLE V

Final Documents

Section 1. *The Engineer shall prepare and, within twenty (20) days after the completion of construction of the Project by the Contractor, submit complete and detailed final documents to the Owner for approval and to the Administrator for approval, if approval of the Administrator is required.*

ARTICLE VI

Compensation

Section 1. *The Owner shall pay the Engineer for the services performed hereunder as indicated in the attached Schedule A.*

Section 2. *The total compensation to be paid in connection with this Agreement shall not exceed*

fees based on attached rate schedule

Section 3. *Compensation payable to the Engineer under this Agreement shall be in addition to taxes or levies (excluding Federal, State and local income taxes) which may be assessed against the Engineer by any State or political subdivision directly on services performed or payments for services performed by the Engineer pursuant to this Agreement. Such taxes or levies, which the Engineer may be required to collect or pay, shall, in turn, be added by the Engineer to invoices submitted to the Owner pursuant to this Agreement.*

Section 4. *Interest at the rate of* twelve *percent (* 12 *%) per annum [percentage is not to exceed any applicable State usury laws] shall be paid by the Owner to the Engineer on all unpaid balances due the Engineer commencing thirty (30) days after the due date; provided that the delay in payment beyond the due date is not caused by any condition within the control of the Engineer. Such compensation shall be paid ten (10) days after the amount of interest has been determined by the Engineer and the Owner.*

Section 5. *Prior to the time when any payment shall be made to the Engineer pursuant to this Agreement, the Engineer, if requested by the Owner, shall furnish to the Owner, as a condition precedent to such payment, a certificate to the effect that all salaries or wages earned by the employees of the Engineer in connection with the Project, have been fully paid by the Engineer up to and including a date not more than fifteen (15) days prior to the date when such payment shall be made. Before the time when the final payment shall be made to the Engineer by the Owner, the Engineer shall also furnish to the Owner, as a condition precedent to such payment, a certificate that all the employees of the Engineer have been paid for services rendered by them in connection with the Project and that all other obligations which might become a lien upon the Project have been paid.*

ARTICLE VII

Miscellaneous

Section 1. *The Owner may at any time terminate this Agreement by giving notice to the Engineer in writing to that effect not less than ten (10) days prior to the effective date of termination specified in the notice. Such notice shall be deemed given if delivered or mailed to the last known address of the Engineer. From and after the effective date specified in such notice, this Agreement shall be terminated, except that the Engineer shall be entitled to receive compensation for services hereunder as provided in Section 2 of this Article VII.*

Section 2. *In the event that this Agreement at any time be terminated pursuant to Section 1 of this Article VII, the compensation which shall be payable to the Engineer by the Owner shall be computed so far as possible in accordance with the provisions of Article VI. To the extent that the provisions of Section 1 of Article VI cannot be applied because construction is incomplete at the effective date of such termination, the Engineer shall be paid for engineering services in respect of incomplete construction a sum which shall bear the same ratio of the compensation which would have been payable under the provisions of Section 1 of Article VI, if such construction had been completed, as the engineering services in respect of such incomplete construction bear to the engineering services which would have been rendered if construction had been completed.*

If requested by the Owner, the Engineer shall submit to the Owner in duplicate a verified statement of actual expenses in respect of such incomplete construction. All compensation payable under this Section 2 shall be due and payable thirty (30) days after the approval by the Owner of the amount due hereunder.

Section 3. *The Engineer shall have the right, by giving the Owner not less than thirty (30) days notice in writing, to terminate this Agreement if the Engineer shall have been prevented by conditions beyond the control and without the fault of the Engineer (a) from commencing performance of this Agreement for a period of twelve (12) months from the date of this Agreement, or (b) from proceeding with the completion of full performance of any remaining services required of the Engineer pursuant to this Agreement for a period of six (6) months from the date of last performance by the Engineer of other services required pursuant to this Agreement. From and after the effective date specified in such notice this Agreement shall be terminated, except that the Engineer shall be entitled to receive compensation for services performed hereunder, computed and payable in the same manner as set forth in Section 2 of this Article.*

Section 4. *Upon completion of the Project or termination of the Contract, the Engineer shall be obligated forthwith to deliver to the Owner all maps, tracings, and drawings of the Project and all letters, documents, and other material, including all records pertaining thereto.*

The term "Completion of the Project" shall mean full performance of all obligations under this Contract and all amendments and revisions thereof as evidenced by the approval of the final documents by the Owner and by the Administrator, if approval of the Administrator is required.

Section 5. *The Engineer shall follow all applicable RUS rules and regulations.*

Section 6. *The Engineer shall prepare and execute in such form and detail as the Owner and the Administrator shall direct all estimates, certificates, reports, and other documents required to be executed by the Engineer pursuant to the terms of the Construction Contract or the Loan Contract, including progress reports of engineering services and reports of the progress of construction.*

Section 7. *The Engineer shall approve each monthly estimate of the Contractor prior to payment by the Owner. Such approval shall include a certification by the Engineer that all construction for which payment is requested has been completed in accordance with the terms of the Construction Contract and that all defective construction, of which the Contractor shall have received fifteen (15) or more days written notice, has been corrected. The Engineer shall also maintain at the site of the Project a cumulative inventory of all units of construction incorporated in the Project.*

Section 8. *The Engineer shall notify the Owner when the Project, or any section thereof, shall be ready to be energized. When requested by the Administrator, such notice shall also be given to the Administrator. The Engineer shall assist the Owner in causing the Project, or such section thereof, to be energized.*

Section 9. *Insurance. The Engineer shall take out and maintain throughout the period of this Agreement insurance of the following types and minimum amounts:*

(a) Workers' compensation and employers' liability insurance, as required by law, covering all of the Engineer's employees who perform any of the obligations of the Engineer under the Agreement. If any employer or employee is not subject to the workers' compensation laws of the governing State, then insurance shall be obtained voluntarily to extend to the employer and employee coverage to the same extent as though the employer or employee were subject to the workers' compensation laws.

(b) Public liability insurance covering all operations under the Agreement shall have limits for bodily injury or death of not less than $1 million each occurrence, limits for property damage of not less than $1 million each occurrence, and $1 million aggregate for accidents during the policy period. A single limit of $1 million of bodily injury and property damage is acceptable. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

(c) Automobile liability insurance on all motor vehicles used in connection with the Agreement, whether owned, nonowned, or hired, shall have limits for bodily injury or death of not less than $1 million per person and $1 million per occurrence, and property damage limits of $1 million for each occurrence. This required insurance may be in a policy or policies of insurance, primary and excess including the umbrella or catastrophe form.

(d) Errors and Omissions (Professional Liability) Insurance in an amount at least as large as the maximum compensation specified in Article VI, Section 2, but not less than $500,000.

The Owner shall have the right at any time to require public liability insurance and property damage liability insurance greater than those required in subsections "b" and "c" of this Section. In any such event, the additional premium or premiums payable solely as the result of such additional insurance shall be added to the total compensation to be paid under this Agreement.

The Owner shall be named as Additional Insured on all policies of insurance required in subsections "b" and "c" of this Section.

The policies of insurance shall be in such form and issued by such insurer as shall be satisfactory to the Owner. The Engineer shall furnish the Owner a certificate evidencing compliance with the foregoing requirements which shall provide not less than thirty (30) days prior written notice to the Owner of any cancellation or material change in the insurance.

The Engineer shall also follow the requirements of 7 CFR part 1788, RUS Fidelity and Insurance Requirements for Electric and Telephone Borrowers.

Section 10. *The obligations and duties to be performed by the Engineer under this Agreement shall be performed by persons qualified to perform such duties efficiently. The Engineer, if the Owner shall so direct, shall replace any resident engineer or other persons employed by the Engineer in connection with the Project. The Engineer shall file with the Owner and the Administrator a statement, signed by the Engineer, of the qualifications, including specific experience of each engineer and inspector assigned to the Project and the duties assigned to each.*

Section 11. *Approvals, directions, and notices provided to be given hereunder by the Administrator to the Engineer or the Owner shall be deemed to be properly given if given by any person authorized by the Administrator to give approvals, directions, or notices.*

Section 12. *The Engineer shall establish and maintain an office at the site of the Project, with telephone service where available, when staking or construction is in progress. Any notice, instructions, or communications delivered to such office shall be deemed to have been delivered to the Engineer.*

Section 13. *This Agreement may simultaneously be executed and delivered in two or more counterparts each of which so executed and delivered shall be deemed to be an original, and all shall constitute but one and the same instrument.*

Section 14. *The obligations of the Engineer under this Agreement shall not be assigned without the approval in writing of the Owner.*

Section 15. *The Engineer shall comply with applicable statutes pertaining to engineering and warrants that* Joseph E. Perry III *[Name of Engineer] who will be in responsible charge of the Project possesses license number* 10,051 *issued by the State of* Kentucky *on the* 31st *day of* August, 1976.

IN WITNESS WHEREOF, *the parties hereto have caused this Agreement to be duly executed.*

Cumberland Valley
Electric, Inc.
Owner

By Vernon Shelley
President

ATTEST: Lana Lay *Secretary*

Patterson & Dewar Engineers, Inc.
Engineer

Joseph E. Perry
Vice President

Joseph E. Perry III
V.P. & Chief Electrical Engineer

ATTEST: Virginia M. Dare *Secretary*

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Schedule A

Compensation

See attached Patterson & Dewar Engineers rate schedule dated May 1, 2004 and subject to annual increases.

PATTERSON & DEWAR ENGINEERS, INC.
Decatur, Georgia

FEES FOR GENERAL ENGINEERING SERVICES

EFFECTIVE: May 1, 2004

	CLASSIFICATION	$ PER HOUR
1.	Principal Engineer	$111.00
2.	Senior Engineer	104.00
3.	Project Engineer	97.00
4.	Design Engineer	85.00
5.	Engineer	78.00
6.	Senior Engineering Assistant	82.00
7.	Engineering Assistant	71.00
8.	Senior Technician	90.00
9.	Technician IV	67.00
10.	Technician III	60.00
11.	Technician II	54.00
12.	Technician I	51.00
13.	Aide IV	61.00
14.	Aide III	53.00
15.	Aide II	50.00
16.	Aide I	42.00
17.	Senior Draftsperson	83.00
18.	Draftsperson IV	70.00
19.	Draftsperson III	61.00
20.	Draftsperson II	54.00
21.	Draftsperson I	43.00
22.	Clerk II	35.00
23.	Clerk I	30.00
24.	CAD Operator IV	74.00
25.	CAD Operator III	65.00
26.	CAD Operator II	59.00
27.	CAD Operator I	48.00
28.	CAD Operator	36.00
29.	Construction Consultant	136.00
30.	Transmission Design Engineer	125.00
31.	Senior Land Agent	93.00
	DATA PROCESSING PERSONNEL	
32.	Computer Coordinator	90.00
33.	Engineering Designer	97.00
34.	Transmission System Engineer	125.00

TRAVEL AND EXPENSES	-	Actual Out-of-Pocket Cost
PRINTS, PHONE CALLS ETC.	-	Actual Cost
OUTSIDE CONSULTANT	-	Actual Cost + 20%
SUBSTATIONS	-	15% Adder for Computer/CAD Software

NOTE: Fees are subject to annual increases.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q40: Refer to the response to the Staff's First Request, Item 23. Confirm that Cumberland Valley's adjustment for payroll taxes is not $2,692 instead of $1,887 as indicated on Exhibit S, page 3 of 4.

RESPONSE:

Yes, the payroll adjustment should now be $2,692.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q41: Refer to the response to Staff's First Request, Item 24.

a. Provide a detailed analysis of Other Taxes in the amount of $51,441.

RESPONSE:

This is the Public Service Company assessment based on revenues less one-half of power costs.

b. Provide a comparative schedule of property tax expense for each year of the period of 2009 through 2013.

RESPONSE:

2009	545,785.00
2010	592,755.00
2011	613,037.30
2012	637,115.00
2013	689,345.00

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q42: Refer to the response to Staff's First Request, Item 35. State from which lenders Cumberland Valley plans to advance loan funds to August and December 2014.

RESPONSE:

These advances will be FFB loans from Rural Utilities Services.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q43: Refer to Cumberland Valley's response to Staff's First Request, Item 49.

a. Are the DSM programs listed offered in conjunction with identical programs offered by EKPC?

RESPONSE:

Yes.

b. Does Cumberland Valley have plans to increase its DSM offerings in the future, independent of EKPC DSM programs?

RESPONSE:

Cumberland Valley is open to offering DSM programs independent of EKPC if the program is of benefit to the members and the cooperative.

c. For each DSM program noted in Cumberland Valley's response, describe the level of customer interest in each program. Provide the number of customers that are actually participating or have indicated a desire to participate by program.

RESPONSE:

Button Up Program- Cumberland Valley processed 10 Button Up rebates in 2013. This number is up slightly from previous years and interest is increasing. Stepped up marketing campaigns via print, website, Facebook and Twitter seem to be helping. More members inquire about the program than take advantage of the rebate.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Heat Pump Retrofit- Cumberland Valley processed 8 Heat Pump Retrofit rebates in 2013. This heat pump retrofit program gets more inquiry or desire to participate than any other program. Most members will not qualify because they are not replacing electric resistant heat. Rebates actually processed have increased slightly over the past few years.

HVAC Duct Sealing- Cumberland Valley processed 5 HVAC Duct Sealing rebates in 2013. This program is gaining popularity as it's only been available at Cumberland Valley since 2012.

Touchstone Energy Home- Cumberland Valley processed 2 Touchstone Energy Home rebates in 2013. Participation in this program has been low, we might get 1 or 2 a year. This program entails very detailed requirements during construction ensuring a home 15-20% more efficient than your standard built home.

Simple Saver DLC-AC- Cumberland Valley installed 198 Air Conditioner (AC) switches in 2013 that enabled direct load control. Cumberland Valley currently has a total of 616 AC switches installed system wide. Participation in this program is good, but we hope to do even better. Advertising with the DLC programs have been aggressive.

Simple Saver DLC-WH- Cumberland Valley installed 112 Water Heater (WH) switches in 2013 that enabled direct load control. Cumberland Valley currently has a total of 384 WH switches installed system wide. Participation is good.

Electric Thermal Storage- Cumberland Valley has 125 Electric Thermal Storage units on our system. Numbers have continued to decline over the last 10 years. East

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Kentucky Power no longer provides a rebate or incentive for this program. Cumberland Valley's off-peak rate for ETS is still in existence.

Compact Fluorescent Lighting- Cumberland Valley currently gives these bulbs away to our members to encourage the replacement of incandescent bulbs. Getting free light bulbs is one of the most popular programs with our members. On average 2 to 3 thousand members per year would benefit from the bulbs.

Energy Audits- Cumberland Valley performed 21 energy audits in 2013 and a total of 92 over the last 4 years. These audits are free to our members. Cumberland Valley continues to recommend and encourage members to take advantage of our free energy audit.

Industrial Compressed Air- Cumberland Valley has participated in 3 compressed air audits in 2013. Recommendations from audits have not been implemented and no rebates have occurred.

Commercial Advanced Lighting-Cumberland Valley had 2 Commercial Advanced Lighting Rebates processed in 2013 and 2 rebates in 2012.

d. Provide the 2014 budgeted or estimated total costs of Cumberland Valley's DSM program.

RESPONSE:

The estimated cost of Cumberland Valley's 2014 DSM program is approximately $40,000.

Cumberland Valley Electric
Case No. 2014-00159
Commission Staff's Second Request for Information

Q44: In Cumberland Valley's most recent rate cast (Case No. 2005-00187), the Commission ordered that a focused management audit of Cumberland Valley would be undertake and the costs of the audit should be deferred for recovery in its next general rate case.

a. Provide the total cost of the audit and the deferred asset account to which it was charged.

RESPONSE:
CVE expensed the focused management audit in 2007 and its expense amount was $72,367.

b. It does not appear that Cumberland Valley is requesting recovery of the management audit costs in this proceeding. Confirm that this is correct.

RESPONSE:
CVE does wish to recover this cost. However, this item was overlooked in the preparation of this case.

c. If Cumberland Valley is not requesting recovery of the cost of the management audit in this case, provide an explanation for the disposition of the expense incurred by Cumberland Valley.

RESPONSE:
Please see the response to items a and b above.