

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CUMBERLAND VALLEY ) CASE NO.  
ELECTRIC, INC. FOR AN ADJUSTMENT OF )  
RATES ) 2014-00159

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION  
TO CUMBERLAND VALLEY ELECTRIC, INC.

Cumberland Valley Electric, Inc. ("Cumberland Valley"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before August 21, 2014. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Cumberland Valley shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Cumberland Valley fails or refuses to furnish all or part of the requested

information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request.

1. 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 that projections for increases in interest rates have generally not materialized?

b. Provide documentation supporting the Federal Financing Bank’s (“FFB”) seven year rate that existed in mid-April rate of 2.17 percent.

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

2. 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.

3. 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.

4. 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.

5. 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.

6. 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.

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.

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

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 of 3 of the response is a revision of page 8 of 9 of Exhibit K.

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.

f. Given the numerous discrepancies noted above and corrected pages provided in Cumberland Valley's responses 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.

7. 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.

8. 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.

b. Provide the date of the 2014 annual meeting.

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

9. 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.

10. 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.

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.

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

a. Refer to the calculation for 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").

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 on 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.

12. 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.

13. 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 pages 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.

14. 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 the determination of the demand and customer-related components for the accounts.

15. 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 within the Rate Class – KW." Include in the response how individual customer peak demands are determined for customers without demand meters.

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

c. 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.

d. 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.

17. 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 a corrected COSS.

18. 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.

19. Refer to Exhibit R of the application, page 32 of 33.

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

f. 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.

20. 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.

21. 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.

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.

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 this account increased by this magnitude.

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.

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.

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.

22. 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.

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.

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.



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.

e. Account 595.0, Maint of Line Transformers increased by \$27,520, from \$17,711 to \$45,231, from 2012 to the 2013 test period. Provide a detailed explanation for why this account increased by this magnitude.

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.

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.

h. Account 908.0, Custom 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.

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.

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.

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.

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.

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.

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.

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.

23. 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.

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

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.

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

c. The 12/31/13 trial 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.

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

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

a. The last paragraph on page 3 of 72 of the depreciation study states that there are many factors affecting depreciation rates and accrued depreciation 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 depreciation 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.

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

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

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.

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.

f. For Account 370, Meters; Account 370.1 Automated Meters; 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.

26. 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?

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

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

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.

27. 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 the amounts shown as "Less charged to clearing" for the normalized and test year depreciation accrual amounts above that calculation. Explain this discrepancy.

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.

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.

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.

28. Refer to Exhibit 5, Interest Expenses Adjustment, and the response to Staff' 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.

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. Explain the Company's financial plan as it relates to these loans, i.e., are the loans to be retired or will they be refinanced and/or replaced with new financing?

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?

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.

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 this discrepancy.

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.

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.

29. 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.

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

30. 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.

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.

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 First Request, provide the actuarial variance results as of December 31, 2012, that resulted in the 2013 accrual of \$273,824.

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

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 changes in plan assets and benefit obligations recognized in other comprehensive income."

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

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

(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.

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 Expense Components."

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

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

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

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

31. 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.

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

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.

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.

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.

32. Refer to Exhibit 10 of the application, Director 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").

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.

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.

d. Page 2 of 6 shows a payment on 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.

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

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 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.

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.

h. Pages 3 through 5 of 6 show payments to Messer's Shelley, 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.

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.

j. Page 3 of 6 shows payments to Mr. Shelley for NRECA Classes & Hotel (\$125.37), NRECA Summer Classes & 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.

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.

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.

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.

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.

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.

p. Page 5 of 6 shows payments to Mr. Moses for NRECA Classes & 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.

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.

33. 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.

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.

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?

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.

34. 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.

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

36. 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, the second Schedule II, Schedule III, and Schedule VI. If a correction is necessary, provide an updated exhibit.

37. 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.

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<sup>1</sup> 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. If no, explain. If yes, provide a revised Exhibit 17.

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.

38. Refer to the response to Staff's First Request, item 13.

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

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

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

40. Refer to the response to Staff's First Request, item 23. Confirm that Cumberland Valley's adjustment for payroll taxes is now \$2,692 instead of \$1,887, as indicated on Exhibit S, page 3 of 4.

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<sup>1</sup> Case No. 2005-00187, Adjustment of Rates of Cumberland Valley Electric, Inc. (Ky. PSC June 2, 2006).

41. 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.
- b. Provide a comparative schedule of property tax expense for each year of the period 2009 through 2013.

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

43. 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?

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

- 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.

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

44. In Cumberland Valley's most recent rate case (Case No. 2005-00187), the Commission ordered that a focused management audit of Cumberland Valley would be undertaken and the costs of the audit should be deferred for recovery in its next general rate case.<sup>2</sup>

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<sup>2</sup> *Id.*, ordering paragraph 6.

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

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

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.



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Jeff DeLoen  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, Kentucky 40602

DATED AUG 07 2014

cc: Parties of Record

Case No. 2014-00159