

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

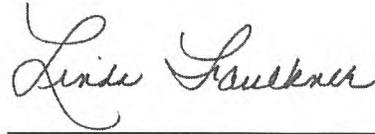
NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on November 5, 2014 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on November 5, 2014 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on November 5, 2014.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring an electronic copy of the digital video recording of the hearing in Windows Media format may download a copy at: [http://psc.ky.gov/av\\_broadcast/2014-00159/2014-00159\\_05Nov14\\_Inter.aspx](http://psc.ky.gov/av_broadcast/2014-00159/2014-00159_05Nov14_Inter.aspx). Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 10<sup>th</sup> day of November 2014.

A handwritten signature in cursive script that reads "Linda Faulkner".

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Linda Faulkner  
Director, Filings Division  
Public Service Commission of Kentucky

Angela M Goad  
Assistant Attorney General  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive  
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Honorable W. Patrick Hauser  
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Robert Tolliver  
Officer Manager  
Cumberland Valley Electric, Inc.  
Highway 25E  
P. O. Box 440  
Gray, KY 40734

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

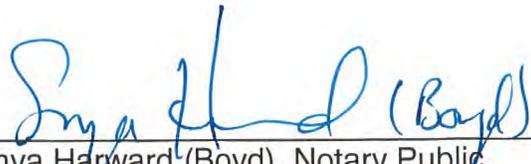
APPLICATION OF CUMBERLAND VALLEY ELECTRIC, ) CASE NO. 2014-00159  
INC. FOR AN ADJUSTMENT OF RATES )

CERTIFICATE

I, Sonya Harward, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on November 5, 2014. Hearing Log, Exhibits, Exhibit List, and Witness List are included with the recording on November 5, 2014.
2. I am responsible for the preparation of the digital recording.
3. The digital recording accurately and correctly depicts the Hearing of November 5, 2014.
4. The "Exhibit List" attached to this Certificate correctly lists all Exhibits introduced at the Hearing of November 5, 2014.
5. The "Hearing Log" attached to this Certificate accurately and correctly states the events that occurred at the Hearing of November 5, 2014 and the time at which each occurred.

Given this 5<sup>th</sup> day of November, 2014.

  
\_\_\_\_\_  
Sonya Harward (Boyd), Notary Public  
State at Large  
My commission expires: August 27, 2017



# Session Report - Detail

2014-00159\_05Nov2014

Cumberland Valley Electric, Inc.

Date:	Type:	Location:	Department:
11/5/2014	General Rates	Public Service Commission	Hearing Room 1 (HR 1)

Judge: David Armstrong; Linda Breathitt; Jim Gardner  
 Witness: James Adkins - for Cumberland Valley; Barbara Elliott - Cumberland Valley; Robert Tolliver - Cumberland Valley  
 Clerk: Sonya Harward

Event Time	Log Event
9:27:58 AM	Session Started
9:28:04 AM	Session Paused
10:02:46 AM	Session Resumed
10:02:48 AM	Chairman David Armstrong - Preliminary Comments and Introductions Note: Harward, Sonya Vice Chairman Jim Gardner and Commissioner Linda Breathitt
10:03:20 AM	Attys. W. Patrick Hauser and Brian Chaney for Cumberland Valley Electric, Inc.
10:03:29 AM	Attys. Angela Goad and Jennifer Hans for Office of the Attorney General
10:03:36 AM	Attys. Jonathan Beyer and David Spenard for PSC
10:03:58 AM	Atty. Hauser - Filings Note: Harward, Sonya Asks that Long-Term Debt and Expense Updates and the Notice be filed in the record.
10:04:33 AM	Atty. Beyer - Regarding Filings Note: Harward, Sonya These items should be accepted into the record and will be taken to Filings to be date stamped today.
10:04:41 AM	Public Comment Note: Harward, Sonya No public present to comment.
10:05:10 AM	Witness Robert Tolliver takes the stand and is sworn in. Note: Harward, Sonya Office Manager for Cumberland Valley Electric, Inc.
10:06:10 AM	Atty. Hauser Direct Exam of Witness Tolliver Note: Harward, Sonya Asking for the reason the application was filed.
10:07:21 AM	Atty. Hans - Interjection Note: Harward, Sonya Testimony has been pre-filed, direct exam should be unnecessary.
10:08:07 AM	Atty. Hauser to Witness Tolliver Note: Harward, Sonya Accepts testimony with no changes.
10:08:36 AM	Atty. Goad Cross Exam of Witness Tolliver Note: Harward, Sonya Asking about application and raises for employees.
10:09:55 AM	AG - Exhibit 1 Note: Harward, Sonya Exhibit 2, page 1 of 6, Witness Jim Adkins, Cumberland Valley Electric, CN 2014-00159, Dec. 31, 2013, Payroll Adjustment
10:10:24 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya Questioning about AG - Exhibit 1 to this Hearing.
10:12:17 AM	POST HEARING DATA REQUEST per Atty. Goad Note: Harward, Sonya Provide proof of Cumberland Valley's employees' salaries being comparable to those at other cooperatives in similar positions and jobs.
10:16:00 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya Continuing to ask about employee raises and performance raises.
10:17:28 AM	AG - Exhibit 2 Note: Harward, Sonya Bell County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21013.html">http://quickfacts.census.gov/qfd/states/21/21013.html</a>

10:17:57 AM	AG - Exhibit 3 Note: Harward, Sonya	Harlan County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21095.html">http://quickfacts.census.gov/qfd/states/21/21095.html</a>
10:18:00 AM	AG - Exhibit 4 Note: Harward, Sonya	Knox County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21121.html">http://quickfacts.census.gov/qfd/states/21/21121.html</a>
10:18:02 AM	AG - Exhibit 5 Note: Harward, Sonya	McCreary County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21147.html">http://quickfacts.census.gov/qfd/states/21/21147.html</a>
10:19:30 AM	Atty. Hauser - Comment about Exhibits Note: Harward, Sonya	First time these have been seen.
10:19:54 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Asking about Bell County per capita income. Continues asking the same about Harlan County, Knox County, and McCreary County.
10:22:22 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Referencing Cumberland Valley's Application, Exhibit 2, pages 4-6.
10:25:30 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Asking about Cumberland Valley not giving raises every year in order to improve its financial situation.
10:26:34 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Asking about Cumberland Valley's meeting budget.
10:27:25 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Referencing Cumberland Valley's Application, Exhibit 11, regarding employee shirts.
10:28:50 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya  Note: Harward, Sonya	Asking about the \$250 being paid to the Boy Scouts for presenting the flag at the Annual Meeting. Also asks about \$500 to use the Middle School, \$75 for a singer, \$2,000 for various expenses, and \$26,000 for entertainment, buckets, and light bulbs.
10:33:43 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Referencing response to AG's 1st data request, item 25, regarding nepotism policy.
10:35:50 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Referencing AG's 1st data request, item 26, regarding all relatives of Cumberland Valley employees.
10:37:02 AM	Atty. Goad to Witness Tolliver Note: Harward, Sonya	Asking if Cumberland Valley had any places where they could have improved their financial health.
10:38:05 AM	Atty. Beyer Cross Exam of Witness Tolliver Note: Harward, Sonya	Asking about the need for a rate increase and the level required.
10:39:06 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Referencing Consultant's pre-filed testimony regarding references to a \$500,000 increase compared to a \$1.6M increase.
10:40:11 AM	Atty. Hauser - Comment about document being discussed Note: Harward, Sonya	Hands out a copy of the Memo for the Informal Conference of October 29, 2014 and the documents attached to it, pre-filed in case on Nov. 3, 2014. (Not an exhibit.)
10:48:58 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking about Cumberland Valley considering waiting to file an application until loan interest rates were locked in.
10:51:07 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking about Witness's title, and if he has previously filed testimony in any other case.

10:51:45 AM	PSC - Exhibit 1 Note: Harward, Sonya	Exhibit G-1, pages 1-3, Cumberland Valley Electric, Inc., CN 2005-00187, Direct Testimony of Ted Hampton
10:52:39 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Questioning about PSC - Exhibit 1 to this Hearing, regarding questions 2, 3, 4, and 5.
10:54:21 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking about cost-cutting measures Cumberland Valley has taken since the 2005-00187 rate case.
10:58:08 AM	Commissioner Breathitt - Interjects Note: Harward, Sonya	Question for Clarification Regarding electronic bills.
10:59:27 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking if the information about the cost-cutting measures can be found in the response to PSC's 1st request for information, item 8.
10:59:40 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking about right-of-way cost reductions.
11:00:51 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Referencing response to PSC's 1st response, item 8, page 4, Power Factor Monitoring.
11:03:09 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking about wages and salary increases.
11:03:28 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking why CEO Mr. Hampton is not present.
11:03:52 AM	Commissioner Breathitt - Interjects Note: Harward, Sonya	a Question for Clarification Regarding who makes salary adjustments and how that is done.
11:05:03 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking if Witness is involved in salary adjustments.
11:05:33 AM	Atty. Beyer to Witness Tolliver Note: Harward, Sonya	Asking if is reasonable to recover rates based upon interest rates not presently being incurred.
11:06:21 AM	Vice Chairman Gardner Cross Exam of Witness Tolliver Note: Harward, Sonya	Asking why a future test year was not used.
11:06:55 AM	Vice Chairman Gardner to Witness Tolliver Note: Harward, Sonya	Asking about operating tier.
11:08:19 AM	POST HEARING DATA REQUEST per Vice Chairman Gardner Note: Harward, Sonya	Provide the operating tier for 2012, 2013, 2014 on a monthly basis.
11:09:24 AM	POST HEARING DATA REQUEST per Vice Chairman Gardner Note: Harward, Sonya	Provide the letters from RUS and the responses for 2012, 2013, 2014.
11:10:17 AM	Vice Chairman Gardner to Witness Tolliver Note: Harward, Sonya	Asking if the Board has met about costs and reducing expenses.
11:10:36 AM	POST HEARING DATA REQUEST per Vice Chairman Gardner Note: Harward, Sonya	Provide the minutes of Board Meetings that dealt with costs and expenses.
11:11:45 AM	Vice Chairman Gardner to Witness Tolliver Note: Harward, Sonya	Asking about staffing levels and lack of reduction in payroll.
11:12:59 AM	Commissioner Breathitt Cross Exam of Witness Tolliver Note: Harward, Sonya	Asking about his ranking in terms of job responsibilities and his attendance at Board meetings.
11:14:12 AM	Commissioner Breathitt to Witness Tolliver Note: Harward, Sonya	Asking if Cumberland Valley has a pre-pay metering program.
11:16:07 AM	Commissioner Breathitt to Witness Tolliver Note: Harward, Sonya	Asking about concerns relating to interest rate increases.

11:20:14 AM Vice Chairman Gardner to Witness Tolliver  
Note: Harward, Sonya Asking about Cumberland Valley's participation in East Kentucky Power Company's DSM and energy-efficiency programs.

11:20:46 AM Vice Chairman Gardner to Witness Tolliver  
Note: Harward, Sonya Asking which employees are in the union.

11:21:49 AM Atty. Beyer Re-Cross Exam of Witness Tolliver  
Note: Harward, Sonya Asking when Cumberland Valley plans on locking in interest rates.

11:23:14 AM Atty. Beyer to Witness Tolliver  
Note: Harward, Sonya Asking about Mr. Adkins using a 7-year rate when Cumberland Valley will likely lock in for 20-30 years.

11:24:06 AM Atty. Beyer to Witness Tolliver  
Note: Harward, Sonya Asking about salary increase recommendations and if CEO Mr. Hampton requests his own increases as well.

11:24:34 AM Atty. Beyer - Comment  
Note: Harward, Sonya Per Vice Chairman Gardner's Post Hearing Request, provide operating tier on a monthly basis.

11:24:54 AM Atty. Hans - Regarding Handout from Cumberland Valley  
Note: Harward, Sonya Asking if Memo for the Informal Conference of October 29, 2014 and the documents attached to it, pre-filed in case on Nov. 3, 2014, should be admitted as an exhibit to this Hearing.

11:25:59 AM Break

11:26:15 AM Session Paused

11:38:02 AM Session Resumed

11:38:07 AM Chairman Armstrong Cross Exam of Witness Tolliver  
Note: Harward, Sonya Asking about union and non-union employees.

11:38:35 AM POST HEARING DATA REQUEST per Chairman Armstrong  
Note: Harward, Sonya Provide minutes or notes for the last union collective bargaining/negotiation meeting for union member salaries, including cost of annual dues, who handles the grievances, etc.

11:40:07 AM Witness Tolliver dismissed from the stand.

11:40:23 AM Witness James R. Adkins takes the stand and is sworn in.  
Note: Harward, Sonya Utility Rate Consultant

11:41:28 AM Chairman Armstrong to Witness Adkins  
Note: Harward, Sonya Asking about distinctions between union and non-union employees.

11:42:44 AM Atty. Hauser Direct Exam of Witness Adkins  
Note: Harward, Sonya Asking why Cumberland Valley needs a rate increase.

11:43:28 AM Atty. Hauser to Witness Adkins  
Note: Harward, Sonya Asking Witness to explain the approach being taken.

11:44:45 AM Atty. Hauser to Witness Adkins  
Note: Harward, Sonya Asking Witness to explain why he picked 7 years regarding interest rates.

11:46:40 AM Atty. Hauser to Witness Adkins  
Note: Harward, Sonya Asking Witness to better explain the customer charge increase.

11:47:22 AM Atty. Goad Cross Exam of Witness Adkins  
Note: Harward, Sonya Asking about Witness's testimony just now and his pre-filed Testimony, page 11, question 24.

11:49:03 AM Atty. Gaod to Witness Adkins  
Note: Harward, Sonya Asking about large bulk of rate being put on the customer charge.

11:49:59 AM Atty. Gaod to Witness Adkins  
Note: Harward, Sonya Asking about different approach to determining revenue requirement.

11:50:38 AM Atty. Gaod to Witness Adkins  
Note: Harward, Sonya Asking Witness to provide a case in which the Commission approved rates based on an interest rate that a utility is not currently being charged.

11:51:07 AM	POST HEARING DATA REQUEST per Atty. Goad Note: Harward, Sonya	Provide the case number Witness Adkins cited regarding a previous case where Commission gave approval for rates based on interest rates a utility is not currently being charged.
11:51:53 AM	Atty. Beyer Cross Exam of Witness Adkins Note: Harward, Sonya	Asking Witness to describe Cumberland Valley's current financial condition.
11:54:32 AM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking how Cumberland Valley is failing to meet it's mortgage requirements.
11:55:27 AM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking why TIER method is not the proper method to apply in this situation.
11:57:11 AM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking if Cumberland Valley would immediately need to request a follow-up rate increase if only granted a \$500,000 increase in this case.
12:00:01 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking what Cumberland Valley's TIER would be if granted a \$500,000 rate increase.
12:01:26 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Referencing response to AG's 2nd data request, item 9, regarding change in interest rates.
12:03:39 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking about Cumberland Valley's 5-year average rate.
12:04:19 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking if it would be more reasonable to file a rate application after interest rates are locked in.
12:06:33 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking why Cumberland Valley waited so long to file for a rate increase after not meeting its operating TEIR requirements in 2012-2013.
12:07:24 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Referencing response to PSC's 2nd request, item 44.b., regarding management audit cost.
12:08:15 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Asking why Cumberland Valley did not defer the cost of the Management Audit as ordered in a previous Commission Order.
12:09:46 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Referencing response to PSC's 4th request, item 9, regarding meter inventories.
12:12:30 PM	POST HEARING DATA REQUEST per Atty. Beyer Note: Harward, Sonya	Provide the list of cooperatives that have been authorized by the Commission to increase depreciation rates recorded in Acct. 370 from 3.4 to 6.7 percent.
12:14:11 PM	Atty. Beyer to Witness Adkins Note: Harward, Sonya	Referencing response to PSC's 4th request, item 1, regarding items charged to accounts 370.12 and 370.15.
12:14:55 PM	Vice Chairman Gardner Cross Exam of Witness Adkins Note: Harward, Sonya	Asking if weather normalization is done for any of the calculations.
12:16:07 PM	Vice Chairman Gardner to Witness Adkins Note: Harward, Sonya	Asking if there were any other factors why 2014 will be worse than 2013 and 2012.

12:19:56 PM Commissioner Breathitt Cross Exam of Witness Adkins  
Note: Harward, Sonya Asking clarifying questions about new method for calculating revenue requirements.

12:22:08 PM Commissioner Breathitt to Witness Adkins  
Note: Harward, Sonya Asking about rate-of-return model being more precise.

12:23:03 PM Commissioner Breathitt to Witness Adkins  
Note: Harward, Sonya Asking about Witness's remark about margin degradation of EKPC coops.

12:24:08 PM Atty. Beyer Re-Cross Exam of Witness Adkins  
Note: Harward, Sonya Asking why Witness used interest expense vs. return-on-equity approach.

12:25:21 PM Atty. Beyer to Witness Adkins  
Note: Harward, Sonya Asking about a \$2M suggested increase.

12:26:13 PM Atty. Beyer to Witness Adkins  
Note: Harward, Sonya Referencing response to PSC's 4th request, item 5, regarding meter installation.

12:26:58 PM Witness Adkins dismissed from the stand.

12:27:17 PM Witness Robert Tolliver re-takes the stand.

12:27:38 PM Atty. Beyer Re-Cross Exam of Witness Tolliver  
Note: Harward, Sonya Referencing response to PSC's 4th request, item 5, regarding meters and depreciation rates.

12:31:01 PM Atty. Beyer to Witness Tolliver  
Note: Harward, Sonya Referencing response to PSC's 4th request, item 1, regarding items charged to accounts 370.12 and 370.15.

12:32:25 PM Atty. Beyer to Witness Tolliver  
Note: Harward, Sonya Referencing response to PSC's 3rd request, item 7.b., regarding meters with modules.

12:34:30 PM Vice Chairman Gardner - Interjects a Clarifying Question  
Note: Harward, Sonya Asking for interpretation of last sentence read in response to PSC's 3rd request, item 7.b.

12:35:30 PM Witness Tolliver is dismissed from the stand.

12:35:33 PM Witness Barbara Elliott takes the stand and is sworn in.  
Note: Harward, Sonya Accounting Supervisor for Cumberland Valley

12:36:04 PM Atty. Beyer Cross Exam of Witness Elliott  
Note: Harward, Sonya Asking about meters with modules.

12:36:42 PM Atty. Beyer to Witness Elliott  
Note: Harward, Sonya Referencing response to PSC's 3rd request, item 7.b., regarding meters with modules.

12:38:15 PM POST HEARING DATA REQUEST per Atty. Beyer  
Note: Harward, Sonya Provide the breakdown of TS-1 and TS-2 meter installations and if they were new or pre-existing meters.

12:38:59 PM Atty. Beyer - Comment  
Note: Harward, Sonya Noting that Hearing start time may be incorrect and that the Hearing began shortly after 10:00am.

12:39:50 PM Response to Post Hearing Data Requests due 11/14/14

12:40:20 PM Briefs will be due 11/25/14

12:41:02 PM Hearing Adjourned

12:41:08 PM Session Paused

12:54:44 PM Session Ended



## Exhibit List Report

2014-00159\_05Nov2014

Cumberland Valley Electric, Inc.

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<b>Name:</b>	<b>Description:</b>
AG - Exhibit 1	Exhibit 2, page 1 of 6, Witness Jim Adkins, Cumberland Valley Electric, CN 2014-00159, Dec. 31, 2013, Payroll Adjustment
AG - Exhibit 2	Bell County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21013.html">http://quickfacts.census.gov/qfd/states/21/21013.html</a>
AG - Exhibit 3	Harlan County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21095.html">http://quickfacts.census.gov/qfd/states/21/21095.html</a>
AG - Exhibit 4	Knox County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21121.html">http://quickfacts.census.gov/qfd/states/21/21121.html</a>
AG - Exhibit 5	McCreary County QuickFacts from the US Census Bureau, from <a href="http://quickfacts.census.gov/qfd/states/21/21147.html">http://quickfacts.census.gov/qfd/states/21/21147.html</a>
PSC - Exhibit 1	Exhibit G-1, pages 1-3, Cumberland Valley Electric, Inc., CN 2005-00187, Direct Testimony of Ted Hampton

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

CUMBERLAND VALLEY ELECTRIC, INC.  
CASE NO. 2005-00187

DIRECT TESTIMONY OF TED HAMPTON

- 1 Q. Please state your name, your business address and job position?
- A. My name is Ted Hampton and I am the Manager of Cumberland Valley Electric, Inc. ("Cumberland Valley"). My business address is P.O. Box 440, Gray, KY 40734
- 2 Q. What are your responsibilities at Cumberland Valley and how long have you held your current position?
- A. I am the general manager of the Cooperative with responsibility for the safe delivery of electric power to our consumer/members at affordable rates. All aspects of operations, maintenance, administration, customer relations, external affairs and financing come under my supervision and direction. I have held my current position since 1964.
- 3 Q. Why is Cumberland Valley Electric, Inc. seeking to increase its electric rates?
- A. Cumberland Valley's last increase in electric rates for its own distribution expenses occurred in August 1980. Since our last rate increase for distribution expense reasons, Cumberland Valley has had increases in expenses in all areas of operations, maintenance, administration and customer service. The fixed costs of depreciation, interest expense and taxes related to distribution plant have all increased significantly in the twenty-five years since our last rate increase. Additionally, distribution plant investment has increased over that same period which has created increases in expenses..

4 Q. How has Cumberland Valley been able not to go twenty-five years without a rate increase for increases in own distribution expenses?

A. Cumberland Valley has been able to go this long without a rate increase because of diligent, dedicated and disciplined employees and management. Cumberland Valley recognizes that it serves an area of Kentucky that is economically deprived and Cumberland Valley has a commitment to keep our rates as low as possible. We have been able to accomplish this charge by minimizing our committed costs while maintaining maximum flexibility. By committed costs I mean that we have held costs dealing with administration, customer service, and other overhead areas to a minimum. A review of the two cost profiles we have submitted as a part of this application supports this statement. We have also emphasized line operation and maintenance as an important function in order to keep our consumer/members electric outages to a minimum.

5 Q How has Cumberland Valley been able to keep these costs to a minimum?

A. We have been able to accomplish it through minimizing the number of employees, the cross training of employees especially those in the administrative area and outsourcing of many line maintenance functions. Our administrative, customer service and finance employees are trained to handle several functions and can do so on a minimum notice. By outsourcing some of the line functions, Cumberland Valley is able to expand and contract its work force as may be needed. The outsourcing of some functions and the ability of employees to function in more than one capacity has led to cost savings that have been passed on to our member/consumers through lower rates.

6 Q The philosophy of outsourcing and minimizing the number of employees is of great interest today in our global economy. Is it a worthwhile philosophy and will it continue as Cumberland Valley?

A. I believe that Cumberland Valley's low rates, which are among the lowest in the country for cooperatives, and our low costs prove the merits of this operating and management philosophy. I do believe that it will continue at Cumberland Valley because of the results it has produced.

7 Q. Does Cumberland Valley really need to increase its electric rates?

A. Cumberland Valley needs to increase its electric rates for certain rate classes and would not have filed if the need were not true.

\*. Q. Does this conclude your testimony?

A. Yes, this concludes my testimony.

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

Payroll Adjustment

To reflect the increase granted by the Board of Directors, the step increases granted and promotions during the year. To give recognition to employees terminated and employees hired during the test year. Increases are granted each September 1st to union and non union employees. Overtime pay is calculated at 1-1/2 times regular pay.

Cumberland Valley has always hired summer and part time employees, and anticipates this to continue into future years. These employees were normalized at the same rate and hours during the test year.

Wage and salary increases are as follows:

	<u>Union</u>	<u>Non-Union</u>
2013	3.00%	3.00%
2012	3.00%	3.00%
2011	3.50%	3.50%
2010	2.00%	2.00%
2009	3.00%	3.00%
2008	5.00%	5.00%

Two additional employees received merit increases of \$2,500 each in the test year. The amount of increase was allocated based on the actual test year.

Projected wages	\$3,678,745
Actual wages for test year	<u>3,616,003</u>
Adjustment	<u><u>\$62,741</u></u>

The allocation is on the following page:



**Topics**  
Population, Economy

**Geography**  
Maps, Geographic Data

**Library**  
Infographic, Publications

**Data**  
Tools, Developers

**About the Bureau**  
Research, Surveys

**Newsroom**  
News, Events, Blogs

State &amp; County QuickFacts

**Bell County, Kentucky**

People QuickFacts	Bell	
	County	Kentucky
Population, 2013 estimate	27,885	4,395,295
Population, 2010 (April 1) estimates base	28,691	4,339,357
Population, percent change, April 1, 2010 to July 1, 2013	-2.8%	1.3%
Population, 2010	28,691	4,339,367
Persons under 5 years, percent, 2013	6.0%	6.3%
Persons under 18 years, percent, 2013	21.4%	23.1%
Persons 65 years and over, percent, 2013	16.9%	14.4%
Female persons, percent, 2013	51.4%	50.8%
White alone, percent, 2013 (a)	95.4%	88.5%
Black or African American alone, percent, 2013 (a)	2.4%	8.2%
American Indian and Alaska Native alone, percent, 2013 (a)	0.2%	0.3%
Asian alone, percent, 2013 (a)	0.3%	1.3%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	0.1%	0.1%
Two or More Races, percent, 2013	1.6%	1.7%
Hispanic or Latino, percent, 2013 (b)	0.9%	3.3%
White alone, not Hispanic or Latino, percent, 2013	94.6%	85.6%
Living in same house 1 year & over, percent, 2008-2012	91.2%	84.9%
Foreign born persons, percent, 2008-2012	0.3%	3.2%
Language other than English spoken at home, pct age 5+, 2008-2012	0.9%	4.8%
High school graduate or higher, percent of persons age 25+, 2008-2012	67.0%	82.4%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	10.7%	21.0%
Veterans, 2008-2012	1,725	319,678
Mean travel time to work (minutes), workers age 16+, 2008-2012	20.9	22.7
Housing units, 2013	13,026	1,936,565
Homeownership rate, 2008-2012	67.3%	68.7%
Housing units in multi-unit structures, percent, 2008-2012	15.0%	18.0%
Median value of owner-occupied housing units, 2008-2012	\$66,200	\$120,000
Households, 2008-2012	10,881	1,691,716
Persons per household, 2008-2012	2.54	2.49
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$15,140	\$23,210
Median household income, 2008-2012	\$25,952	\$42,610
Persons below poverty level, percent, 2008-2012	33.5%	18.6%
	Bell	
	County	Kentucky
Private nonfarm establishments, 2012	538	89,795 <sup>1</sup>
Private nonfarm employment, 2012	7,341	1,481,323 <sup>1</sup>
Private nonfarm employment, percent change, 2011-2012	1.0%	1.2% <sup>1</sup>
Nonemployer establishments, 2012	1,498	275,230
Total number of firms, 2007	1,696	337,600
Black-owned firms, percent, 2007	F	3.1%
American Indian- and Alaska Native-owned firms, percent, 2007	F	0.3%
Asian-owned firms, percent, 2007	3.7%	1.6%

AG  
Exhibit

2

Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.0%
Hispanic-owned firms, percent, 2007	F	1.1%
Women-owned firms, percent, 2007	29.4%	25.6%
<hr/>		
Manufacturers shipments, 2007 (\$1000)	D	119,105,421
Merchant wholesaler sales, 2007 (\$1000)	196,103	74,680,759
Retail sales, 2007 (\$1000)	374,889	50,405,925
Retail sales per capita, 2007	\$12,915	\$11,843
Accommodation and food services sales, 2007 (\$1000)	38,133	6,300,866
Building permits, 2012	14	9,725

<b>Geography QuickFacts</b>	<b>Bell County Kentucky</b>	
Land area in square miles, 2010	359.00	39,486.34
Persons per square mile, 2010	79.9	109.9
FIPS Code	013	21
Metropolitan or Micropolitan Statistical Area	Middlesborough, KY Micro Area	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.  
 (b) Hispanics may be of any race, so also are included in applicable race categories.

D: Suppressed to avoid disclosure of confidential information  
 F: Fewer than 25 firms  
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Source U.S. Census Bureau: State and County QuickFacts. Data derived from Population Estimates, American Community Survey, Census of Population and Housing, State and County Housing Unit Estimates, County Business Patterns, Nonemployer Statistics, Economic Census, Survey of Business Owners, Building Permits  
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State & County QuickFacts

## Harlan County, Kentucky

People QuickFacts	Harlan County	Kentucky
Population, 2013 estimate	28,499	4,395,295
Population, 2010 (April 1) estimates base	29,278	4,339,357
Population, percent change, April 1, 2010 to July 1, 2013	-2.7%	1.3%
Population, 2010	29,278	4,339,367
Persons under 5 years, percent, 2013	6.6%	6.3%
Persons under 18 years, percent, 2013	22.5%	23.1%
Persons 65 years and over, percent, 2013	15.7%	14.4%
Female persons, percent, 2013	51.4%	50.8%
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White alone, percent, 2013 (a)	96.0%	88.5%
Black or African American alone, percent, 2013 (a)	2.2%	8.2%
American Indian and Alaska Native alone, percent, 2013 (a)	0.2%	0.3%
Asian alone, percent, 2013 (a)	0.4%	1.3%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	0.2%	0.1%
Two or More Races, percent, 2013	1.0%	1.7%
Hispanic or Latino, percent, 2013 (b)	0.8%	3.3%
White alone, not Hispanic or Latino, percent, 2013	95.3%	85.6%
<hr/>		
Living in same house 1 year & over, percent, 2008-2012	91.5%	84.9%
Foreign born persons, percent, 2008-2012	0.4%	3.2%
Language other than English spoken at home, pct age 5+, 2008-2012	1.3%	4.8%
High school graduate or higher, percent of persons age 25+, 2008-2012	70.6%	82.4%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	10.7%	21.0%
Veterans, 2008-2012	2,320	319,678
Mean travel time to work (minutes), workers age 16+, 2008-2012	24.5	22.7
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Housing units, 2013	13,389	1,936,565
Homeownership rate, 2008-2012	69.4%	68.7%
Housing units in multi-unit structures, percent, 2008-2012	10.5%	18.0%
Median value of owner-occupied housing units, 2008-2012	\$52,700	\$120,000
Households, 2008-2012	11,058	1,691,716
Persons per household, 2008-2012	2.60	2.49
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$15,831	\$23,210
Median household income, 2008-2012	\$26,758	\$42,610
Persons below poverty level, percent, 2008-2012	32.5%	18.6%
<hr/>		
Business QuickFacts	Harlan County	Kentucky
Private nonfarm establishments, 2012	463	89,795 <sup>2</sup>
Private nonfarm employment, 2012	6,118	1,481,323 <sup>2</sup>
Private nonfarm employment, percent change, 2011-2012	-4.9%	1.2% <sup>2</sup>
Nonemployer establishments, 2012	1,434	275,230
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Total number of firms, 2007	1,872	337,600
Black-owned firms, percent, 2007	F	3.1%
American Indian- and Alaska Native-owned firms, percent, 2007	F	0.3%
Asian-owned firms, percent, 2007	F	1.6%

AG  
Exhibit

3

Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.0%
Hispanic-owned firms, percent, 2007	F	1.1%
Women-owned firms, percent, 2007	24.2%	25.6%
Manufacturers shipments, 2007 (\$1000)	0 <sup>1</sup>	119,105,421
Merchant wholesaler sales, 2007 (\$1000)	159,275	74,680,759
Retail sales, 2007 (\$1000)	211,085	50,405,925
Retail sales per capita, 2007	\$6,793	\$11,843
Accommodation and food services sales, 2007 (\$1000)	20,320	6,300,866
Building permits, 2012	0	9,725

Geography QuickFacts	Harlan County	Kentucky
Land area in square miles, 2010	465.83	39,486.34
Persons per square mile, 2010	62.9	109.9
FIPS Code	095	21
Metropolitan or Micropolitan Statistical Area	None	

1: Counties with 500 employees or less are excluded.  
 2: Includes data not distributed by county.

(a) Includes persons reporting only one race.  
 (b) Hispanics may be of any race, so also are included in applicable race categories.

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State & County QuickFacts

## Knox County, Kentucky

<b>People QuickFacts</b>	<b>Knox County</b>	<b>Kentucky</b>
Population, 2013 estimate	31,790	4,395,295
Population, 2010 (April 1) estimates base	31,883	4,339,357
Population, percent change, April 1, 2010 to July 1, 2013	-0.3%	1.3%
Population, 2010	31,883	4,339,367
Persons under 5 years, percent, 2013	6.2%	6.3%
Persons under 18 years, percent, 2013	23.4%	23.1%
Persons 65 years and over, percent, 2013	16.5%	14.4%
Female persons, percent, 2013	51.5%	50.8%
White alone, percent, 2013 (a)	97.1%	88.5%
Black or African American alone, percent, 2013 (a)	1.2%	8.2%
American Indian and Alaska Native alone, percent, 2013 (a)	0.2%	0.3%
Asian alone, percent, 2013 (a)	0.3%	1.3%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	0.2%	0.1%
Two or More Races, percent, 2013	1.0%	1.7%
Hispanic or Latino, percent, 2013 (b)	1.1%	3.3%
White alone, not Hispanic or Latino, percent, 2013	96.1%	85.6%
Living in same house 1 year & over, percent, 2008-2012	85.9%	84.9%
Foreign born persons, percent, 2008-2012	0.6%	3.2%
Language other than English spoken at home, pct age 5+, 2008-2012	0.7%	4.8%
High school graduate or higher, percent of persons age 25+, 2008-2012	66.9%	82.4%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	9.6%	21.0%
Veterans, 2008-2012	1,803	319,678
Mean travel time to work (minutes), workers age 16+, 2008-2012	20.0	22.7
Housing units, 2013	14,352	1,936,565
Homeownership rate, 2008-2012	63.5%	68.7%
Housing units in multi-unit structures, percent, 2008-2012	12.0%	18.0%
Median value of owner-occupied housing units, 2008-2012	\$73,500	\$120,000
Households, 2008-2012	12,421	1,691,716
Persons per household, 2008-2012	2.51	2.49
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$14,282	\$23,210
Median household income, 2008-2012	\$24,193	\$42,610
Persons below poverty level, percent, 2008-2012	35.9%	18.6%

<b>Business QuickFacts</b>	<b>Knox County</b>	<b>Kentucky</b>
Private nonfarm establishments, 2012	472	89,795 <sup>1</sup>
Private nonfarm employment, 2012	7,056	1,481,323 <sup>1</sup>
Private nonfarm employment, percent change, 2011-2012	-4.3%	1.2% <sup>1</sup>
Nonemployer establishments, 2012	2,164	275,230
Total number of firms, 2007	3,121	337,600
Black-owned firms, percent, 2007	F	3.1%
American Indian- and Alaska Native-owned firms, percent, 2007	F	0.3%
Asian-owned firms, percent, 2007	1.6%	1.6%

AG  
Exhibit

4

Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.0%
Hispanic-owned firms, percent, 2007	F	1.1%
Women-owned firms, percent, 2007	30.3%	25.6%
<hr/>		
Manufacturers shipments, 2007 (\$1000)	210,723	119,105,421
Merchant wholesaler sales, 2007 (\$1000)	63,723	74,680,759
Retail sales, 2007 (\$1000)	318,643	50,405,925
Retail sales per capita, 2007	\$9,870	\$11,843
Accommodation and food services sales, 2007 (\$1000)	27,458	6,300,866
Building permits, 2012	0	9,725

Geography QuickFacts	Knox	
	County	Kentucky
Land area in square miles, 2010	386.30	39,486.34
Persons per square mile, 2010	82.5	109.9
FIPS Code	121	21
Metropolitan or Micropolitan Statistical Area	London, KY Micro Area	

1: Includes data not distributed by county.

(a) Includes persons reporting only one race.  
 (b) Hispanics may be of any race, so also are included in applicable race categories.

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State & County QuickFacts

## McCreary County, Kentucky

People QuickFacts	McCreary County Kentucky	
Population, 2013 estimate	17,989	4,395,295
Population, 2010 (April 1) estimates base	18,306	4,339,357
Population, percent change, April 1, 2010 to July 1, 2013	-1.7%	1.3%
Population, 2010	18,306	4,339,367
Persons under 5 years, percent, 2013	5.9%	6.3%
Persons under 18 years, percent, 2013	21.8%	23.1%
Persons 65 years and over, percent, 2013	13.7%	14.4%
Female persons, percent, 2013	45.6%	50.8%
White alone, percent, 2013 (a)	91.7%	88.5%
Black or African American alone, percent, 2013 (a)	5.8%	8.2%
American Indian and Alaska Native alone, percent, 2013 (a)	0.8%	0.3%
Asian alone, percent, 2013 (a)	0.2%	1.3%
Native Hawaiian and Other Pacific Islander alone, percent, 2013 (a)	0.1%	0.1%
Two or More Races, percent, 2013	1.4%	1.7%
Hispanic or Latino, percent, 2013 (b)	2.4%	3.3%
White alone, not Hispanic or Latino, percent, 2013	89.9%	85.6%
Living in same house 1 year & over, percent, 2008-2012	82.4%	84.9%
Foreign born persons, percent, 2008-2012	0.9%	3.2%
Language other than English spoken at home, pct age 5+, 2008-2012	3.0%	4.8%
High school graduate or higher, percent of persons age 25+, 2008-2012	68.5%	82.4%
Bachelor's degree or higher, percent of persons age 25+, 2008-2012	6.8%	21.0%
Veterans, 2008-2012	1,101	319,678
Mean travel time to work (minutes), workers age 16+, 2008-2012	27.6	22.7
Housing units, 2013	7,397	1,936,565
Homeownership rate, 2008-2012	70.9%	68.7%
Housing units in multi-unit structures, percent, 2008-2012	7.5%	18.0%
Median value of owner-occupied housing units, 2008-2012	\$65,300	\$120,000
Households, 2008-2012	6,287	1,691,716
Persons per household, 2008-2012	2.59	2.49
Per capita money income in past 12 months (2012 dollars), 2008-2012	\$12,213	\$23,210
Median household income, 2008-2012	\$21,758	\$42,610
Persons below poverty level, percent, 2008-2012	30.8%	18.6%

Business QuickFacts	McCreary County Kentucky	
Private nonfarm establishments, 2012	151	89,795 <sup>2</sup>
Private nonfarm employment, 2012	1,435	1,481,323 <sup>2</sup>
Private nonfarm employment, percent change, 2011-2012	-7.5%	1.2% <sup>2</sup>
Nonemployer establishments, 2012	878	275,230
Total number of firms, 2007	1,321	337,600
Black-owned firms, percent, 2007	F	3.1%
American Indian- and Alaska Native-owned firms, percent, 2007	F	0.3%
Asian-owned firms, percent, 2007	S	1.6%

AG  
Exhibit

5

Native Hawaiian and Other Pacific Islander-owned firms, percent, 2007	F	0.0%
Hispanic-owned firms, percent, 2007	F	1.1%
Women-owned firms, percent, 2007	S	25.6%
Manufacturers shipments, 2007 (\$1000)	0 <sup>1</sup>	119,105,421
Merchant wholesaler sales, 2007 (\$1000)	1,331	74,680,759
Retail sales, 2007 (\$1000)	82,470	50,405,925
Retail sales per capita, 2007	\$4,639	\$11,843
Accommodation and food services sales, 2007 (\$1000)	7,070	6,300,866
Building permits, 2012	0	9,725

Geography QuickFacts	McCreary County Kentucky	
	County	Kentucky
Land area in square miles, 2010	426.80	39,486.34
Persons per square mile, 2010	42.9	109.9
FIPS Code	147	21
Metropolitan or Micropolitan Statistical Area	None	

1: Counties with 500 employees or less are excluded.  
 2: Includes data not distributed by county.

(a) Includes persons reporting only one race.  
 (b) Hispanics may be of any race, so also are included in applicable race categories.

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