

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S THIRD 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 September 18, 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 the response to Item 11 of Commission Staff's Second Request for Information ("Staff's Second Request"). The response confirms that the Services total of \$8,010,317 was included in the calculation of Poles and Conductors in footnote 1 on page 9 of 33 of Exhibit R of the application. However, the response states that Cumberland Valley cannot confirm that it should not be included.

a. Explain why Services would be included in both Poles and Conductors and Services when determining the allocation of Lines Expenses between Lines and Services based on plant investment.

b. Regardless of the response to part a. above, provide a revised cost of service study ("COSS") that removes the \$8,010,317 from the Poles and Conductors total when allocating Lines Expenses between Lines and Services. This change should be made to the revised COSS which was filed in response to Item 9 of Staff's Second Request. This second revised COSS should be filed in both paper copy and Excel spreadsheet format.

2. Refer to the response to Item 12 of Staff's Second Request and page 10 of 33 of the revised COSS. The correction does not appear to have been made, as the

row for Account 589, Rents, shows the total of the accounts above. Include a correction when filing the second revised COSS requested in Item 1.b. above.

3. Refer to the response to Item 13 of Staff's Second Request and pages 13, 22, and 23 of the revised COSS. The correction does not appear to have been made, as page 13 does not include Schedule IV-A and Schedule VI which are included on pages 22 and 23. Include a correction when filing the second revised COSS requested in Item 1.b. above.

4. Refer to the response to Item 20 of Staff's Second Request, page 2 of 2.

a. Explain why Margins Before Other Revenue does not reconcile with Margins Before Other Revenue shown on page 33 of 33 of the Revised COSS filed in response to Item 9 of Staff's Second Request.

b. Provide a revised schedule that reflects all corrections made in response to these requests.

5. Refer to the response to Item 21.c. of Commission Staff's Second Information Request ("Staff's Second Request") and Exhibit 6 of the application. The response indicates that Account 186.30 Misc Def Debits – R&S Prepayment increased by \$884,000. Exhibit 6 states that Cumberland Valley made an accelerated payment of \$914,847 to its retirement plan. Reconcile these two amounts.

6. Refer to the response to Item 23.a.1. of Staff's Second Request. If construction on the Gray office remodel project was completed in September 2013, explain why the total cost of \$380,089 was not transferred to a permanent asset account as of December 31, 2013.

7. Refer to the response to Item 25.f. of Staff's Second Request. The response shows that Cumberland Valley has noted three account numbers for its meters: 370, 370.1, and 370.11.

a. Are these separate accounts, or are 370.1 and 370.11 divisions of account 370?

b. Provide the number of meters by metering type, such as, electro-mechanical (with and without added indicating and communication modules) or electronic with such modules included in the design.

c. According to Cumberland Valley's 2013 Annual Financial Report, p. 34, Cumberland Valley has 23,659 billed customers. Explain why the number of meters noted in the 370 accounts exceeds 33,000.

8. Refer to the response to Item 28.a. of Staff's Second Request. Provide revised pages 4 and 5 in the same format as the response to Staff's Second Request, Item 6, to include columns for annualized interest cost and test-year interest cost. The test-year interest cost should reflect the corrected amount as noted in Cumberland Valley's response to Item 28.f.

9. Refer to the response to Item 28.e. of Staff's Second Request. Provide the corrected copy of page 3 of 4 of Exhibit S which was not included in Cumberland Valley's response.

10. Refer to the response to Item 30.e.(1)(i) of Staff's Second Request. Explain the discrepancy between the amortization amount of \$52,620 referenced in Item 30.e.(1) and the calculated amount of \$42,620 shown at the top of page 3 of 4.

11. Refer to the response to Item 32.b. of Staff's Second Request. Explain why it was necessary to schedule a special board meeting rather than conduct this business at a regular monthly board meeting.

12. Refer to the response to Item 32.c. of Staff's Second Request. Explain whether Cumberland Valley was aware that it has been Commission policy to allow expenses for attendance at KAEC or NRECA meetings for ratemaking purposes only for attendance by a cooperative's designated representative or by its designated alternate representative. Explain in detail why the Commission should allow such expenses for directors Vanover, Hampton, and Moses in this case.

13. Refer to the response to Item 33.a., pages 3 and 4 of 4, of Staff's Second Request, and Exhibit 11 of the application. Provide revised pages 3 and 4 identifying the items removed for ratemaking purposes, which Exhibit 11 shows to be \$170 for Account 909.00, Informational Advertising, and \$1,595 for Account 930.11, General Advertising.

14. Refer to the response to Item 33.a., page 3 of 4, of Staff's Second Request.

a. Lines 9 through 11 show three payments for "Statement of Non Disc" which total \$631.55. Provide a complete explanation for these expenditures and explain why they should be included for ratemaking purposes. Provide copies of each advertisement.

b. Lines 24 through 27 show four payments to various broadcast media for "Truck Sale Ad" which total \$1,513.00. Provide a complete explanation for these expenditures and why they should be included for ratemaking purposes. Provide

details of each advertisement, including copies of the script, broadcast schedule, and length.

c. Line 29 shows a payment to *Times Tribune* in the amount of \$349.00. Provide a complete explanation for this expenditure and why it should be included for ratemaking purposes. Provide a copy of this advertisement.

d. Line 32 shows a payment to *Mountain Advocate Media* in the amount of \$216.32. Provide a complete explanation for this expenditure and why it should be included for ratemaking purposes. Provide a copy of this advertisement.

15. Refer to the response to Item 33.a., page 4 of 4, of Staff's Second Request.

a. Lines 8, 10, and 12 show payments to WCTT-FM which total \$900.00 for various radio advertisements. Provide a complete explanation for these expenditures and why they should be included for ratemaking purposes. Provide details of each advertisement, including copies of the script, broadcast schedule, and length.

b. Line 19 shows a payment to Border Bowl for \$500.00. Provide a complete explanation for this expenditure and why it should be included for ratemaking purposes. Provide a copy of this advertisement.

c. Lines 23 and 24 show payments to *Times Tribune* and WKDP which total \$538.50 for "Scam Alert". Provide a complete explanation for these expenditures and why they should be included for ratemaking purposes. Provide copies of each advertisement.

16. Refer to the response to Item 34 of Staff's Second Request. Exhibit 12 of the application estimates total rate case expense of \$75,000. The response to Item 34

shows an actual expense incurred to date of \$68,286.93. Provide a current estimate of the rate-case expense Cumberland Valley expects to incur in this proceeding.

17. Refer to the response to Item 37 of Staff's Second Request.

a. Refer to the response to Item 37.a. The response states that wiring costs are included in the cost of poles. Given this response, regardless of whether the issue has been addressed in previous cases, state whether Cumberland Valley believes it would be appropriate to reduce the weighted average cost by \$12.50 when calculating pole charges.

b. Regardless of the response to part a. above, provide a revised Exhibit 17 that reduces the weighted average poles costs by \$12.50 when calculating pole charges.

18. Refer to the response to Item 41.b. of Staff's Second Request. The response shows that Cumberland Valley's property tax expense for 2012 and 2013 was \$637,115 and \$689,345 respectively. On page 2 of 6 of the response to Item 24 of Commission Staff's First Request for Information, property taxes for 2012 and 2013 are shown as \$646,347 and \$701,374 respectively. Explain the discrepancies in these amounts.

19. Refer to the response to Item 44.b. of Staff's Second Request.

a. Explain how Cumberland Valley would propose to recover the cost of the management audit that was expensed in 2007.


b. Provide a schedule supporting Cumberland Valley's proposed adjustment.

20. Refer to Exhibit 2 of the application. Discuss any consideration Cumberland Valley gave to not granting any salary and wage increase for 2013 as a means to improve its financial position.

21. Refer to Exhibit 17 of the application and the September 17, 1982 Order in Administrative Case No. 251 ("251 Order").¹ Cumberland Valley used 35-foot, 40-foot, and 45-foot pole sizes in its weighted average cost calculation of two-party poles. Pages 10 and 11 of the 251 Order state, "For electric utilities, the average cost of a two-user pole will be assumed to be the weighted average cost of 35-foot and 40-foot poles...."

a. Explain why Cumberland Valley used 45-foot poles in its weighted average cost calculation of two-party poles.

b. Provide a revised Exhibit 17 which calculates the weighted average cost for two-party poles using 35-foot and 40-foot poles. This revised Exhibit 17 should include the revision requested in Item 17.b. above.



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

DATED SEP 08 2014

cc: Parties of Record

¹ Administrative Case No. 251, *The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments* (Ky. PSC Sep. 17, 1982).

Angela M Goad
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

Honorable W. Patrick Hauser
Attorney At Law
P. O. Box 1900
Barbourville, KENTUCKY 40906

Robert Tolliver
Officer Manager
Cumberland Valley Electric, Inc.
Highway 25E
P. O. Box 440
Gray, KY 40734