

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: NOV 14 2005

ADJUSTMENT OF RATES OF) PUBLIC SERVICE
CUMBERLAND VALLEY) COMMISSION
ELECTRIC, INC.) 2005-00187
)

**DIRECT TESTIMONY OF
DAVID BROWN KINLOCH**

**On behalf of the
Office of the Attorney General of Kentucky**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

CASE NO. 2005-00187

RECEIVED

NOV 14 2005

PUBLIC SERVICE
COMMISSION

**ADJUSTMENT OF RATES OF
CUMBERLAND VALLEY ELECTRIC, INC.**

**TESTIMONY OF
DAVID H. BROWN KINLOCH**

On Behalf of

**THE OFFICE OF THE ATTORNEY GENERAL
FOR THE COMMONWEALTH OF KENTUCKY**

NOVEMBER 2005

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In the Matter of:

ADJUSTMENT OF RATES OF)
CUMBERLAND VALLEY)
ELECTRIC, INC.)

CASE NO. 2005-00187

TESTIMONY OF DAVID H. BROWN KINLOCH

Q1: PLEASE STATE YOUR NAME AND ADDRESS.

A1: My name is David H. Brown Kinloch and my business address is Soft Energy Associates, 414 S. Wenzel Street, Louisville, KY 40204.

Q2: FOR WHOM HAVE YOU PREPARED TESTIMONY?

A2: I have prepared this testimony for the Office of the Attorney General for the Commonwealth of Kentucky.

Q3: PLEASE STATE YOUR EDUCATIONAL AND PROFESSIONAL BACKGROUND.

A3: I have received two master's degrees from Rensselaer Polytechnic Institute (RPI) in Troy, New York. I also received two undergraduate degrees from the same

1 school. My master's degrees are a Master of Engineering in Mechanical
2 Engineering and a Master of Science in Science, Technology and Values,
3 received in 1979 and 1981 respectively. My undergraduate degrees are in
4 Mechanical Engineering and Philosophy. Much of my master's work included
5 preparing Electric Generation Planning studies for the Center for Technology
6 Assessment at Rensselaer. From this work I published two technical papers with
7 IEEE Power Generation Division, and was a contributing author on two others. I
8 also did work on New York State's first Energy Masterplan, one of the first
9 comprehensive long-term planning studies in the nation.

10

11 Q4: HAVE YOU PREVIOUSLY PRESENTED TESTIMONY BEFORE THIS
12 COMMISSION?

13 A4: Yes, I have testified in numerous cases before this Commission. These cases
14 include rate cases, Certificate of Convenience and Public Necessity cases,
15 generation expansion planning cases, and other cases related to regulated utilities.
16 A list of the cases in which I have presented testimony before this Commission is
17 contained in Exhibit DHBK-1.

18

19 Q5: WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS CASE?

20 A5: The Office of the Attorney General asked me to review the application to adjust
21 the rates filed by Cumberland Valley Electric, Inc. (Cumberland) in this case.
22 Specifically, I have reviewed the Cost of Service and Rate Design portion of the
23 application. In my testimony, I will point out problems with the Cumberland

1 application in two specific areas: 1) the Cost of Service Study, and 2) the rate
2 design for the Electric Thermal Storage (ETS) class.

3

4 **COST OF SERVICE STUDY**

5

6 Q6: IN THIS CASE, CUMBERLAND FILED AN UNBUNDLED COST OF
7 SERVICE STUDY. DO YOU SEE ANY PROBLEMS WITH THIS STUDY?

8 A6: Yes. In general, I believe that Mr. Adkins did a good job with the Cost of Service
9 Study he performed for Cumberland. But the Cost of Service Study filed as
10 Exhibit S of the Company's Application had a number of problems associated
11 with allocation of costs to the ETS class. Since the ETS class is actually a sub-
12 class of Schedule I, and all ETS customers are also regular Schedule I customers,
13 in many places all combined costs were simply allocated to the regular Schedule I
14 class, with none of these costs allocated to the ETS class.

15

16 Q7: SINCE THE ETS CLASS IS A SUB-CLASS OF SCHEDULE I AND ALL ETS
17 CUSTOMERS ARE ALSO SCHEDULE I CUSTOMERS, WHAT IS THE
18 PROBLEM WITH ALLOCATING ALL COMMON COSTS TO SCHEDULE I
19 ONLY?

20 A7: Allocating common costs to the regular Schedule I class defeats the whole
21 purpose of doing a Cost of Service Study, and specifically it defeats the purpose
22 of breaking the ETS class out into a separate class. The reason the ETS costs are
23 examined separately is to determine the appropriate rate level for this sub-class.

1 If common costs are not allocated between these subgroups, it is not possible to
2 determine the appropriate relative rate levels between these two subclasses. The
3 Cumberland methodology will produce good results comparing Schedule I to the
4 other primary rate Schedules, but does not produce meaningful results with
5 respect to the subclasses of Schedule I.

6

7 Q8: WHAT ARE THE SPECIFIC PROBLEMS WITH COSTS ALLOCATED TO
8 THE ETS CLASS IN THE CUMBERLAND COST OF SERVICE STUDY?

9 A8: First, the Cumberland Cost of Service Study failed to include non-coincident peak
10 figures for the ETS class in Schedule 9, page 3 of 3. While it is reasonable to
11 assume that the ETS class has no contribution to coincident peak, since all power
12 is sold during off-peak periods, it is physically impossible for a class that is using
13 energy to have a zero non-coincident peak. Non-coincident peaks are important
14 to be included in the Cost of Service Study since they are used to allocate the
15 demand portion of items such as distribution lines. By not including non-
16 coincident peaks for the ETS class, the Cumberland Study underestimated the cost
17 of serving this class.

18 The other major problem is that the Cumberland Cost of Service Study
19 failed to allocate a portion of most of the customer-related costs to the ETS class.
20 The rationale was that these costs were already included in the allocation through
21 the regular Schedule I. But simply assigning all Schedule I customer related costs
22 to the regular Schedule I subclass results in not assigning to the ETS subclass all
23 costs associated with providing service to these customers.

1 To solve this allocation problem without assigning the same costs twice,
2 once to each subclass and thus over-allocating costs to Schedule I customers, it is
3 necessary to allocate costs between customers that are both Schedule I and ETS
4 customers. In Cumberland's response to the Attorney General's First Data
5 Request, Item 54, the amount of energy used by these dual customers under each
6 tariff is provided. I have used this information in Exhibit DHBK-2 to calculate
7 the portions of energy consumed under each tariff. I have then multiplied these
8 portions by the total number of ETS customers to determine the proportional
9 equivalent number of customers to which these dual customers should have costs
10 allocated to each subclass. The results show that for these 136 customers, costs
11 should be allocated to the equivalent of 77 regular Schedule I customers and the
12 remaining 59 equivalent customers would have costs allocated to the ETS
13 subclass.

14

15 Q9: HOW DID YOU CORRECT THESE PROBLEMS IN THE CUMBERLAND
16 COST OF SERVICE STUDY?

17 A9: As a starting point, I used the Cost of Service Study supplied by Cumberland in
18 Exhibit S of its Application. By using the Cumberland study as a starting point, it
19 provides the Commission with a so-called "apples-to-apples" comparison of study
20 results. My modified Cost of Service Study is attached to my testimony as
21 Exhibit DHBK-3.

22 To correct the first problem I identified, I added the non-coincident peaks
23 for the ETS class to Schedule 9, page 3 of 3. The non-coincident peaks for the

1 ETS subclass were provided by Cumberland in its response to the Attorney
2 General's First Data Request, Item 58.

3 The omission of ETS customer related costs occur in Schedule 10 of the
4 Cost of Service Study. In Cumberland's response to the Attorney General's First
5 Data Request, Item 53, Cumberland acknowledges that meter costs associated
6 with the ETS class should have been included in the Cost of Service Study. I
7 have included these meters in Schedule 10, page 2 of 3. ETS meters were also
8 included in Customer and Accounting Services on the same page.

9 On page 1 of 3 of Schedule 10, the allocation between the regular and ETS
10 costs for dual customers was included for Lines, Transformers, and Services.
11 This was accomplished by adding 59 ETS customers in each of these calculations,
12 and then reducing the number of regular Schedule I – Residential customers by
13 the corresponding 59 customers. And then on page 3 of 3 of Schedule 10, I
14 assigned the ETS rate a 0.25 factor for Customer Assistance. This is the same
15 factor that was used for Outdoor and Security Lights, which is similar to ETS in
16 that lighting customers are usually also Schedule I customers. Clearly a zero
17 factor that Cumberland used is unrealistic since all customers in all rate classes
18 require at least some customer assistance.

19

20 Q10: COMBINING THE CORRECTIONS THAT YOU HAVE OUTLINED ABOVE,
21 WHAT IMPACT DO THEY HAVE ON THE RESULTS OF THE COST OF
22 SERVICE STUDY?

1 A10: In Schedule 2 of Exhibit DHBK-3, I have set the class rate increases at levels to
2 generate the same TIER for both the regular Schedule I and ETS subgroups. The
3 results are summarized in Schedule 1 of Exhibit DHBK-3, page 2 of 2. Based on
4 this Cost of Service Study, the ETS rate should be set at 87% of the regular
5 Schedule I rate.

6

7 **ETS RATE DESIGN**

8

9 Q11: HOW DO THESE RESULTS OF THE COST OF SERVICE STUDY
10 COMPARE WITH THE ETS RATE PROPOSED BY CUMBERLAND?

11 A11: Cumberland has proposed to set the ETS rate at 60% of the regular Schedule I
12 rate, far below the 87% level that was calculated in this Cost of Service Study.
13 According to Cumberland's response to the Attorney General's First Data
14 Request, Item 63, the 60% level proposal is based on calculations from the late
15 1980's, almost 20 years ago. Clearly this steep discount is no longer justified by
16 the ETS rate class's cost of service.

17

18 Q12: THE ETS RATE IS A MARKETING RATE, DESIGNED TO PRODUCE OFF-
19 PEAK SALES. DOES IT MAKE SENSE TO OFFER STEEP DISCOUNTS TO
20 PROMOTE OFF-PEAK SALES?

21 A12: No. Steep discounts to encourage off-peak sales may have made sense in the late
22 1980's, at a time when East Kentucky Power Cooperative (EKPC) had excess
23 generating capacity. However, such discounts make little sense today as EKPC is

1 severely capacity deficient. This shift away from a need to promote off-peak
2 sales is illustrated in Cumberland's response to the Attorney General's Second
3 Data Request, Item 25(b). In this response Cumberland admits that EKPC has
4 had to run expensive-to-operate peaking units during off-peak hours. Operating
5 expensive combustion turbines during off-peak periods forces significant cost
6 increases; therefore, it makes no sense to offer discounts to encourage such off-
7 peak sales.

8 While it does make sense to offer off-peak power at a lower rate to reflect
9 the lower demand costs, it does not make sense to steeply discount rates well
10 below the cost of service to promote these sales. Like all other rate classes, the
11 ETS rate should be based on the cost of serving this class, not on an outdated
12 marketing formula.

13

14 Q13: ARE YOU RECOMMENDING THAT THE ETS RATE BE SET AT THE
15 LEVEL YOU HAVE CALCULATED AS JUSTIFIED IN YOUR COST OF
16 SERVICE STUDY?

17 A13: No. Setting the ETS rate at a level justified by the cost of serving this class would
18 result in a 55% increase in this rate. While it is important to keep in mind that the
19 ETS class is being heavily subsidized by other Schedule I customers, it is also
20 important to employ the principle of gradualism. Such a large increase would be
21 minimized by the fact that these are all dual tariff customers who take a majority
22 of their power from the regular Schedule I tariff. But even still, the increase for
23 these dual tariff customers would be substantially more than other customers.

1 I would encourage the Commission to move the ETS class closer to the
2 TIER of the Schedule I class, but also rely on the principle of gradualism to
3 prevent this class from receiving too large of an increase. In Cumberland's
4 response to the Attorney General's Second Data Request, Item 26(c), Mr. Adkins
5 proposes an ETS rate of \$0.043698 per kWh, which he calculates on page 2 of 2
6 of this response. While I am not endorsing this methodology or figures used in
7 the calculation, I believe that this proposed rate, which is about half way between
8 the 60% rate proposed by Cumberland in this case, and the 87% of the Schedule I
9 rate justified by the Cost of Service Study, to be a reasonable step toward full cost
10 of service. I am recommending that the Commission adopt this rate for the ETS
11 class.

12 In Exhibit DHBK-4, I have compared Cumberland's Schedule I and ETS
13 rate proposals with an alternative rate design based on moving the ETS closer to
14 its cost of service by adopting the alternative rate calculated by Mr. Adkins in
15 Cumberland's response to the Attorney General's Second Data Request, Item 26,
16 page 2 of 2. This proposed ETS rate is 70% of the Schedule I regular rate.

17 Assuming the Commission allows Cumberland an overall increase less than has
18 been proposed by the Company in this case, I would encourage the Commission
19 to set the ETS rate at 70% of the final rate calculated for Schedule I, as a step
20 toward moving this class to paying its full cost of service.

21

1 Q14: YOU HAVE CONCENTRATED YOUR TESTIMONY ON THE RATES FOR
2 THE ETS CLASS. DO YOU HAVE ANY RECOMMENDATIONS FOR THE
3 OTHER RATE CLASSES?

4 A14: Yes. As I stated earlier in my testimony, beyond the ETS class, I believe that Mr.
5 Adkins has done a good job with his Cost of Service Study. As such, I am
6 endorsing the rate design proposals he has made for the other rate classes.

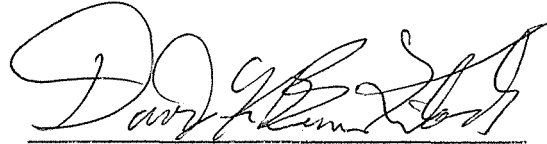
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8 Q15: DOES THIS CONCLUDE YOUR TESTIMONY?

9 A15: Yes it does.

I, David H. Brown Kinloch, certify that the statements contained in the foregoing testimony are true and correct to the best of my knowledge, information, and belief.

Dated this 11th day of November, 2005.



David H. Brown Kinloch

Affirmed to and subscribed
before me, this 11th day
of November, 2005.



Notary Public

Notary Public, State at Large, KY

My Commission Expires My commission expires Jan. 6, 2009

Cases in which testimony has been presented by David Brown Kinloch:

Case No. –	Utility -	Case Type
9242 -	Louisville Gas & Electric Co. -	Trimble County 1 power plant
9613 -	Big Rivers Electric Corp. –	Rate Case
9824 –	Louisville Gas & Electric Co. -	Rate Case
9934 -	Louisville Gas & Electric Co. -	Trimble County 1 power plant
10064 –	Louisville Gas & Electric Co. . -	Rate Case
10320 -	Louisville Gas & Electric Co. –	25% Disallowance of Trimble County 1 power plant
90-158 –	Louisville Gas & Electric Co. -	Rate Case
91-066 -	Kentucky Power Co. –	Rate Case
91-115 -	Kentucky Utilities -	Certificate of Convenience and Necessity Case
91-370 -	Union Light Heat and Power Co. –	Rate Case
92-112 -	East Kentucky Power -	Certificate of Convenience and Necessity Case
92-219 -	Clark RECC –	Rate Case
92-346 -	Union Light Heat and Power Co. –	Rate Case
93-113 -	Kentucky Utilities -	Coal Litigation Refund Case
93-150 -	Louisville Gas and Electric Co. -	Demand Side Management Case
93-163 -	Big Rivers -	Sale of Peaking Capacity to Hoosier Energy
93-465 -	Kentucky Utilities -	Environmental Surcharge Case
94-332 -	Louisville Gas and Electric Co. -	Environmental Surcharge Case
94-336 -	East Kentucky Power Cooperative –	Rate Case
94-336 –	Pass-through each of East Kentucky Power’s Cooperatives	
95-010 -	Western Kentucky Gas Co. –	Rate Case
96-489 -	Kentucky Power Company -	Environmental Surcharge Case
96-523 -	Kentucky Utilities -	Fuel Adjustment Clause Case
96-524 -	Louisville Gas & Electric Co. -	Fuel Adjustment Clause Case
97-066 -	Delta Natural Gas Co. –	Rate Case
97-204 -	Big Rivers Electric Corp. –	Rate Case
97-209 -	Meade County RECC –	Rate Case
97-219 -	Green River EC –	Rate Case
97-220 -	Henderson Union ECC –	Rate Case
97-224 -	Jackson Purchase ECC –	Rate Case
97-300 -	Louisville Gas and Electric and Kentucky Utilities -	Merger Case
98-321 -	Licking Valley RECC –	Rate Case
2000-056 -	East Kentucky Power -	Certificate of Convenience and Necessity Case
2000-079 -	East Kentucky Power -	Certificate of Convenience and Necessity Case
2000-080 –	Louisville Gas & Electric Co. -	Rate Case
2000-095 -	LG&E Energy and PowerGen -	Merger Case
2000-426 -	Union Light, Heat and Power Co. -	Refund Case

Case No. --	Utility -	Case Type
2001-053	East Kentucky Power	- Certificate of Convenience and Necessity Case
2002-029	LG&E and KU	- Certificate of Convenience and Necessity Case
2003-00030	East Kentucky Power	- Certificate of Convenience and Necessity Case
2003-00052	Union Light, Heat and Power Co.	- Generation Acquisition Case
2003-00165	Kenergy Corp.	- Rate Case
2003-00433	Louisville Gas & Electric Co.	- Rate Case
2003-00434	Kentucky Utilities Co.	- Rate Case
2004-00067	Delta Natural Gas Co.	- Rate Case
2004-00507	Louisville Gas & Electric and Kentucky Utilities	- Trimble County 2 power plant
2005-00042	Union Light, Heat and Power Company	- Rate Case
2005-00125	Big Sandy Electric Cooperative Corp.	- Rate Case

ASSIGNMENT OF ETS CUSTOMERS TO CLASSES

Schedule I	Test-Year kWh	Percent of Total	Total Customers	Class Customer Allocation
Regular	1,635,243	56.53%	136	77
<u>ETS Marketing</u>	<u>1,257,547</u>	<u>43.47%</u>	<u>136</u>	<u>59</u>
Total	2,892,790	100.00%		

Source: CVE Response to AG-1-54

OFFICE OF THE ATTORNEY GENERAL

Case No. 2005-00187

UNBUNDLED COST OF SERVICE STUDY Test Year 2004

Prepared by: November 2005

David H. Brown Kinloch

OFFICE OF THE ATTORNEY GENERAL
 CASE NO. 2005-00187

DETERMINATION OF AMOUNT OF INCREASE

1 Target Ratio and Amount:	<u>TIER of 2.0x</u>
2 Annual loss from Adjusted Statement of Operations:	\$ 379,786
3 Amount of Interest on Long Term Debt:	<u>1,015,090</u>
4 Total Amount of Increase;	<u>\$ 1,394,876</u>

RATE DESIGN

1 Amount of Increase Allocated to Schedule VI - Outdoor and Security Lights

a. Amount of Loss for Rate Class	\$ 9,593
b. Amount of Interest on Long Term Debt	66,818
c. Increase Amount for Rate Class	\$ 76,411
d. Normalized Revenue for Rate Class	816,250
e. Percentage Increase for Rate Class	9.36%

f. Rate Design

	175 Watt <u>Lamp</u>	400 Watt <u>Lamp</u>
Current Rates	\$ 5.94	\$ 11.40
Increase Amount	0.56	1.07
Proposed Lighting Rates	\$ 6.50	\$ 12.47

2 Amount of Increase for Schedule I - Residential, Schools and Churches & Marketing

a. Amount (Total Increase in Revenue				\$ 1,394,876
b. Less Increase for Schedule VI				\$ 76,411
c. Increase Amount for Rate Class				\$ 1,318,465
d. Normalized Revenue for Rate Class	\$ 18,382,370	\$ 44,002	\$ 18,426,372	
e. Percentage Increase for Rate Class				7.16%
f. Rate Design				
Amount of Increase for Rate Class	\$1,294,025	\$ 24,440	\$ 1,318,465	
Divided by the Energy Sales for Rate Class	294,691,994	1,257,547	295,446,522	
Increase in Energy Rate for Rate Class	0.00439	0.01943	0.00446	
Current Energy Rate for Rate Class	0.05832	0.03499		
Proposed Energy Rate for Schedule I	0.06271	0.05442		
Percent of Regular Rate		87%		

OTHER RATE CHANGES

SCHEDULE VI - SECURITY LIGHTS

		<u>Current Rate</u>	<u>Proposed Rate</u>
1 Mercury Vapor Lights			
400 Watt Lamp	\$	8.11	\$ 8.87
2 Sodium Vapor Lights			
100 Watt Open Bottom	\$	5.94	\$ 6.50
100 Watt Colonial Post	\$	6.78	\$ 7.41
100 Watt Directional Flood	\$	7.34	\$ 8.03
400 Watt Directional Flood	\$	11.40	\$ 12.47

OFFICE OF THE ATTORNEY GENERAL

Exhibit DHBK-3

Schedule 2

1 of 1

Case No. 2005-00187

Statement of Operations

Based on Expenses Category for each Rate Class

	Schedule I Residential	Schedule 1 ETS	Schedule II Commercial	Schedule II Comm w/Demanc	Schedule III 3 Phase Schl. Etc	Schedule IV	Schedule IV-A	Schedule VI Lighting	Total
Revenue	18,476,737	44,002	966,830	700,371	634,941	1,576,365	5,122,330	816,250	28,337,826
Purchased Power Costs	14,035,330	41,296	607,683	340,676	489,662	1,265,057	4,095,839	372,575	21,248,118
O&M	3,301,871	15,190	200,410	65,042	37,648	76,681	252,792	233,266	4,182,898
Admin & General	695,819	2,772	43,666	10,123	7,833	15,228	50,902	69,377	895,719
Depreciation & Misc.	1,740,489	9,172	107,997	32,430	32,324	65,701	214,703	148,108	2,350,924
Interest	785,012	4,135	48,711	14,622	14,571	29,615	96,779	66,818	1,060,262
Total Costs	20,558,520	72,566	1,008,466	462,893	582,038	1,452,281	4,711,016	890,144	29,737,922
Operating Margin	(2,081,783)	(28,564)	(41,636)	237,478	52,903	124,084	411,314	(73,894)	(1,400,096)
Other Income	755,432	3,980	46,875	14,071	14,022	28,499	93,133	64,300	1,020,312
Net Margins	(1,326,351)	(24,584)	5,239	251,549	66,925	152,583	504,447	(9,593)	(379,785)
TIER	0.58	(0.69)	1.03	5.04	2.86	3.08	3.08	0.96	0.91
Increase	1,294,025	24,440						76,411	
Net Margins	(32,326)	(144)	5,239	251,549	66,925	152,583	504,447	66,818	1,015,091
TIER	0.96	0.96	1.11	18.97	5.80	6.38	6.44	2.04	2.00

OFFICE OF THE ATTORNEY GENERAL

Case No. 2005-00187

Statement of Operations by Functional Classification

	Schedule I Residential	Schedule 1 ETS	Schedule II Commercial	Schedule II Comm w/Demand 3 Phase Schl. Etc	Schedule III	Schedule IV	Schedule IV-A	Schedule VI Lighting	Total
Revenue	18,476,737	44,002	966,830	700,371	634,941	1,576,365	5,122,330	816,250	28,337,826
Wholesale Demand Costs									-
Generation	2,768,111	-	122,573	44,866	84,938	125,917	616,969	33,582	3,796,956
Transmission	1,245,567	-	55,154	20,189	38,219	56,659	277,618	15,111	1,708,517
Distribution Substation	393,713	-	17,434	6,381	12,081	17,909	87,753	4,776	540,048
Total Wholesale Demand	4,407,391	-	195,161	71,437	135,238	200,486	982,340	53,469	6,045,521
Wholesale Energy Costs	9,627,939	41,296	412,521	269,240	354,424	1,064,572	3,113,499	319,105	15,202,597
Total Wholesale Costs	14,035,330	41,296	607,683	340,676	489,662	1,265,057	4,095,839	372,575	21,248,118
Gross Margin	4,441,407	2,706	359,147	359,695	145,279	311,308	1,026,491	443,675	7,089,708
Distribution Demand Costs									-
Lines	1,785,990	14,966	111,367	41,391	72,401	166,802	527,482	50,592	2,770,991
Transformers	212,908	1,784	13,276	4,934	8,631	19,885	62,881	6,031	330,331
Total Distribution Demand	1,998,898	16,750	124,644	46,325	81,031	186,687	590,363	56,623	3,101,322
Distribution Consumer									-
Lines	1,570,860	4,322	83,648	8,790	2,344	73	5,347	3,882	1,679,266
Transformers	262,970	723	19,600	2,060	3,117	-	4,547	222	293,239
Services	598,953	1,648	47,531	17,724	3,171	95	6,906	18,115	694,144
Meters	745,799	4,848	39,605	35,303	1,110	294	2,532	-	829,491
Consumer Services	1,345,709	2,979	85,755	12,015	1,602	75	5,482	161,229	1,614,845
Lighting								277,498	277,498
Total Distribution Consumer	4,524,292	14,519	276,140	75,891	11,344	537	24,814	460,946	5,388,483
Total Distribution Costs	6,523,190	31,269	400,783	122,217	92,376	187,224	615,177	517,569	8,489,804
Operating Margin	(2,081,783)	(28,564)	(41,636)	237,478	52,903	124,084	411,314	(73,894)	(1,400,096)
Other Revenue	755,432	3,980	46,875	14,071	14,022	28,499	93,133	64,300	1,020,312
Net Margin	(1,326,351)	(24,584)	5,239	251,549	66,925	152,583	504,447	(9,593)	(379,785)

OFFICE OF THE ATTORNEY GENERAL
CASE NO. 2005-00187

Allocation of Revenue Requirements to Rate Classes

Basis	Total \$\$\$	Schedule i Residential			Schedule 1 ETS			Schedule II Commercial			Schedule II Commercial w/Demand		
		Demand	Energy	Consumer	Demand	Energy	Consumer	Demand	Energy	Consumer	Demand	Energy	Consumer
1 Purchased Power													
2 Generation Demand	3,796,956	2,768,111						122,573			44,866		
3 Generation Energy	15,202,597		9,627,939			41,296			412,521			269,240	
4 Transmission Demand	1,708,517	1,245,567						55,154			20,189		
5 Substation Demand	540,048	393,713						17,434			6,381		
6													
7 Total Purchased Power	21,248,118	4,407,391	9,627,939	-	-	41,296	-	195,161	412,521	-	71,437	269,240	-
8													
9 Lines													
10 Distribution O&M Demand Related	1,261,029	812,772			6,811			50,691			18,836		
11 Distribution O&M Consumer Related	764,204			714,871			1,967			38,067			4,000
12 Admin & Gen Demand Related	207,811	133,941			1,122			8,352			3,104		
13 Admin & Gen Consumer Related	125,937			117,807			324			6,273			659
14 Deprec, Taxes & Misc Demand Related	897,571	578,513			4,848			36,074			13,407		
15 Deprec, Taxes & Misc Consumer Related	543,943			508,828			1,400			27,095			2,847
16 Interest Demand Related	404,579	260,764			2,185			16,260			6,043		
17 Interest Customer Related	245,182			229,354			631			12,213			1,283
18													
19 Total Costs for Lines	4,450,257	1,785,990	-	1,570,860	14,966	-	4,322	111,367	-	83,648	41,391	-	8,790
20													
21 Margins Demand Related	387,342	249,654			2,092			15,567			5,786		
22 Margins Consumer Related	234,736			219,582			604			11,693			1,229
23													
24 Credits Demand Related	389,335	250,938			2,103			15,648			5,816		
25 Credits Consumer Related	235,943			220,712			607			11,753			1,235
26													
27 Revenue Requirements-Lines	4,447,056	1,784,706	-	1,569,730	14,955	-	4,318	111,287	-	83,588	41,361	-	8,783
28													
29 Transformers													
30 Distribution O&M Demand Related	7,143	4,604			39			287			106.70		
31 Distribution O&M Consumer Related	6,341			5,687			16			424			45
32 Admin & Gen Demand Related	44,479	28,668			240			1,788			664		
33 Admin & Gen Consumer Related	39,485			35,409			97			2,639			277
34 Deprec, Taxes & Misc Demand Related	192,113	123,823			1,038			7,721			2,870		
35 Deprec, Taxes & Misc Consumer Related	170,542			152,938			421			11,399			1,198
36 Interest Demand Related	85,595	55,813			468			3,480			1,293		
37 Interest Customer Related	76,871			68,937			190			5,138			540
38													
39 Total Costs for Transformers	623,570	212,908	-	262,970	1,784	-	723	13,276	-	19,600	4,934	-	2,060
40													
41 Margins Demand Related	82,905	53,435			448			3,332			1,238		
42 Margins Consumer Related	73,596			65,999			182			4,919			517
43													
44 Credits Demand Related	83,332	53,710			450			3,349			1,245		
45 Credits Consumer Related	73,975			66,339			183			4,945			520
46													
47 Revenue Requirements-Transform.	622,765	212,634	-	262,631	1,782	-	723	13,259	-	19,575	4,928	-	2,057
48													
49 Services													
50 Distribution O&M Consumer Related	315,893			272,573			750			21,631			8,066
51 Admin & Gen Consumer Related	52,058			44,919			124			3,565			1,329
52 Deprec, Taxes & Misc Consumer Related	224,845			194,011			534			15,396			5,741
53 Interest Customer Related	101,349			87,450			241			6,940			2,588
54													
55 Total Costs for Services	694,144	-	-	598,953	-	-	1,648	-	-	47,531	-	-	17,724
56													
57 Margins Consumer Related	97,031			83,724			230			6,644			2,478
58													
59 Credits Consumer Related	97,530	0		84,155			232			6,678			2,490
60													
61 Revenue Requirements-Services	693,645	-	-	598,522	-	-	1,647	-	-	47,497	-	-	17,711

OFFICE OF THE ATTORNEY GENERAL
CASE NO. 2005-00187

Allocation of Revenue Requirements to Rate Classes

	Schedule III 3 Phase Schools & Churches			Schedule IV Large Industrial			Schedule IV-A Large Power- Indust			Schedule VI Lighting		
	Demand	Energy	Consumer	Demand	Energy	Consumer	Demand	Energy	Consumer	Demand	Energy	Consumer
Purchased Power												
Generation Demand	84,938			125,917			616,969			33,582		
Generation Energy		354,424			1,064,572			3,113,499			319,105	
Transmission Demand	38,219			56,659			277,618			15,111		
Substation Demand	12,081			17,909			87,753			4,776		
Total Purchased Power	135,238	354,424		200,486	1,064,572		982,340	3,113,499		53,469	319,105	
Lines												
Distribution O&M Demand R	32,948			75,909			240,048			23,023		
Distribution O&M Consumer			1,067			33			2,433			1,767
Admin & Gen Demand Relat	5,430			12,509		5	39,559		401	3,794		
Admin & Gen Consumer Rel			176			24			1,732			1,257
Deprec, Taxes & Misc Dema	23,452			54,030			170,860			16,388		
Deprec, Taxes & Misc Cons			759									
Interest Demand Related	10,571			24,354			77,015			7,387		
Interest Customer Related			342			11			781			567
Total Costs for Lines	72,401	-	2,344	166,802	-	73	527,462	-	5,347	50,592	-	3,882
Margins Demand Related	10,120			23,316			73,734			7,072		
Margins Consumer Related			328			10			747			543
Credits Demand Related	10,173			23,436			74,113			7,108		
Credits Consumer Related			329			10			751			545
Revenue Requirements-Li	72,349	-	2,342	166,682	-	73	527,102	-	5,343	50,556	-	3,879
Transformers												
Distribution O&M Demand R	187			430			1,360			130		
Distribution O&M Consumer			67			-			98			5
Admin & Gen Demand Relat	1,162			2,677			8,467			812		
Admin & Gen Consumer Rel			420			-			612			30
Deprec, Taxes & Misc Dema	5,020			11,564			36,570			3,508		
Deprec, Taxes & Misc Cons			1,813			-			2,644			129
Interest Demand Related	2,263			5,213			16,484			1,581		
Interest Customer Related			817			-			1,192			58
Total Costs for Transformer	8,631	-	3,117	19,885	-	-	62,881	-	4,547	6,031	-	222
Margins Demand Related	2,166			4,991			15,782			1,514		
Margins Consumer Related			782			-			1,141			56
Credits Demand Related	2,177			5,016			15,863			1,521		
Credits Consumer Related			786			-			1,147			56
Revenue Requirements-Tr	8,620	-	3,113	19,859	-	-	62,800	-	4,541	6,023	-	221
Services												
Distribution O&M Consumer			1,443			43			3,143			8,244
Admin & Gen Consumer Rel			238			7			518			1,359
Deprec, Taxes & Misc Cons			1,027			31			2,237			5,868
Interest Customer Related			463			14			1,008			2,645
Total Costs for Services	-	-	3,171	-	-	95	-	-	6,906	-	-	18,115
Margins Consumer Related			443			13			965			2,532
Credits Consumer Related			446			13			970			2,545
Revenue Requirements-Se	-	-	3,169	-	-	95	-	-	6,901	-	-	18,102

OFFICE OF THE ATTORNEY GENERAL
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Allocation of Revenue Requirements to Rate Classes

	Schedule III 3 Phase Schools & Churches			Schedule IV Large Industrial			Schedule IV-A Large Power- Indust			Schedule VI Lighting		
	Demand	Energy	Consumer	Demand	Energy	Consumer	Demand	Energy	Consumer	Demand	Energy	Consumer
Meters												
Distribution O&M Consumer			801			212			1,827			-
Admin & Gen Consumer Rel			43			11			97			-
Deprec, Taxes & Misc Cons			184			49			419			-
Interest Customer Related			83			22			189			-
Total Costs for Services	-	-	1,110			294			2,532			-
Margins Consumer Related			79			21			181			-
Credits Consumer Related			80			21			182			-
Revenue Requirements-Me	-	-	1,109			294			2,531			-
Lighting												
Outdoor Lighting O&M												85,906
Street Lighting O&M												-
Outdoor Lighting A&G												26,388
Street Lighting A&G												-
Outdoor Lighting Deprec & M												113,889
Street Lighting Deprec & Mis												-
Outdoor Lighting Interest												51,335
Street Lighting Interest												-
Total Costs for Lights	-	-										277,498
Outdoor Lighting Margins												49,148
Street Lighting Margins												-
Outdoor Lighting Revenue C												49,401
Street Lighting Revenue Cre												-
Revenue Requirements-Lit	-	-										277,245
Consumer Accts & Serv												
Customer Accounts			983			46			3,363			98,919
Customer Service			152			7			519			15,271
Admin & General			365			17			1,249			36,723
Depreciation & Misc			70			3			240			7,070
Interest			32			2			110			3,245
Total Costs for Consumer A	-	-	1,602			75			5,482			161,229
Margins			31			1			106			3,107
Revenue Credits			31			1			106			3,123
Revenue Requir. Cons. A	-	-	1,602			75			5,481			161,213
TOTAL COSTS	216,269	354,424	11,344	387,172	1,064,572	537	1,572,703	3,113,499	24,814	110,092	319,105	460,946
TOTAL REVENUE REQUIRMENTS FROM RATES	216,206	354,424	11,336	387,026	1,064,572	537	1,572,242	3,113,499	24,798	110,048	319,105	460,661
MARGINS PROVIDED												
RATE REVENUE	(63)	-	(9)	(146)	-	(0)	(460)	-	(16)	(44)	-	(285)
	<u>581,966</u>											

OFFICE OF THE ATTORNEY GENERAL

Case No. 2005-00187

Functionalization and Classification of Revenue Requirements

Acct	Description	Allocation Basis	Actual \$\$\$\$	Adjusted \$\$\$\$	Pro Forma \$\$\$\$	Power Supply				Distribution							
						Generation Demand	Energy	Trans-mission Demand	Substa-tion Demand	Lines Demand	Customer	Line Transformers Demand	Consumer	Services Consumer	Meters Consumer	Consumer & Accounting Services	Outdoor Lighting
926	Emply Pensions & Benef		-	-	-												
928	Regulatory Exp		-	-	-												
929	Duplicate Charges		(13,485)	-	(13,485)												
930	Misc General Exp		371,454	(235,065)	136,389												
931	Rents		-	-	-												
935	Misc. General Plant		63,037	3,249	66,286												
	Total Admin & General	Dist Plant	1,097,455	(201,736)	895,719					207,811	125,937	44,479	39,485	52,058	31,768	367,813	26,368
403	Deprec. Distribution Plant	Net Plant	1,910,440	288,207	2,198,647					839,443	508,716	179,672	159,497	210,284	128,326	66,197	106,513
403	Deprec. General Plant	Net Plant	102,166	-	102,166					39,007	23,639	8,349	7,411	9,771	5,963	3,076	4,949
	Total Depreciation		2,012,606	288,207	2,300,813					878,450	532,355	188,021	166,908	220,055	134,289	69,273	111,462
408	Taxes Other Than Income Tax	Rate Base	30,111	-	30,111					7,632	4,625	1,633	1,450	1,912	1,167	613	968
426	Miscell. Income Deductions	Rate Base	9,736	10,264	20,000					11,490	6,963	2,459	2,183	2,878	1,756	923	1,458
	Total Miscellaneous		39,847	10,264	50,111					19,122	11,588	4,093	3,633	4,790	2,923	1,536	2,426
427.1	Interest - RUS Constuc	Rate Base	528,696	140,234	668,930					255,253	154,688	54,634	48,499	63,942	39,021	20,507	32,388
427.15	Interest - FFB Notes	Rate Base	141,067	-	141,067					53,829	32,621	11,521	10,228	13,484	8,229	4,325	6,830
427.2	Interest - Other LTD	Rate Base	205,093	-	205,093					78,260	47,427	16,751	14,870	19,604	11,964	6,287	9,930
	Total Interest on LTD		874,856	140,234	1,015,090					387,342	234,736	82,905	73,596	97,031	59,213	31,118	49,148
431	Other Interest Expense	Rate Base	45,173	-	45,173					17,237	10,446	3,689	3,275	4,318	2,635	1,385	2,187
431.1	Other Interest - STL	Rate Base	-	-	-					-	-	-	-	-	-	-	-
	Total Short Term Interest	Rate Base	45,173	-	45,173					17,237	10,446	3,689	3,275	4,318	2,635	1,385	2,187
	Total Costs		29,477,908	260,014	29,737,922	3,796,956	15,202,597	1,708,517	540,048	2,770,991	1,679,266	330,331	293,239	694,144	829,491	1,614,845	277,498
	Margin Requirements	Rate Base	874,856	140,234	1,015,090					387,342	234,736	82,905	73,596	97,031	59,213	31,118	49,148
	Total Revenue Requirements		30,352,764	400,248	30,753,012	3,796,956	15,202,597	1,708,517	540,048	3,158,333	1,914,001	413,236	366,836	791,175	888,704	1,645,964	326,646
	Less; Misc Income																
	CATV & Non-Recurring Chrgs			0	-												
450	Forfeited Discounts	Rate Base	333,799	-	333,799					127,372	77,190	27,262	24,201	31,907	19,471	10,233	16,162
451	Misc Service Revenue	Rate Base	39,452	-	39,452					15,054	9,123	3,222	2,860	3,771	2,301	1,209	1,910
454	Rent from Electric Prop.	Rate Base	489,801	-	489,801					186,900	113,265	40,004	35,512	46,819	28,571	15,015	23,715
456.1	Other Electric Property	Rate Base	6,595	-	6,595					2,516	1,525	539	478	630	385	202	319
	Total Misc Income		869,646	-	869,646					331,843	201,102	71,027	63,051	83,128	50,729	26,660	42,106
	Less: Other Income																
	Interest Income	Rate Base	111,423	-	111,423					42,517	25,766	9,100	8,078	10,651	6,500	3,416	5,395
421	Gain on Disposition	Rate Base	0	-	-					-	-	-	-	-	-	-	-
424	Other Capital Credits	Rate Base	39,243	-	39,243					14,974	9,075	3,205	2,845	3,751	2,289	1,203	1,900
	Total Other Income		150,666	-	150,666					57,492	34,841	12,305	10,924	14,402	8,789	4,619	7,295
	Revenue Requirements from Rates		29,332,452	400,248	29,732,700	3,796,956	15,202,597	1,708,517	540,048	2,768,998	1,678,058	329,904	292,861	693,645	829,186	1,614,685	277,245

OFFICE OF THE ATTORNEY GENERAL

Case No. 2005-00187

Unbundled Rate Base

Function	Classification	Total	Schedule I Residential		Schedule I Marketing ETS		Schedule II Commercial (kWh)		Schedule II Commercial s/Demand		Schedule III 3 Phase Schls & Churches		Schedule IV Large Industrial		Schedule IV-A Large Power- Indust		Schedule VI Lighting	
			Demand	Consumer	Demand	Consumer	Demand	Consumer	Demand	Consumer	Demand	Consumer	Demand	Consumer	Demand	Consumer	Demand	Energy
Lines	Demand	15,171,386	8,778,430		81,941		609,746		226,620		396,389		913,254		2,888,002		276,995	
	Consumer	9,194,108	8,600,578		23,661		457,981		48,124		12,833		401		29,275		21,255	
Transformer	Demand	3,247,234	2,092,943		17,538		130,508		48,505		84,844		195,470		618,139		59,287	
	Consumer	2,892,614	2,585,063		7,112		192,675		20,246		30,641		-		44,699		2,179	
Services	Demand	-			9,022		280,238		97,040		17,364		518		37,913		99,183	
	Consumer	3,800,491	3,279,313															
Meters	Demand	-			13,597		111,009		99,952		3,111		825		7,096		-	
	Consumer	2,319,250	2,084,672															
Consumer Acct & Serv.		1,218,844	1,015,241		2,253		64,874		9,089		1,212		57		4,147		121,970	
Outdoor Lighting		1,825,027															1,825,027	
Street Lighting		-																
Total		39,758,954	11,871,374	17,564,866	99,479	55,635	740,253	1,086,777	275,125	273,451	481,243	65,160	1,108,724	1,800	3,506,141	123,030	336,282	2,169,614

OFFICE OF THE ATTORNEY GENERAL

Case No. 2005-00187

Development of Net Investment Rate Base

Description	\$\$\$\$	Distribution Balances									
		Lines		Line Transformers		Services		Meters Consumer	Consumer & Accounting Services	Outdoor Lighting	Street Ltg
		Demand	Customer	Demand	Consumer	Demand	Consumer				
360 Land & Land Rights	5,485	3,416	2,070								
362 Station Equipment	215,708	134,313	81,396								
364 Poles, Towers and Fixtures	17,966,551	11,187,029	6,779,522							-	
365 Overhead Conductor	16,204,092	10,089,618	6,114,474								
366 Underground Conduit	-	-	-								
367 UG Conductor	1,824,463	1,136,018	688,445								
368 Line Transformers	9,111,263			4,826,613	4,284,650						
369 Services	5,648,961					5,648,961				-	
370 Meters	3,447,280						3,447,280				
371 Install. On Consumer Prem.	2,861,315									2,861,315	
373 Street Ltg & Signal Systems	-										-
Total Distribution Plant	57,285,119	22,550,393	13,665,907	4,826,613	4,284,650	-	5,648,961	3,447,280	-	2,861,315	-
		39.4%	23.9%	8.4%	7.5%	0.0%	9.9%	6.0%	0.0%	5.0%	0.0%
Total General Plant	4,532,507	1,051,563	637,265	225,073	199,801	-	263,421	160,753	1,861,204	133,428	-
		23.2%	14.1%	5.0%	4.4%	0.0%	5.8%	3.5%	41.1%	2.9%	0.0%
Total Utility Plant	61,817,626	23,601,957	14,303,172	5,051,686	4,484,451	-	5,912,382	3,608,032	1,861,204	2,994,743	-
Accum. Depreciation	22,505,132	8,592,455	5,207,168	1,839,101	1,632,595	-	2,152,443	1,313,529	677,584	1,090,257	-
Net Plant	39,312,494	15,009,502	9,096,004	3,212,585	2,851,856	-	3,759,938	2,294,503	1,183,620	1,904,486	-
	61,879,711	38.18%	23.14%	8.17%	7.25%	0.00%	9.56%	5.84%	3.01%	4.84%	0.00%
CWIP	62,085	24,440	14,811	5,231	4,644	-	6,122	3,736	-	3,101	-
	39,374,579	15,033,942	9,110,815	3,217,816	2,856,499	-	3,766,061	2,298,239	1,183,620	1,907,587	-
Plus											
Cash Working Capital	757,818	289,335	175,342	61,928	54,975	-	72,480	44,231	22,816	36,712	-
Materials & Supplies	321,605	122,789	74,412	26,281	23,330	-	30,759	18,771	9,683	15,580	-
Prepayments	90,485	34,547	20,936	7,394	6,564	-	8,654	5,281	2,724	4,384	-
Minus: Consumer Advances	785,533	309,227	187,396	66,186	58,754	-	77,462	47,271	-	39,236	-
Net Investment Rate Base	39,758,954	15,171,386	9,194,108	3,247,234	2,882,614	-	3,800,491	2,319,250	1,218,844	1,925,027	-
Percentage		38.16%	23.12%	8.17%	7.25%	0.00%	9.56%	5.83%	3.07%	4.84%	0.00%

**OFFICE OF THE ATTORNEY GENERAL
Case No. 2005-00187**

Determination of Certain Plant Investments as Demand Related or Consumer Related

Account 364 - Poles

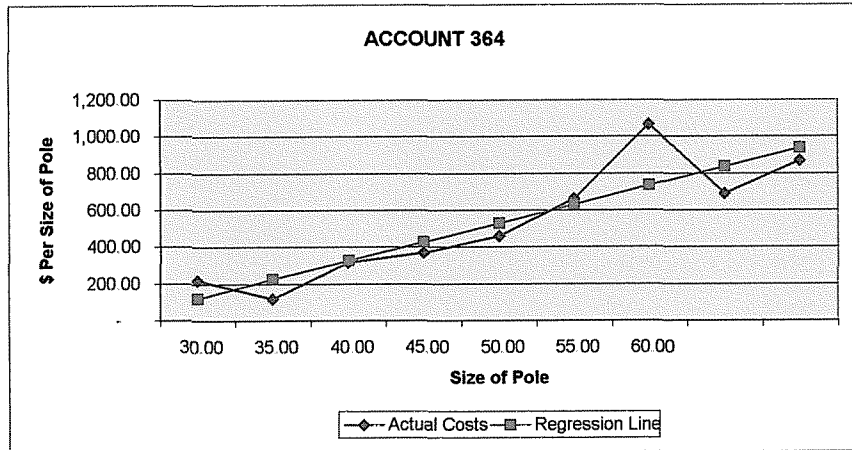
Pole	Size	Investment	Number of Units	Unit Cost	Predicted Value
30.00	30.00	3,027,462	13,828.00	218.94	123.19
35.00	35.00	1,123,106	9,492.00	118.32	225.13
40.00	40.00	5,130,435	16,167.00	317.34	327.07
45.00	45.00	1,770,785	4,769.00	371.31	429.01
50.00	50.00	541,513	1,180.00	458.91	530.95
55.00	55.00	210,627	317.00	664.44	632.90
60.00	60.00	82,323	77.00	1,069.14	734.84
65.00	65.00	34,514	50.00	690.28	836.78
70.00	70.00	19,138	22.00	869.91	938.72
Subtotal		11,939,904	45,902.00		
Cross arms		2,184,577			
Anchors & Guys		3,781,678			
Other		60,392			0.00
Total Investment		17,966,551	45,902.00		17,966,551.13
X Variable - (Size)			20.39		
Zero Intercept			(488.46)		
R Square			0.79		

Minimum Intercept 25 ft pole	Use Predicted Value	123.19
Number of poles		45,902.00
Consumer Related Investment		5,654,569.86
Total Investment		17,966,551.13
Percent Customer Related		31.47%
Percent Demand Related		68.53%

SUMMARY OUTPUT

<i>Regression Statistics</i>	
Multiple R	0.887476923
R Square	0.787615288
Adjusted R Sq	0.757274615
Standard Error	154.9823587
Observations	9

<i>Coefficients</i>	
Intercept	-488.461243
X Variable 1	20.38830396



OFFICE OF THE ATTORNEY GENERAL
Case No. 2005-00187

Determination of Certain Plant Investments as Demand Related or Consumer Related

Account 365 - Overhead Conductor

Conductor	Investment	Number of Units	Unit Cost
6ACWC	3,235	41,880	\$ 0.0772
8ACWC	26,997	510,457	\$ 0.0529
4 HD CU	22,935	206,906	\$ 0.1108
6HD CU	8,876	107,987	\$ 0.0822
1/0 ACSR	1,436,598	4,754,271	\$ 0.3022
2/0 ACSR	116,143	527,224	\$ 0.2203
3/0 ACSR	23,123	100,913	\$ 0.2291
4/0 ACSR	924,103	1,895,966	\$ 0.4874
2 ACSR	5,198,617	12,944,207	\$ 0.4016
4 ACSR	651,128	2,263,697	\$ 0.2876
266.8 MCM-CU	9,351	44,109	\$ 0.2120
#336.4 ACSR	880,426	918,426	\$ 0.9586
397.5 MCM AL	110	267	\$ 0.4114
Aerial Cable	61,834	68,227	\$ 0.9063
4/0 Aerial Cable	4,242	7,885	\$ 0.5380
Aerial Cable 2	8,106	1,430	\$ 5.6688
2 SP Cable	2,577	380	\$ 6.7822
1/0 SP Cable	11,757	1,255	\$ 9.3682
4/0 SP Cable	67,373	27,180.00	\$ 2.4788
SUBTOTAL	9,457,533	24,422,667	\$ 0.3872
Arrestors	87,137		
Swith, Recloser Bypass	256,184		
Voltmeters	2,027		
Cutouts	13,775		
Insulator String	2,733,570		
Grounds	3,091,847		
TOTAL	15,635,602		

Minimum Size Conductor - 4 ACSR	0.28764	Actual Price
Total Amount of Conductor in Feet	24,422,667	
	\$\$\$	
Minimum Size Investment -Consumer Related	7,024,911.62	44.93%
Demand Related	8,610,691	55.07%
Investment in Conduit	15,635,602.38	100.00%

Breakdown of Lines into Demand Related and Consumer Related Components

	Total Investment	Percent Consumer	Amount Consumer	Percent Demand	Amount Demand
Conductor	15,635,602	44.93%	7,024,911.62	55.07%	8,610,691
Poles	17,966,551	31.47%	5,654,569.86	68.53%	12,311,981
	33,602,154		12,679,481.48		20,922,672
Percent			37.73%		62.27%

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Determination of Certain Plant Investments as Demand Related or Consumer Related

Account 368-Transformers

Pole	Size	Investment	Number of Units	Unit Cost	Predicted Value
1.5KVA CSP	1.50	22,260	213.00	104.51	169.83
3.5KVA CSP	3.00	75,028	552.00	135.92	191.81
5KVA CSP	5.00	189,298	1,014.00	186.68	221.10
7.5KVA CSP	7.50	8,351	37.00	225.69	257.73
10KVA CSP	10.00	1,728,270	5,640.00	306.43	294.35
15KVA CSP	15.00	3,279,431	7,646.00	428.91	367.59
25KVA CSP	25.00	1,715,374	3,306.00	518.87	514.08
37.5KVA CSI	37.50	769	1.00	769.28	697.18
50 KVA CSP	50.00	225,569	278.00	811.40	880.29
75 KVA CSP	75.00	4,810	5.00	961.97	1,246.50
Subtotal		7,249,161	18,692.00		
10 KVA	10.00	17,823	54.00	330.05	294.35
15 KVA	15.00	52,906	142.00	372.58	367.59
25 KVA	25.00	71,425	142.00	502.99	514.08
37.5 KVA	37.50	16,159	39.00	414.34	697.18
50 KVA	50.00	233,047	347.00	671.61	880.29
75KVA		8,982	10.00	898.24	
100KVA		137,444	123.00	1,117.43	
167 KVA		130,968	76.00	1,723.26	
250 KVA		60,154	23.00	2,615.40	
333 KVA		169,857	50.00	3,397.14	
500 KVA		30,467	5.00	6,093.40	
750 - 1000 KVA 3PH PAD MT		49,600	6.00	8,266.69	
1500 KVA PAD MT		9,265	1.00	9,265.00	
500 KVA URD		39,937	8.00	4,992.06	
50 R BARE COST		4,610	2.00	2,304.79	
300 KVA URD		15,475	4.00	3,868.82	
2000 KVA 3PH PAD MT		16,504	4.00	4,125.96	
KVA PAD MOUNT		394,500			
3 Bank Transformers		4,645			
2 Bank Transformers		1,927			
Voltage Regulators		212,410			
Cutouts		162,928			
All Other Equipment		21,069			
Total Investment		9,111,263	19,709.00		

Determination of Certain Plant Investments as Demand Related or Consumer Related

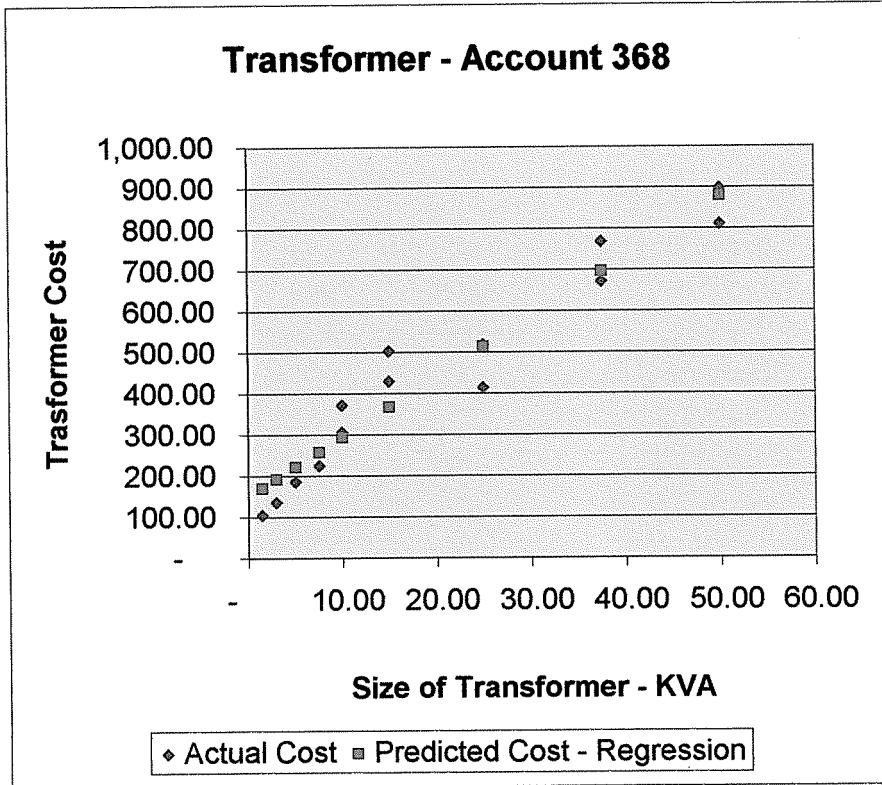
x Coefficient 14.6486
Zero Intercept 147.8622
R Square 0.9312

Number of Transformers 19,709.00
Zero Intercept 147.86
Consumer Related Investment 2,914,215.37
Demand Related Investment 6,197,047.94
Percentage of Investment Consumer Related 47.03%
Percentage of Investment Demand Related 52.97%

SUMMARY OUTPUT

Regression Statistics	
Multiple R	0.965010354
R Square	0.931244984
Adjusted R Sq	0.925515399
Standard Error	70.03049087
Observations	14

Coefficients	
Intercept	147.8621632
X Variable 1	14.64855768



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Determination of Certain Plant Investments as Demand Related or Consumer Related

Wages & Salaries	<u>Total</u>	<u>Percentage</u>	<u>w/o Admin&Gen</u>	<u>Percent</u>
Distribution Operations	237,759	16.56%	237,759	21.50%
Distribution Maintenance	414,002	28.83%	414,002	37.44%
Consumer Accounts	395,912	27.57%	395,912	35.80%
Sales	58,196	4.05%	58,196	5.26%
Administrative & General	330,299	23.00%		
Total	1,436,168	100.00%	1,105,869	100.00%

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Demand Related Costs and Energy Related Costs Allocators

A. Energy Sales		Allocation is proportional on actual sales to end use customers							
<u>Month</u>	<u>Schedule 1 Residential Schls & Chur</u>	<u>Schedule 1 Residential ETS</u>	<u>Schedule II Commercial No Demand</u>	<u>Schedule II Small Power W/Demand</u>	<u>Schedule III Three Phase Schls & Chur</u>	<u>Schedule IV Large Power Industrial</u>	<u>Schedule IV-A Large Power Rate</u>	<u>Schedule VI Outdoor Lights Security Lights</u>	<u>Total</u>
January	34,480,316	278,073	1,124,529	629,693	880,884	2,808,000	6,772,209	794,920	47,768,624
February	33,018,731	273,181	1,085,069	570,784	784,188	3,031,200	6,980,153	799,050	46,542,356
March	27,681,459	219,793	1,021,994	613,222	786,210	3,358,800	7,348,863	803,320	41,833,661
April	19,656,689	102,992	901,606	631,860	685,034	3,103,200	7,115,286	806,470	33,003,137
May	17,681,692	23,411	891,996	597,001	687,806	2,700,000	6,753,132	800,520	30,135,558
June	23,349,147	539	1,180,662	715,374	680,723	2,574,000	7,867,192	808,430	37,176,067
July	22,284,012	437	1,098,275	761,726	596,452	2,217,600	7,858,327	809,550	35,626,379
August	21,090,289	1,471	1,090,273	739,417	972,142	2,401,200	8,039,096	813,190	35,147,078
September	21,336,834	(198)	1,132,198	723,544	989,884	2,599,200	7,583,302	817,180	35,181,944
October	17,025,291	33,687	926,786	685,116	1,040,302	2,120,400	9,338,822	817,810	31,988,214
November	20,560,532	91,949	947,541	833,290	1,452,033	2,566,800	9,465,077	822,395	36,739,617
December	35,021,910	232,212	1,161,042	697,768	1,237,151	2,937,600	9,689,813	824,460	51,801,956
Total	293,186,902	1,257,547	12,561,971	8,198,795	10,792,809	32,418,000	94,811,272	9,717,295	462,944,591
Percent	63.33%	0.27%	2.71%	1.77%	2.33%	0	0	0	100.00%

Used to allocate purchased power energy costs to retail rate classes. Wholesale energy costs for rate classes LP1 And LP2 are directly assigned.

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Demand Related Costs and Energy Related Costs Allocators

B. Wholesale Billing CP Contributions									
<u>Month</u>	<u>Schedule 1 Residential Schls & Chur</u>	<u>Schedule 1 Residential ETS</u>	<u>Schedule II Commercial No Demand</u>	<u>Schedule II Small Power W/Demand</u>	<u>Schedule III Three Phase Schls & Chur</u>	<u>Schedule IV Large Power Industrial</u>	<u>Schedule IV-A Large Power Rate</u>	<u>Schedule VI Outdoor Lights Security Lights</u>	<u>Total</u>
January	89,864	-	2,548	812	1,634	3,257	13,802	-	111,917
February	71,923	-	2,883	1,059	1,990	2,582	13,604	2,306	96,347
March	70,623	-	2,355	766	2,230	3,577	14,985	-	94,536
April	54,198	-	1,988	710	1,826	3,277	12,722	2,394	77,115
May	49,938	-	3,085	941	1,864	2,684	13,659	-	72,171
June	56,402	-	3,706	1,226	2,270	3,758	15,062	-	82,424
July	60,612	-	3,403	1,253	1,523	3,077	15,225	-	85,093
August	61,227	-	3,987	1,513	2,419	2,695	14,440	-	86,281
September	55,669	-	3,091	1,232	1,800	1,186	11,294	-	74,272
October	46,674	-	1,349	612	1,036	898	11,079	-	61,648
November	49,703	-	1,990	956	1,855	6,348	20,036	2,038	82,926
December	98,020	-	3,483	1,317	3,022	1,453	14,566	2,541	124,402
Total	764,853	-	33,868	12,397	23,469	34,792	170,474	9,279	1,049,132
Percent	72.90%	0.00%	3.23%	1.18%	2.24%	3.32%	16.25%	0.88%	100.00%

Used to allocate wholesale power demand costs to rate classes. Wholesale power demand is billed on basis of CP demand.

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Demand Related Costs and Energy Related Costs Allocators

C. Monthly Peak Demands for Each Rate Class									
<u>Month</u>	<u>Schedule 1 Residential Schls & Chur</u>	<u>Schedule 1 Residential ETS</u>	<u>Schedule II Commercial No Demand</u>	<u>Schedule II Small Power W/Demand</u>	<u>Schedule III Three Phase Schls & Chur</u>	<u>Schedule IV Large Power Industrial</u>	<u>Schedule IV-A Large Power Rate</u>	<u>Schedule VI Outdoor Lights Security Lights</u>	<u>Total</u>
January	100,222	973	4,367	1,391	2,310	7,610	20,622	2,068	139,563
February	85,507	973	3,553	1,305	2,182	7,463	20,340	2,078	123,401
March	74,206	959	3,934	1,280	2,207	7,153	20,949	2,089	112,777
April	62,774	910	3,719	1,327	2,988	7,164	19,989	2,097	100,968
May	61,320	735	5,026	1,534	3,236	6,732	21,357	2,082	102,022
June	66,059	133	5,127	1,697	3,082	6,797	21,351	2,102	106,348
July	72,691	77	5,500	2,025	2,571	6,667	22,448	2,105	114,084
August	71,780	77	5,637	2,139	3,593	6,545	21,652	2,115	113,538
September	65,192	119	5,270	2,101	3,913	6,260	23,493	2,126	108,474
October	57,185	728	4,436	2,011	3,428	6,138	23,141	2,127	99,194
November	71,570	840	4,299	2,066	3,330	6,912	23,656	2,139	114,812
December	103,643	952	4,763	1,800	3,326	7,881	24,493	2,144	149,002
Total	892,149	7,476	55,631	20,676	36,166	83,322	263,491	25,272	1,384,183
Percent	64.45%	0.54%	4.02%	1.49%	2.61%	0	0	0	100.00%

Used to allocate distribution demand related costs to appropriate rate classes

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Consumer Related Costs Allocators

A. Lines (poles and conduit)

	<u>Number of Consumers</u>	<u>Allocation Percent</u>
Schedule I - Residential	21,446	93.54%
Schedule I - Marketing ETS	59	0.26%
Schedule II - Small Commercial (kWh)	1,142	4.98%
Schedule II - Small Commercial (kW)	120	0.52%
Schedule III - 3 Phase Schools & Church	32	0.14%
Schedule IV - Large Power Industrial	1	0.00%
Schedule IV-A - Large Power Rate	73	0.32%
Schedule VI - Outdoor & Security Lights	53	0.23%
	22,926.00	1.0000

B. Transformers

Rate Class	<u>Number of Consumers</u>	<u>Minimum Transformer Cost</u>	<u>Relative Cost</u>	<u>Weight</u>	<u>Allocation Percent</u>
Schedule I - Residential	21,446	306.43	0.13	2,699.74	89.678%
Schedule I - Marketing ETS	59	306.43	0.13	7.43	0.247%
Schedule II - Small Commercial (kWh)	1,142	428.91	0.18	201.22	6.684%
Schedule II - Small Commercial (kW)	120	428.91	0.18	21.14	0.702%
Schedule III - 3 Phase Schools & Church	32	2,434.20	1.00	32.00	1.063%
Schedule IV - Large Power Industrial	1				0.000%
Schedule IV-A - Large Power Rate	73	1,556.61	0.64	46.68	1.551%
Schedule VI - Outdoor & Security Lights	53	104.51	0.04	2.28	0.076%
	22,926.00			3,010.49	1.00

C. Services

Rate Class	<u># of Consumers</u>	<u>Minim Service Cost</u>	<u>Relative Cost</u>	<u>Weight</u>	<u>Allocation Percent</u>
Schedule I - Residential	21,446	195.27	0.28	6,043.39	86.29%
Schedule I - Marketing ETS	59	195.27	0.28	16.63	0.24%
Schedule II - Small Commercial (kWh)	1,142	291.00	0.42	479.59	6.85%
Schedule II - Small Commercial (kW)	120	291.00	1.49	178.83	2.55%
Schedule III - 3 Phase Schools & Church	32	692.93	1.00	32.00	0.46%
Schedule IV - Large Power Industrial	1	661.47	0.95	0.95	0.01%
Schedule IV-A - Large Power Rate	73	661.47	0.95	69.69	0.99%
Schedule VI - Outdoor & Security Lights	10,306	12.29	0.02	182.78	2.61%
	33,179.00			7,003.87	1.00

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Consumer Related Costs Allocators

D. Meters

Rate Class	# of Consumers	Minimum		Relative Weight	Allocation Percent
		Meter Cost	Relative Cost		
Schedule I - Residential	21,505	36.00	1.00	21,505.00	89.91%
Schedule I - Marketing ETS	136	37.00	1.03	139.78	0.58%
Schedule II - Small Commercial (kWh)	1,142	36.00	1.00	1,142.00	4.77%
Schedule II - Small Commercial (kW)	120	305.38	8.48	1,017.96	4.26%
Schedule III - 3 Phase Schools & Church	32	36.00	1.00	32.00	0.13%
Schedule IV - Large Power Industrial	1	305.38	8.48	8.48	0.04%
Schedule IV-A - Large Power Rate	73	36.00	1.00	73.00	0.31%
Schedule VI - Outdoor & Security Lights	-	-	-	-	
	23,009.00			23,918.22	1.00

E. Consumer & Accounting Services

Rate Class	# of Consumers	Relative Weight	Relative Weight	Relative Weight	Combined Relative Weights	Weight	Allocation Percent
		Meter Read	Cons Rcds	Cust Asst			
Schedule I - Residential	21,505	1.00	3.00	1.00	5.00	107,525	83.334%
Schedule I - Marketing ETS	136	1.00	0.50	0.25	1.75	238	0.184%
Schedule II - Small Commercial (kWh)	1,142	1.00	4.00	1.00	6.00	6,852	5.310%
Schedule II - Small Commercial (kW)	120	2.00	5.00	1.00	8.00	960	0.744%
Schedule III - 3 Phase Schools & Church	32	1.00	2.00	1.00	4.00	128	0.099%
Schedule IV - Large Power Industrial	1	2.00	3.00	1.00	6.00	6	0.005%
Schedule IV-A - Large Power Rate	73	2.00	3.00	1.00	6.00	438	0.339%
Schedule VI - Outdoor & Security Lights	10,306	-	1.00	0.25	1.25	12,883	9.984%
						129,030	100%

	Meter Reading		Relative Weight	Consumer Records		Relative Weight
	Factor	Weight		Factor	Weight	
Schedule I - Residential	1.00	1.00	1.00	3.00	7.50	22.50
Schedule I - Marketing ETS	1.00	1.00	1.00	0.50	7.50	3.75
Schedule II - Small Commercial (kWh)	1.00	1.00	1.00	4.00	7.50	30.00
Schedule II - Small Commercial (kW)	2.00	1.00	2.00	5.00	7.50	37.50
Schedule III - 3 Phase Schools & Church	1.00	1.00	1.00	2.00	7.50	15.00
Schedule IV - Large Power Industrial	2.00	1.00	2.00	3.00	7.50	22.50
Schedule IV-A - Large Power Rate	2.00	1.00	2.00	3.00	7.50	22.50
Schedule VI - Outdoor & Security Lights	-	1.00	-	1.00	7.50	7.50

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Consumer Related Costs Allocators

	Consumer Assistance		Relative Weight
	<u>Factor</u>	<u>Weight</u>	
Schedule I - Residential	1.00	1.00	1.00
Schedule I - Marketing ETS	0.25	1.00	0.25
Schedule II - Small Commercial (kWh)	1.00	1.00	1.00
Schedule II - Small Commercial (kW)	1.00	1.00	1.00
Schedule III - 3 Phase Schools & Church	1.00	1.00	1.00
Schedule IV - Large Power Industrial	1.00	1.00	1.00
Schedule IV-A - Large Power Rate	1.00	1.00	1.00
Schedule VI - Outdoor & Security Lights	0.25	1.00	0.25

COMPARISON OF PROPOSED SCHEDULE I RATES

CUMBERLAND VALLEY ELECTRIC'S PROPOSED SCHEDULE I RATES

Rate Schedule	Billing Basis	Billing Quantities	Rates Effective 1-Jun-05	Revenue from Rates Effective 1-Jun-05	Total Revenue	Proposed Rates	Revenue from Proposed Rates	Total Revenue
Schedule I - Residential	Consumer Charge	258,060	\$5.00	\$1,290,300		\$5.00	1,290,300	
	Energy	294,691,994	\$0.05832	17,186,437	\$18,476,737	0.06278	<u>18,500,763</u>	\$ 19,791,063
	Schedule I - ETS	Energy	1,257,547	\$0.03499	44,002	44,002	0.037668	<u>47,369</u>
								\$19,838,433

OFFICE OF THE ATTORNEY GENERAL'S PROPOSED SCHEDULE I RATES

Rate Schedule	Billing Basis	Billing Quantities	Rates Effective 1-Jun-05	Revenue from Rates Effective 1-Jun-05	Total Revenue	Proposed Rates	Revenue from Proposed Rates	Total Revenue
Schedule I - Residential	Consumer Charge	258,060	\$5.00	\$1,290,300		\$5.00	1,290,300	
	Energy	294,691,994	\$0.05832	17,186,437	\$18,476,737	0.06275	<u>18,493,180</u>	\$ 19,783,480
	Schedule I - ETS	Energy	1,257,547	\$0.03499	44,002	44,002	0.043698	<u>54,952</u>
								\$19,838,433