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Cumberland Valley Electric
Case No. 2005-00187

Attorney General's Supplemental Requests for Information

1) Question

Page 9 of the independent auditors report included in the response to PSC-2-13 shows a total May 31, 2005 Long Term Debt balance of \$27,717,328. In the same format and detail as per Exhibit F, Schedule 5 part b, provide a breakout of this total Long Term Debt balance by Note Number; interest rate as of 5/31/05; 5/31/05 dollar balance; and annualized interest (5/31/05 dollar balance times 05/31/05 interest rate) as compared to actual per books for the 12-month period (the actual per books interest should add to \$992,611 as shown on page 4 of the independent auditors report).

In additional, provide a schedule showing the derivation of the actual long-term debt interest of \$992,611 for the 12-month period ended 5/31/05, showing a breakout of the outstanding debt issue by Note Number, the interest rate for each debt issue and the resulting annual interest expense adding to \$992,611.

1) Response

	<u>Note Number</u>	<u>Interest Rate</u>	<u>5/31/05 Balance</u>	<u>Annualized Interest</u>	<u>Actual 5/31/05 Interest</u>
<u>RUS Debt</u>					
	4170	2.00%		0	177
	OB180	2.00%	35,949	719	895
	1B190	5.00%	94,727	4,736	5,392
	1B200	5.00%	142,937	7,147	7,933
	1B210	5.00%	208,691	10,435	11,330
	1B220	5.00%	244,486	12,224	13,076
	1B230	5.00%	381,932	19,097	20,257
	1B240	5.00%	416,290	20,815	21,932
	1B250	5.00%	881,284	44,064	46,098
	1B260	5.00%	807,937	40,397	41,750
	1B270	5.00%	1,067,438	53,372	54,483
	1B280	5.00%	2,357,700	117,885	119,590
	1B290	5.375%	1,517,597	81,571	82,229
	1B295	5.000%	1,507,701	75,385	76,039
	1B300	1.625%	1,302,972	21,173	21,203
	H0010	2.828%	3,910,295	110,583	74,936
	H0015	2.828%	4,696,258	132,810	89,998
	H0020	2.828%	2,200,000	62,216	41,833
	H0025	2.70%	2,000,000	54,000	27,007
	Total RUS		23,774,194	868,629	756,158

CFC and other debt

9001	7.00%	17,312	1,212	1,452
9003	7.00%	48,130	3,369	3,816
9004	7.00%	71,891	5,032	5,560
9007	5.00%	106,188	5,309	4,573
9008	5.00%	120,808	6,040	5,125
9010	5.75%	201,090	11,563	12,193
9012	5.90%	216,769	12,789	13,225
9014	7.95%	468,629	37,256	38,736
9017	5.00%	421,065	21,053	17,179
9018	5.00%	473,012	23,651	19,150
9019	5.00%	987,475	49,374	39,802
9020	5.00%	1,310,768	65,538	52,336
9021	5.00%	585,212	29,261	23,306
Total CFC		<u>5,028,349</u>	<u>271,448</u>	<u>236,453</u>
Advance payment		1,085,215		
Long term debt		<u>27,717,328</u>	<u>1,140,076</u>	<u>992,611</u>

Cumberland Valley Electric
Case No. 2005-00187

Attorney General's Supplemental Requests for Information

2) Question

The response to PSC-2-6, pages 1 and 2 show a total 12/31/04 RUS debt (including the \$2 million debt amount that was drawn down in January 2005) of \$24,104,440 and total 12/31/04 CFC and Other Debt of \$5,155,464 for a grand total long term debt balance as of January 2005 of \$29,259,904. However, the independent auditors report in the response to PSC-2-13 shows a May 31, 2005 total long-term debt balance of \$27,717,328. Please reconcile these two total balances of \$29,259,904 and \$27,717,328 in total and as broken down by long term debt Note Number.

2) Response

Balance December 31, 2004	27,259,903
Advance, January 2005	2,000,000
Payments on long term debt	457,360
Advance payment	<u>1,085,215</u>
Balance May 31, 2005	<u><u>27,717,328</u></u>

	<u>Note Number</u>	<u>12/31/04 Balance</u>	<u>Advances</u>	<u>Payments</u>	<u>5/31/05 Balance</u>
<u>RUS Debt</u>					
	4170	5,698		5,698	0
	OB180	44,789		8,840	35,949
	1B190	108,008		13,281	94,727
	1B200	158,861		15,924	142,937
	1B210	226,828		18,137	208,691
	1B220	261,748		17,262	244,486
	1B230	405,450		23,518	381,932
	1B240	438,935		22,645	416,290
	1B250	922,486		41,202	881,284
	1B260	835,364		27,427	807,937
	1B270	1,086,351		18,913	1,067,438
	1B280	2,386,813		29,113	2,357,700
	1B290	1,528,155		10,558	1,517,597
	1B295	1,518,927		11,226	1,507,701
	1B300	1,316,295		13,323	1,302,972
	H0010	3,934,456		24,161	3,910,295
	H0015	4,725,276		29,018	4,696,258
	H0020	2,200,000		0	2,200,000
	H0025	2,000,000		0	2,000,000
	Total RUS	24,104,440	0	330,246	23,774,194
<u>CFC and other debt</u>					
	9001	20,805		3,493	17,312
	9003	54,618		6,488	48,130
	9004	79,554		7,663	71,891
	9007	115,394		9,206	106,188
	9008	129,307		8,499	120,808
	9010	213,138		12,048	201,090
	9012	228,160		11,391	216,769
	9014	487,617		18,988	468,629
	9017	433,307		12,242	421,065
	9018	482,906		9,894	473,012
	9019	1,003,577		16,102	987,475
	9020	1,319,536		8,768	1,310,768
	9021	587,544		2,332	585,212
	Total CFC	5,155,463	0	127,114	5,028,349
	Advance payment				1,085,215
Long term debt		<u>29,259,903</u>	0	457,360	<u>27,717,328</u>

CUMBERLAND VALLEY ELECTRIC, INC.
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Witness: Jim Adkins

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

3. Q. With regard to the response to PSC-2-6, pages 1 and 2, please provide the following information:

a) For each of the long-term debt Note Numbers shown, provide the actual interest rate as of 5/31/05 as compared to the 9/26/05 interest rate currently shown.

R. Current interest on long-term debt

RUS Debt

<u>Note Number</u>	<u>12/31/04 Interest Rate %</u>	<u>5/31/05 Interest Rate %</u>	<u>9/26/05 Current Interest Rate %</u>	<u>12/31/04 Balance</u>
4170	2.00	0.00	0.00	\$ 5,698
OB180	2.00	2.00	2.00	44,789
1B190	5.00	5.00	5.00	108,008
1B200	5.00	5.00	5.00	158,861
1B210	5.00	5.00	5.00	226,828
1B220	5.00	5.00	5.00	261,748
1B230	5.00	5.00	5.00	405,450
1B240	5.00	5.00	5.00	438,935
1B250	5.00	5.00	5.00	922,486
1B260	5.00	5.00	5.00	835,364
1B270	5.00	5.00	5.00	1,086,351
1B280	5.00	5.00	5.00	2,386,813
1B290	5.37	5.37	5.37	1,528,155
1B295	5.00	5.00	5.00	1,518,927
1B300	1.62	1.62	2.75	1,316,295
H0010	2.22	2.83	3.48	3,934,456
H0015	2.22	2.83	3.48	4,725,276
F0020	2.22	2.83	3.48	2,200,000
F0025	--	2.70	3.48	2,000,000*

*This amount was drawn down in January 2005.

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

CFC and Other Debt

<u>Note Number</u>	<u>12/31/04 Interest Rate %</u>	<u>5/31/05 Interest Rate %</u>	<u>9/26/05 Current Interest Rate %</u>	<u>12/31/04 Balance</u>
9001	7.00	7.00	7.00	\$ 20,805
9003	7.00	7.00	7.00	54,618
9004	7.00	7.00	7.00	79,554
9007	4.35	5.00	5.60	115,394
9008	4.35	5.00	5.60	129,307
9010	5.70	5.75	5.75	213,138
9012	5.70	5.90	5.90	228,160
9014	7.95	7.95	7.95	487,617
9017	4.35	5.00	5.60	433,307
9018	4.35	5.00	5.60	482,906
9019	4.35	5.00	5.60	1,003,577
9020	4.35	5.00	5.60	1,319,536
9021	4.35	5.00	5.60	587,543

- Q. b) When the interest rates in the "9/26/05 current interest %" column are applied to the 12/31/04 long term debt balances, this results in a total annualized interest expense of \$1,287,499. Please explain why this is so much larger than the total annual interest expense of \$992,611 for the 12-month period ended 5/31/05 shown on page 4 of the May 2005 independent auditors report.
- R. The annualized interest expense is larger because monthly or quarterly principal payments are being made on the long term debt. Approximately \$460,000 of principal has been paid on these loans between 12/31/04 and 5/31/05. Also, interest rates have increased per the schedule above and the higher interest rates at 9/26/05 were used to calculate the annualized interest expense. Furthermore, as of 5/31/05 only \$8,823 of interest had been paid on the \$2,000,000 that was drawn down in 2005. The annualized interest includes \$69,600 of interest for the year.

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

4. Q. Please reconcile the "current" variable long term debt interest rates for RUS debt shown in the response to PSC-2-18, page 2 to the corresponding current variable RUS debt interest rates shown in the response to PSC-2-6, page 1.

The response to PSC-2-6 also shows a change in interest rate (2.75% vs. 1.62%) for Note Number 1B300. Is this also a variable rate? If not, explain the rate change.

The response to PSC-2-6 also shows a change in interest rate for CFC Note Number 9010 (5.75% vs. 5.70%) and 9012 (5.90% vs. 5.70%). Are these also variable rates? If not, explain the rate changes.

- R. The interest rates shown in response to PSC-2-6 report the rate as of 9/26/05 for variable interest loans to indicate that the rates are increasing. Our new interest rate for these variable interest loans is 3.566% effective 9/30/05. The interest rates shown in the response to PSC-2-18 are the rates currently in effect on our loans until 9/30/05.

Note Number 1B300 has a fixed interest rate for a term of one year. The note cannot be renewed for a term of less than one year.

CFC Note Number 9010 increased from 5.70% to 5.75% on 1/1/05. This is a fixed rate loan which matured on 1/1/05. The final payment for the new fixed rate loan for Note Number 9010 is scheduled for 3/1/2012. CFC Note Number 9012 increased from 5.70% to 5.90% on 1/1/05. This is also a fixed rate loan which matured on 1/1/05. The final payment for the new fixed rate loan for Note Number 9012 is scheduled for 12/1/12.

RESPONSE TO THE AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

PROPERTY TAXES

- Q. The response to AG-1-7 shows that the property taxes charged to operating expenses increased by \$10,118 from 2001 to 2002 and by \$18,985 from 2002 to 2003. In this regard, provide the following information:
- a. Are the equivalent property taxes charged to operating expenses for 2004 and for the pro forma period \$395,156 and \$419,909, respectively? If not, provide the correct equivalent amounts.
 - b. If so, this means that property taxes from 2003 to 2004 increased by \$35,140 and from 2004 to the pro forma period increased by \$24,753. Please explain these large property tax increases give the more moderate increases in the prior two years.
 - c. Explain exactly what represents the pro forma property taxes \$419,909. Are these the actual property taxes for 2005? Do they represent actual tax levels. How are these tax levels determined.
- R.
- a. These are the equivalent amounts.
 - b. The trend from 2001 to 2003 indicates property taxes increasing at increasing rates. Two reasons can be given for this circumstance. One, CVE continues to invest in plant to provide service to the current and new customers and this fact adds to the plant subject to tax resulting in an increase in property taxes paid even without an increase in property tax rates. However, property tax rates have been increasing in the area served by CVE just as in other parts of the Commonwealth.
 - c. The pro forma amount is based on valuations of plant submitted to the taxing authorities earlier in 2005 based on the plant investment as of 12/31/2004. Using valuation percentages developed from 2004 and applying the current property tax rates results in the pro forma amounts in this application. These amounts do not represent the actual taxes to be paid in 2005.

Attorney General's Supplemental Requests For Information

Question 6. Please Provide the same labor/non-labor breakout for all of the actual 2004 test year O&M expenses in the same format and detail as per the response to AG-1-11. Also, provide a reconciliation if the total 2004 O&M labor expense amount to be provided is different from the 2004 test year O&M payroll amount of \$1,436,254 shown on Exhibit F, Schedule 6, part b, page 3.

<u>Acct #</u>	<u>2004</u>	<u>Labor</u>	<u>Non-Labor</u>
582	\$354.12	\$0.00	\$354.12
583	\$440,573.30	\$23,685.63	\$416,887.67
584	\$4,634.28	\$0.00	\$4,634.28
586	\$431,483.31	\$213,999.15	\$217,484.16
587	\$69,829.62	\$74.65	\$69,754.97
588	\$179,609.11	\$0.00	\$179,609.11
593	\$686,171.75	\$360,371.58	\$325,800.17
593 01	\$710,523.39	\$0.00	\$710,523.39
593 02	\$4,689.69	\$0.00	\$4,689.69
593 03	\$148,379.75	\$83.57	\$148,296.18
593 04	\$100,200.30	\$0.00	\$100,200.30
593 05	\$0.00	\$0.00	\$0.00
595	\$12,409.07	\$0.00	\$12,409.07
597	\$62,549.63	\$13,561.19	\$48,988.44
597.1	-\$120.00	\$0.00	-\$120.00
598	\$87,743.67	\$39,985.21	\$47,758.46
902	\$103,863.11	\$41,975.08	\$61,888.03
903	\$750,131.77	\$353,937.14	\$396,194.63
903 1	\$12.29	\$0.00	\$12.29
903 2	-\$29,893.00	\$0.00	-\$29,893.00
904	\$134,000.00	\$0.00	\$134,000.00
908	\$105,398.23	\$58,195.87	\$47,202.36
909	\$42,519.08	\$0.00	\$42,519.08
920	\$463,264.65	\$286,467.11	\$176,797.54
921	\$108,833.73	\$4,800.00	\$104,033.73
923	\$103,942.82	\$0.00	\$103,942.82
925	\$407.75	\$0.00	\$407.75
926	\$0.00	\$0.00	\$0.00
928	\$0.00	\$0.00	\$0.00
929	-\$13,485.06	\$0.00	-\$13,485.06
930 1	\$214,082.12	\$0.00	\$214,082.12
930 11	\$65,270.12	\$0.00	\$65,270.12
930 2	\$74,518.90	\$0.00	\$74,518.90
930 3	\$69.25	\$0.00	\$69.25
930 4	\$17,513.84	\$0.00	\$17,513.84
932	\$63,037.32	<u>\$1,831.63</u>	\$61,205.69

Total O&M Expenses **\$1,398,967.81**

Reconciliation Of Difference

Amount Shown on Exhibit F, Schedule 6, part b, page 3	\$1,436,254.00
242.31 Sick Leave should have been payroll other	-\$34,488.85
242.52 Annual Meeting should have been payroll other	-2711.42
108.81 Should not be payroll expense	-\$85.58
Rounding Difference	<u>-\$0.34</u>
	\$1,398,967.81

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

REVENUE ADJUSTMENT

- Q. \$216,602 of the Exhibit F, Schedule 1 revenue normalization adjustment relates to the removal of revenues booked in the 2004 test year that relate to "the sale of energy in previous years." In this regard, please provide the following information.
- a. Does the \$216,602 represent the revenues associated with sales made in 2003 that, as a result of billing cycle timing differences, was booked by CVE in 2004? If so, in what month(s) of 2003 was this energy made? If not, explain the exact reasons for the \$216,602 revenue booking and explain whether those revenues relate to the sale of energy made in years other than in 2003 and, if so, explain why.
 - b. In what months of 2004 were these prior period revenues of \$216,602 booked.
 - c. Is there a time lag between the sale of energy in one particular month and the billing and booking of the revenues associated with the energy sale in a later period? If so, what is the normal time lag? If not, why not?
 - d. Are the revenues from the sale of energy at the end of 2004 test year (say, in the months of November and December 2004) booked in 2005. If so, what level of revenues was booked in 2005 associated with the sale of energy made in 2004? If not (i.e., if the revenues associated with the sale of energy in a particular month are booked in the same month), how is this possible given that it takes time to read the meters and prepare the bills?
- R. a. The adjustment of revenue in the amount of \$216,602 is due to the fact that a metering problem was discovered in the third quarter of 2004. Programming for some of the new digital meters had not been completed and resulted in one third of the energy in used not being recorded. Based on a comprehensive investigation by CVE, this situation extended back to 2001. The amount of this adjustment represents the amounts that were booked in 2004 for the years of 2001, 2002 and 2003.
- b. These revenues were booked in November 2004 and are the primary reason as to why CVE had a positive margin for 2004.
 - c. See above responses.
 - d. See above responses.

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

ACTUAL REVENUES FOR 2004

- Q. Please reconcile the actual 2004 revenues from rates of \$29,278,194 shown in the response to AG-1-15, page 3 to the corresponding actual 2004 revenues from rates of \$28,510,045 shown on Exhibit F, Schedule 1, part b, page 1 and the response to PSC-1-9, page 5 of 7.
- R. Such a reconciliation cannot be made. The amounts contained in Exhibit F and PSC-1-9 of \$28,510,045 is the correct amount. This data cannot be broken down on the basis of rate class information because this is not the way the data is maintained by the service provided. The data is maintained by the service provider in manner consistent with the reporting requirements established by RUS. PSC-1-9 provides the way that RUS requires this data to be reported. Extensive time consuming and costly work would have to be done to accommodate the request made in AG-1-15.

The data provided in AG-1-15 is illustrative from one year to the next we believe because it has been developed in manner consistently applied from year to year. It has been provided in an attempt to facilitate the request made. Our major error was in not making this situation known in the original filing.

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

9. Q. With regard to the response to AG-1-15, page 4, please provide the following information:
- a) In the same format and detail as currently shown, provide the kWhs and revenues from rates for the 12 months ended June 30, 2005 (as originally requested).
 - b) In addition, provide the actual Other Revenues, broken out in accounts 450, 451, 454 and 456 for the same 12-month period ended June 30, 2005.
 - c) The internal audit report, page 4 in the response to PSC-2-13 shows total operating revenues of \$31,072,145 for the 12-month period ended May 31, 2005. Assuming that the revenues from the 12-month period ended June 30, 2005 (to be provided in response to parts a and b above) are at least that high, explain in detail the reasons for this large revenue increase over the total revenues of \$29,379,691 for the 2004 test year.

R. a)	12 Months Ending <u>30-Jun-05</u>	<u>kWh</u>	<u>Revenue</u>
	Schedule I	301,423,809	\$ 20,022,922
	Schedule I Marketing	1,215,587	49,575
	Schedule II – C1	13,022,605	1,044,904
	Schedule II – C2	6,621,017	587,215
	Schedule III	12,988,818	798,965
	Schedule IV	36,936,000	1,953,355
	Schedule IV-A	104,413,426	6,023,811
	Schedule VI	<u>153,930</u>	<u>800,318</u>
	Total	<u><u>476,775,192</u></u>	<u><u>\$ 31,281,065</u></u>

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

- b) The actual Other Revenues (Accounts 450, 451, 454, and 456) for the 12 months ended June 30, 2005 is \$ 881,906.76.

- c) The reasons for the increase in revenues over the total revenues of \$29,379,691 for the 2004 test year is a result of automatic adjustment clauses (fuel adjustment and environmental surcharge) and load growth.

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

Q. Please provide all calculations in support of the "Increase in Wholesale Power Costs" shown for each of the Rate Schedules in the response to PSC-2-5a.

R.

<u>Rate Schedule</u>	<u>1</u> Increase in Billing Units-kWh	<u>2</u> Average Cost of Purchased Power (a)	<u>3</u> Line Loss Percent	<u>4</u> Increase in Purchased Power Costs ((1*2)/1.0/3))
Schedule I	1,776,756	0.043321	7%	\$ 82,764
Schedule I - ETS	66,978	0.043321	7%	\$ 3,120
Schedule II (C-1)	16,946	0.043321	7%	\$ 789
Schedule II (C-2)	(274,309)	0.043321	7%	\$ (12,778)
Schedule III	375,869	0.043321	7%	(b) \$ 17,509
Schedule IV	-	0.043321	7%	\$ -
Schedule IV-A	16,133,114	0.043321	7%	(b) \$ 751,508
Schedule VI				
175 Watt	1,464,418	0.043321	7%	\$ 5,685
400 Watt	551,040	0.043321	7%	\$ 2,139

Footnotes:

(a) Increase in Purchased Power Costs

Normalized cost of purchased power	\$ 21,179,018
Energy purchases - kWh	<u>488,886,478</u>
Average cost per kWh	<u>\$ 0.043321</u>

(b) Corrected amount as lines losses were not factored into this amount in the original submission.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

PAYROLL NORMALIZATION

- Q. Provide a schedule reconciling the payroll expense adjustment amount of \$160,627 shown on Exhibit F, Schedule 6, part b, Page 3 to the payroll expense adjustment total of \$134,053 on Exhibit T, Schedule 1, page 1.
- RF. Attached as pages 2 through 4 of this response is a corrected copy of that adjustment. The amount on Exhibit T contains a formula error in the original submission. The amount from Schedule 6 of Exhibit B contains a formatting error in layout of of this schedule.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

NORMALIZATION OF WAGES AND SALARIES

	<u>Employee</u>	<u>2004 Payroll</u>				<u>Normalized Payroll</u>			
		<u>Base Wages</u>	<u>Overtime</u>	<u>Bonus</u>	<u>Total Paid</u>	<u>12/31/2004</u>	<u>2004 Based</u>	<u>Bonus</u>	<u>Total</u>
		<u>2004</u>	<u>2004</u>			<u>Base</u>	<u>Overtime</u>		
1	1409	31,010	1,204	200	32,414	31,533	1,224	200	32,957
2	3317	67,878		200	68,078	69,554	-	200	69,754
3	1969	32,051	7,833	200	40,084	32,594	7,966	200	40,759
4	0589	30,729	338	200	31,267	31,533	347	200	32,079
5	6132	31,010	5,713	200	36,923	31,533	5,809	200	37,542
6	5772	31,010	5,289	200	36,499	31,533	5,378	200	37,111
7	0384	31,010	2,232	200	33,442	31,533	2,270	200	34,002
8	8231	31,010	1,695	200	32,905	31,533	1,724	200	33,456
9	7657	35,210		200	35,410	36,079	-	200	36,279
10	5869	31,010	719	200	31,929	31,533	731	200	32,464
11	6651	69,128		200	69,328	70,835	-	200	71,035
12	8777	41,791	2,989	200	44,980	42,494	3,039	200	45,733
13	6146	41,791	5,740	200	47,731	42,494	5,836	200	48,531
14	0937	40,110	40,202	200	80,512	42,786	42,884	200	85,870
15	3475	40,110	27,990	200	68,300	42,786	29,857	200	72,843
16	8597	42,085	9,805	200	52,089	42,786	9,968	200	52,954
17	1010	42,065	17,863	200	60,128	42,786	18,169	200	61,155
18	0720	42,065	18,007	200	60,272	42,786	18,315	200	61,301
19	8555	69,128		200	69,328	70,835	-	200	71,035
20	4575	115,283		200	115,483	118,129	-	200	118,329
21	1201	35,210		200	35,410	36,079	-	200	36,279
22	0429	42,085	27,137	200	69,421	42,786	27,589	200	70,574
23	7158	21,547		200	21,747	21,382	-	200	21,582

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RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

	Employee	2004 Payroll				Normalized Payroll			
		2004		Bonus	Total Paid	2004		Bonus	Total
		Base Wages	Overtime			12/31/2004	Experience		
		2004	2004			Base	Overtime		
24	9144	40,110	41,246	200	81,556	42,786	43,997	200	86,983
25	0839	65,336		200	65,536	66,949	-	200	67,149
26	6285	59,482		200	59,682	60,950	-	200	61,150
27	1047	30,987	425	200	31,612	31,533	432	200	32,165
28	4840	40,110	30,660	200	70,970	42,786	32,705	200	75,691
29	9522	40,110	24,827	200	65,137	42,786	26,483	200	69,468
30	6459	40,782	22,396	200	63,378	43,514	23,896	200	67,610
31	2949	41,791	10,940	200	52,931	42,494	11,124	200	53,818
32	3158	28,802	2,347	200	31,349	29,286	2,387	200	31,873
33	7001	31,010	167	200	31,377	31,533	170	200	31,903
34	7219	42,300	14,830	200	57,330	43,517	15,257	200	58,973
35	1620	31,010	581	200	31,791	31,533	591	200	32,324
36	1998	36,055	15,777	200	52,032	42,786	18,722	200	61,708
37	8388	38,030	3,624	200	41,853	42,786	4,077	200	47,063
38	7347	42,044	13,617	200	55,860	42,786	13,857	200	56,843
39	8035	39,267	26,897	200	66,364	40,082	27,455	200	67,736
40	2593	2,477			2,477	2,477	-	-	2,477
41	0542	18,758	14,103	200	33,061	42,786	32,169	200	75,155
42	3139	14,092	6,205	200	20,497	31,533	13,884	200	45,617
43	6442	13,001	1,803	200	15,005	31,533	4,374	200	36,106
44	7125	12,075	1,340	200	13,616	31,533	3,500	200	35,233
45	7917	4,068			4,268	27,830	-	200	28,030
46	1693			200		68,000	-	200	68,200
Totals		1,708,022	408,544	8,800	2,121,357	1,970,067	458,190	8,800	2,437,057
Corecte Totals		1,706,017.76	406,539.55	8,600.00	2,121,157.31	1,931,715	456,186	9,000	2,396,901 2,396,901

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RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION
ADJUSTMENT FOR WAGES AND SALARIES

	<u>Actual Payroll</u>	<u>Percent of Total</u>	<u>Normalized Payroll</u>	<u>Adjustment</u>	
Payroll Expenses	\$ 1,436,254	65.5%	\$ 1,596,881	\$ 160,627	Adjustment for Rates
Payroll Capitalized	624,023	28.5%	\$ 693,812	\$ 69,789	
Payroll Other	131,641	6.0%	\$ 146,363	\$ 14,722	
Total	<u>2,191,918</u>	<u>100.0%</u>	<u>2,437,057</u>	<u>\$ 245,139</u>	

Corrected Adjustment	<u>Actual Payroll</u>	<u>Percent of Total</u>	<u>Normalized Payroll</u>	<u>Adjustment</u>	
Payroll Expenses	\$ 1,436,254	65.5%	\$ 1,570,569	\$ 134,315	Adjustment
Payroll Capitalized	624,023	28.5%	\$ 682,380	\$ 58,357	
Payroll Other	131,641	6.0%	\$ 143,952	\$ 12,311	
Total	<u>2,191,918</u>	<u>100.0%</u>	<u>\$ 2,396,901</u>	<u>\$ 204,983</u>	

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RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

WAGE AND SALARY INFORMATION

- Q. With regard to the response to AG-1-25c and Exhibit F, Schedule 6, part b, page 2, please provide the following information:
- a. Employee0542, who started employment at 6/28/04, had associated salary expenses of \$33,061 which would indicate total expenses of approximately \$66,000 on an annualized basis. Yet the pro forma annualized salary expense amount claimed is \$75,155. Please reconcile this.
 - b. Employee7017, who started employment at 10/27/04, had associated 2004 salary expense of \$4,268, which would indicate total salary expense of approximately \$24,000 on an annualized basis. Yet the pro forma annualized salary amount claimed is \$28,030. Please explain.
 - a. This individual is paid based on the union contract and is in an occupation category that contains step increases and annual increases. The base salary for normalization is based on the union contract and the amount for overtime is based on the employee's actual experience for 2004.
 - b. This individual is paid based on the union contract. The base salary for normalization is based on the union contract and the amount for overtime is based on the employee's actual experience for 2004.

RESPONSE TO AG'S SUPPLEMENTAL REQUESTS FOR INFORMATION

PAYROLL INFORMATION

- q. Exhibit F, Schedule 6 part a and part b, page 2 show that the actual pro forma normalized overtime expense of \$458,190 are based on the actual 2004 overtime expense of \$408,530. In this regard, please provide the following additional information:
- a. Confirm that the actual 2004 overtime expenses of \$408,530 are based on 14,054 overtime hours, as shown on Item 23a, page 1.
 - b. From the response to AG-1-23 it can be derived that the actual average number of employees in 2004 was 42.3 full time and 1 part time employee. Please confirm this. If you don't agree, explain your disagreement.
 - c. Exhibit F, Schedule 6, part b shows that the pro forma normalized wages and salaries are calculated based on 45 full time and 1 part time employees and, in addition, includes \$458,190 for normalized overtime expenses. Please confirm this. If you don't agree, explain your disagreement.
- R. a. That statement is confirmed.
- b. That statement is confirmed.
- c. That statement is confirmed.

RESPONSE TO AGE'S SUPPLEMENTAL REQUESTS FOR INFORMATION

OUTSOURCED EXPENSES

- Q. With regard to the response to PSC-1-25 and Exhibit F, Schedule 12, part a b, please provide the following information:
- a. Where are the Outside Services - Metering Situation expense of \$4,066 shown on Exhibit F Schedule 12 reflected in the response to PSC-1-25?
 - b. Is the \$2,500 legal charge for the Horizon Preference Claim (see AG-1-25) a recurring annual type of legal expense? If not, why has it been included in the test year expense.
- R. a. This expense is not a part of PSC-1-25 as this expense is the amount of expenses incurred for outside assistance dealing with the metering situation.
- b. CVE routinely incurs this type of expense because of the status of economy in the United States and the especially the economy in the area served by CVE.

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

THE KENTUCKY LIVING MAGAZINE

- Q. With regard to the Kentucky Living Magazine, please provide the following information:
- a. Provide a copy of the latest KLM magazine and indicate whether this is a weekly or monthly magazine.
 - b. What is the nature and purpose of the magazine?
 - c. Is the KLM content related to, and informative of, CVE's operations, service territory and members? If so, to what extent?
 - d. Please justify the cost of almost \$100,000 per year (\$8,100 per month) for this type of magazine and explain how the members receive at least \$100,000 worth of annual benefits from this magazine.
 - e. Provide the actual KLM expenses boded by CVE in each of the last five years.
- R.
- a. Attached is copy of the Kentucky Living Magazine for one month. This is a monthly publication.
 - b. This magazine is published to assure that member-owners are aware of their general ownership status and responsibilities, and to deliver specific business information to those member-owners.
 - c. Kentucky Living content relates to specific CVE operations (regular monthly reports on system upgrades, CVE outage reporting procedures, CVE meetings, director elections), as well as broader CVE/industry concerns such as local economic development and load management, efficient electricity use, safety awareness, state and national energy policy. The entire publication consists of material either related directly to these issues, or content designed to attract the entire range of subscribers to the information on CVE operations, based on statistically valid readership surveys.
 - d. More than one-fourth of the cost of the magazine is saved by including legal notices required and accepted by the PSC-mailing of fuel adjustment hearing notices (\$12,000 postage only), annual meeting notices (\$6,000 postage only), and annual reports (\$9,900 postage only) is saved each year by including them as part of Kentucky Living. Regular publications of outage reporting procedures potentially saves the cost of the 2-3 staff members that would be required for a 24-hour dispatching operation - a cost by itself would be more than \$100,000.

RESPONSE TO AG'S SUPPLEMENTAL REQUEST FOR INFORMATION

The massive coverage of safety awareness issues potentially saves thousands to tens of thousands or more, in liability premiums and potential legal action, as well as the value of avoiding accident injuries or deaths. A high but difficult to be precise value must also be placed on the awareness and knowledge Kentucky Living creates among CVE member-owners, of the unique nature of the co-op form of business and the implications and responsibilities that has for the member-owners, since a lack of understanding of the co-op by the owners could lead to a deterioration in the service and operations of the utility. The key point is that all of the above mentioned information is not simply distributed to member-owners, but CVE knows through statistically valid readership research that the safety, ownership, and other information is in fact read and acted on by the member-owners.

e. Magazine expenses for the last five years are listed below:

2004	\$	96,696
2003	\$	96,218
2002	\$	94,720
2001	\$	90,778
2000	\$	86,685