

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 583.00 **Year** **2002**

A) Description of the type of services booked to this account
This account includes, respectively, the cost of labor materials used, and expenses incurred in the operation of overhead distribution lines. CVE's internal labor costs are primarily installation of OCR's and transformers

B) Total actual expenses booked
\$378,201.42

C) Portion of total expenses representing internal labor expenses
\$29,939.37

D) Portion of total expenses representing charges from outside contractors
\$49,869.44

E) Description of what makes up the remainder of the total expenses
Property Tax Spread
Office Supplies Spread
Payroll Overheads
Transportation Clearing

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Five C Construction	\$37,673.23	Installation of transformers & OCR's
Shelton Construction	\$12,196.21	Installation of transformers & OCR's

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 583.00 **Year** **2003**

- A) Description of the type of services booked to this account
This account includes, respectively, the cost of labor materials used, and expenses incurred in the operation of overhead distribution lines. CVE's internal labor costs are primarily installation of OCR's and transformers
- B) Total actual expenses booked
\$409,901 88
- C) Portion of total expenses representing internal labor expenses
\$20 837 91
- D) Portion of total expenses representing charges from outside contractors
\$71 979 45
- E) Description of what makes up the remainder of the total expenses
Property Tax Spread
Office Supplies Spread
Payroll Overheads
Transportation Clearing
- F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Five C Construction	\$54 578 22	Installation of transformers & OCR s
Shelton Construction	\$17.401 24	Installation of transformers & OCR's

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 583.00 **Year** **2004**

- A) Description of the type of services booked to this account
This account includes, respectively, the cost of labor materials used, and expenses incurred in the operation of overhead distribution lines. CVE's internal labor costs are primarily installation of OCR's and transformers
- B) Total actual expenses booked.
\$440,573.30
- C) Portion of total expenses representing internal labor expenses
\$23,685.63
- D) Portion of total expenses representing charges from outside contractors
\$74,999.98
- E) Description of what makes up the remainder of the total expenses
Property Tax Spread
Office Supplies Spread
Payroll Overheads
Transportation Clearing
- F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor
- | <u>Contractor</u> | <u>Total Expense</u> | <u>Description of Service</u> |
|----------------------|----------------------|--------------------------------------|
| Five C Construction | \$48,940.61 | Installation of transformers & OCR's |
| Shelton Construction | \$26,059.37 | Installation of transformers & OCR's |

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.00 **Year** **2000**

A) Description of the type of services booked to this account

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of overhead distribution line facilities.

B) Total actual expenses booked

\$520,631.66

C) Portion of total expenses representing internal labor expenses

\$239,369.05

D) Portion of total expenses representing charges from outside contractors.

\$0.00

E) Description of what makes up the remainder of the total expenses

Payroll Overheads
Office Supplies Spread
Transportation Clearing
Servicemen Telephone Charges
Reclosure & Device Repairs

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
n/a		

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.00 **Year** **2001**

A) Description of the type of services booked to this account

This account includes, respectively, the cost of labor materials used, and expenses incurred in the operation of overhead distribution lines. CVE's internal labor costs are primarily installation of OCR's and transformers

B) Total actual expenses booked.

\$286,386 02

C) Portion of total expenses representing internal labor expenses

\$234,766 11

D) Portion of total expenses representing charges from outside contractors

\$19,162 00

E) Description of what makes up the remainder of the total expenses

Property Tax Spread
Office Supplies Spread
Payroll Overheads
Transportation Clearing

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Lay Tree & Bush	\$19,162 00	Counting Pole Attachments

Witness: J. W. Adams

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.00 **Year** **2002**

A) Description of the type of services booked to this account

This account shall include the cost of labor, materials used and expenses incurred in the maintenance of overhead distribution line facilities.

B) Total actual expenses booked

\$627,497.69

C) Portion of total expenses representing internal labor expenses

\$282,209.15

D) Portion of total expenses representing charges from outside contractors

\$6,303.00

E) Description of what makes up the remainder of the total expenses

- Payroll Overheads
- Office Supplies Spread
- Transportation Clearing
- Servicemen Telephone Charges
- Reclosure & Device Repairs

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Lay Tree & Brush	\$6,303.00	Counting Pole Attachments

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.00 **Year** **2003**

A) Description of the type of services booked to this account

This account shall include the cost of labor, materials used, and expenses incurred in the maintenance of overhead distribution line facilities

B) Total actual expenses booked.

\$704,075.75

C) Portion of total expenses representing internal labor expenses

\$316,063.09

D) Portion of total expenses representing charges from outside contractors

\$0.00

E) Description of what makes up the remainder of the total expenses

Payroll Overheads
Office Supplies Spread
Transportation Clearing
Servicemen Telephone Charges
Reclosure & Device Repairs

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
n/a		

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.00 **Year** **2004**

A) Description of the type of services booked to this account

This account shall include the cost of labor, materials used, and expenses incurred in the maintenance of overhead distribution line facilities.

B) Total actual expenses booked.

\$686,171.75

C) Portion of total expenses representing internal labor expenses.

\$360,371.58

D) Portion of total expenses representing charges from outside contractors.

\$0.00

E) Description of what makes up the remainder of the total expenses.

Payroll Overheads
Office Supplies Spread
Transportation Clearing
Servicemen Telephone Charges
Reclosure & Device Repairs

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
n/a		

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.01 **Year** **2000**

A) Description of the type of services booked to this account

This account shall include the cost of labor, and expenses incurred in the cutting of Right-of Way

B) Total actual expenses booked.

\$756,453.26

C) Portion of total expenses representing internal labor expenses

\$0.00

D) Portion of total expenses representing charges from outside contractors.

\$685,768.55

E) Description of what makes up the remainder of the total expenses

Transportation Clearing

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Lay Tree & Brush	\$685,768.55	Cutting of Right of Way

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.01 **Year** **2001**

A) Description of the type of services booked to this account

This account shall include the cost of labor, and expenses incurred in the cutting of Right-of Way

B) Total actual expenses booked

\$847,497.87

C) Portion of total expenses representing internal labor expenses

\$11.28

D) Portion of total expenses representing charges from outside contractors

\$762,143.55

E) Description of what makes up the remainder of the total expenses

Transportation Clearing

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c)
by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Lay Tree & Brush	\$762,143.55	Cutting of Right of Way

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.01 **Year** **2002**

A) Description of the type of services booked to this account

This account shall include the cost of labor, and expenses incurred in the cutting of Right-of Way

B) Total actual expenses booked.

\$776,009.09

C) Portion of total expenses representing internal labor expenses

\$1,270.49

D) Portion of total expenses representing charges from outside contractors

\$711,883.40

E) Description of what makes up the remainder of the total expenses

Transportation Clearing

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Lay Tree & Brush	\$711,883.40	Cutting of Right of Way

Witness: J. M. A. K. M.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.01 **Year** **2003**

A) Description of the type of services booked to this account

This account shall include the cost of labor, and expenses incurred in the cutting of Right-of Way

B) Total actual expenses booked.

\$755,796.90

C) Portion of total expenses representing internal labor expenses

\$0.00

D) Portion of total expenses representing charges from outside contractors

\$661,937.08

E) Description of what makes up the remainder of the total expenses.

Transportation Clearing

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c)
by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Lay Tree & Brush	\$661,937.08	Cutting of Right of Way

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

Account 593.01 **Year** **2004**

A) Description of the type of services booked to this account

This account shall include the cost of labor, and expenses incurred in the cutting of Right-of Way

B) Total actual expenses booked

\$710,523.39

C) Portion of total expenses representing internal labor expenses

\$0.00

D) Portion of total expenses representing charges from outside contractors

\$627,026.40

E) Description of what makes up the remainder of the total expenses

Transportation Clearing

F) Breakout of the total expenses representing charges from outside contractors(to be provided in response to part c) by contractor and a description of the services rendered by each contractor

<u>Contractor</u>	<u>Total Expense</u>	<u>Description of Service</u>
Lay Tree & Brush	\$627,026.40	Cutting of Right of Way

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

COMPENSATION FOR R-O-W EXPENSES

With regard to outside contractors performing R-O-W work for CVE, please provide the following information:

a. Q. Provide the name(s) of the contractors used by CVE during each of the last 5 years.

R. The name of the contractor used for this period is the Lay Tree and Brush Co.

b. Q. How are the outside contractors compensated by CVE, on an hourly basis or on a construction unit basis? If on an hourly basis, since which year has this practice been followed and explain why CVE chose to use this compensation method rather than the construction unit method?

R. Cumberland Valley used the construction unit method in the 1970s for a short period of time and was not satisfied with the contractor's work using this approach. Cumberland Valley then changed contractors and began using the hourly basis method. The hourly basis method was found to be most satisfactory for quality and quantity of work performed. Cumberland Valley feel that the hourly basis method is a better approach than the unit construction method for the area of Kentucky served by Cumberland Valley.

c. Q. What compensation method is recommended by RUS?

R. RUS makes no recommendations on R-O-W compensation methods.

d. Q. Do the outside contractors use their own equipment and materials for the R-O-W work or do they use R-O-W equipment and materials supplied by CVE.

R. CVE provides the R-O-W equipment and materials.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

- e. Q. Does CVE reimburse the outside R-O-W contractors solely for the labor charges and is CVE , therefore, incurring the costs of equipment and material associated with the R-O-W work performed by the outside contractors? Pleases explain this in detail.

- R. Cumberland Valley reimburses contractors for labor. Cumberland Valley pays for the equipment and material costs.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

PAYMENT FOR LEGAL SERVICES

- Q. What is the purpose of the \$2,500 "Retainer payment" for W. Patrick Hauser paid on 12/28/04 as shown on Item 35, page 2?

- R. This retainer was paid to the law firm of McBrayer, McGinnis, Leslie & Kirkland PLLC for the Horizon Preference Claim. The original response mistakenly listed the payment as being made to W. Patrick Hauser.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

PAYMENT OF ATTORNEY FEES

- Q. Has the \$1,306.86 charge for W. Patrick Hauser for the CTA territorial dispute been eliminated from the test year results as part of the non-recurring expense adjustment? If not, should it be removed.
- R. This payment of W. Patrick Hauser for the territorial dispute has not been removed from the test year and it should be removed. It has not been removed because it has been overlooked as a test year adjustment.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

METER READING

- Q. Please explain whether meters are "customer read" or read by Cumberland Valley on a monthly basis for the following rate classes.
- a. Residential Schedule I
 - b. Commercial Schedule II
 - c. AllElectric Schools Schedule III
 - d. Large Power Schedules IV
 - e. Large Power Schedules V
- R. None of the meters on Cumberland Valley's distribution system are read by the consumer. All meters are read by Cumberland Valley.

RESPONSE TO THE AG'S INITIAL REQUEST FOR INFORMATION

- Q. Please provide Exhibit J in an electronic format. Please leave all formulas intact. Please also provide the format in which the exhibit was created (example EXCEL 97).

- R. Attached is a CD which contains Exhibit J. in an electronic format. The format of this exhibit is EXCEL XP Professional or Microsoft Office EXCEL 2003.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

- Q. Please provide Exhibit S (The Cost of Service Study and associated schedules) in an electronic format. Please leave all formulas intact. Please also provide the the format in which the exhibit was created. (example EXCEL 97).

- R. Attached is a CD which contains Exhibit S in an electronic format. The format of this exhibit is EXCEL XP Professional or Microsoft Office EXCEL 2003.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

- Q. Please provide all calculations, assumptions, and work papers used in the production of the Cost of Service Study that have not already been provided.

- R. All data and information in regards to the Cost of Service Study has been provided through the initial application and/or in responses to requests for information.

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

ZERO INTERCEPT METHOD FOR CONDUCTOR

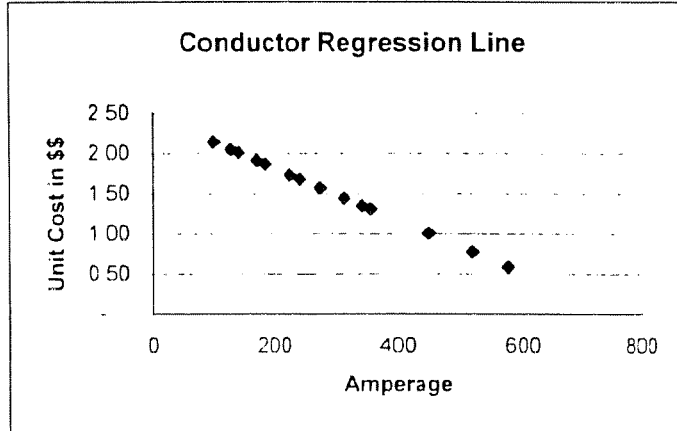
- Q. Please refer to Exhibit S, Schedule 8, Page 2 of 5. Explain why a zero intercept methodology was not employed for conductors as was done with the calculation of transformers on page 4 of 5.
- A. The zero intercept method was developed but the results from it were judged not to be reasonable for the use in the Cost of Service Study. A regression line was developed for the conductor for which amperage was identified. The basic data for conductor is provided below.

<u>Conduct</u> <u>Type</u>	<u>Unit</u> <u>Cost</u>	<u>Amps</u>	<u>1st Gp</u> <u>Predicted</u> <u>Value</u>
6ACWC	\$ 0.0772	140	2.02
8ACWC	\$ 0.0529	100	2.15
4 HD CU	\$ 0.1108	170	1.92
6HD CU	\$ 0.0822	128	2.05
1/0 ACSR	\$ 0.3022	242	1.68
2/0 ACSR	\$ 0.2203	276	1.57
3/0 ACSR	\$ 0.2291	315	1.44
4/0 ACSR	\$ 0.4874	357	1.31
2 ACSR	\$ 0.4016	140	2.02
4 ACSR	\$ 0.2876	184	1.87
266.8 MCM-CU	\$ 0.2120	449	1.01
#336 4 ACSR	\$ 0.9586	519	0.78
397.5 MCM AL	\$ 0.4114	576	0.59
4/0 Aerial Cable	\$ 0.5380	344	1.35
Aerial Cable 2	\$ 5.6688	171	1.91
2 SP Cable	\$ 6.7822	171	1.91
1/0 SP Cable	\$ 9.3682	226	1.73
4/0 SP Cable	\$ 2.4788	344	1.35
Aerial Cable	\$ 0.9063		

RESPONSE TO AG'S INITIAL REQUEST FOR INFORMATION

The regression line results are listed below for conductor. The results of the regression are not reasonable to use to bifurcate the investment in conductor into a customer amount and a demand amount. Two reasons exist for this conclusion. One the R Square and Multiple R do not indicate a reasonable correlation between unit price and its amperage rating. And second, the X Variable indicates that the slope of the regression is a negative value.

<i>Regression Statistics</i>	
Multiple R	0.165561
R Square	0.02741
Adjusted R Square	-0.033376
Standard Error	2.794859
Observations	18
<hr/>	
Intercept	2.472281
X Variable 1	-0.003263



Therefore, the use of the zero intercept method is not a reasonable approach and the minimum size method was selected as being reasonable and has been utilized to determine the conductor investment that is customer related and demand related.