




Cumberland Valley Electric

A Touchstone Energy Cooperative 

September 30, 2005

Beth O'Donnell
Executive Director
Kentucky Public Service Commission
P.O. Box 615
Frankfort, Kentucky 40602-0615

RECEIVED

SEP 30 2005

PUBLIC SERVICE
COMMISSION

RE: Case No. 2005-00187
Cumberland Valley Electric

Dear Ms. O'Donnell

Attached you will find an original and six (6) copies of the Cumberland Valley's responses to the Second Data Request of Commission Staff to Cumberland Valley Electric, Inc. September 2, 2005.

If you have questions on this matter or need any additional information, please contact me at your convenience.

Sincerely,



Ted Hampton
Manager

C: Office of Rate Intervention
Office of the Attorney General
1024 Capital Center Drive
Suite 200
Frankfort, Kentucky 40601

Ted Hampton • President & CEO

P.O. Box 440 • Gray, KY 40734

Phone: (606) 528-2677 • (606) 546-9295 • 1-800-513-2677 • FAX: (606) 528-8458

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

Item 1
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Witness: Jim Adkins

RESPONSE TO PSC STAFF REQUEST NO. 2

1. a. Q. When did Cumberland Valley begin serving customers in Tennessee?

R. 1940's

b. Q. As of test year end, provide the number of customers in Kentucky and Tennessee by customer class.

R.		<u>Tennessee</u>	<u>Kentucky</u>
Schedule I	Residential	83	21,422
Schedule I	Marketing		136
Schedule II	Small Commercial		1,142
Schedule II	Small Commercial with Demand		120
Schedule III	All Electric Schools and Churches		32
Schedule IV	Industrial		1
Schedule IVa	Large Commercial	_____	_____73
Total		83	22,926

c. Q. Does the Tennessee Regulatory Authority regulate the Tennessee operations?

R. No.

d. Q. Explain how the rates are set for the customers in Tennessee.

R. Charge same as KY customers

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Witness: Ted Hampton

RESPONSE TO PSC STAFF REQUEST NO. 2

RECORDS FOR TENNESSEE MEMBERS

- Q. Provide a balance sheet, income statement, and trial balance as of test year end reflecting the total company, Kentucky operations and Tennessee operations. Explain the allocation between Kentucky and Tennessee.

- R. Cumberland Valley does not maintain any type of separate accounting records for its Kentucky operations from its Tennessee operations. One set of records is maintained which encompasses all operations.

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Second Data Request of Commission Staff

3. For each adjustment proposed by Cumberland Valley, indicate whether the adjustment is for Kentucky operations only or total company. For any adjustment that should be allocated between Kentucky and Tennessee, provide the allocation.

Response:

All proposed adjustments are for total company operations. Cumberland Valley has always treated Kentucky and Tennessee customers exactly the same.

Cumberland Valley uses the same tariff rates, rules and regulations and all other requirements for customers from both states.

Therefore, there are no allocations between the Kentucky and Tennessee operations for the proposed adjustments, or any of the other financial information in this Application.



United States Department of Agriculture
Rural Development

Rural Business-Cooperative Service • Rural Housing Service • Rural Utilities Service
Washington, DC 20250

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page 1 OF 1

WITNESS Jim Adkins

FEB 16 2005

Mr. Ted M. Hampton
Manager
Cumberland Valley
Electric, Inc.
P.O. Box 440
Gray, Kentucky 40734-0440

Dear Mr. Hampton:

We have completed our review of Cumberland Valley Electric, Inc.'s (Cumberland Valley), December 31, 2004, Rural Utilities Service (RUS) Form 7, Financial and Statistical Report, and note that Cumberland Valley failed to meet the minimum TIER and OTIER of 1.25 and 1.1.

Please let us know what areas have had an adverse effect on Cumberland Valley's financial condition and outline the corrective measures that have been or will be implemented to correct the inadequate ratios. Include the projected TIER and OTIER for year ending December 31, 2005.

We would appreciate receiving your response within 30 days from the date of this letter.

Sincerely,

for

BRIAN D. JENKINS
Chief, Operations Branch
Northern Regional Division

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

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Witness: Jim Adkins

**RESPONSE TO PSC STAFF REQUEST NO. 2
END OF THE YEAR CUSTOMER ADJUSTMENT**

	<u>Schedule I</u>		<u>Schedule I - Mktg ETS</u>		<u>Schedule II - Small Com C-1</u>		
	<u>Number of Consumers</u>	<u>Energy kWh</u>	<u>Number of Consumers</u>	<u>Energy kWh</u>	<u>Number of Consumers</u>	<u>Energy kWh Step 1</u>	<u>Step 2</u>
December 2004	21,139		152		1,113		
January	21,275	34,480,316	139	278,073	1,131	859,879	264,650
February	21,325	33,018,731	139	273,181	1,120	843,041	242,028
March	21,365	27,681,459	137	219,793	1,126	797,014	224,980
April	21,343	19,656,689	130	102,992	1,135	733,269	168,337
May	21,280	17,681,692	105	23,411	1,127	714,249	177,747
June	21,307	23,349,147			1,167	840,852	339,810
July	21,359	22,284,012			1,138	809,574	288,701
August	21,452	21,090,289			1,156	815,556	274,717
September	21,480	21,336,834			1,158	834,919	297,279
October	21,513	17,025,291	104	33,687	1,159	743,346	183,440
November	21,538	20,560,532	120	91,949	1,154	765,484	182,057
December	21,505	35,021,910	136	232,212	1,142	887,969	273,073
Total	277,881	293,186,902	1,162	1,255,298	14,826	9,645,152	2,916,819
Average	21,375	24,432,242	129	156,912	1,140	803,763	243,068
Average kWh per Average No. of Consumers		1,143		1,215		705	213
Annual Amount if December Level of Consumers Served for Full Year	258,060	294,963,658	1,088	1,322,276	13,704	9,658,163	2,920,754
Increase in Billing Units	1,554	1,776,756	55	66,978	18	13,011	3,935
Rates	\$ 5.00	\$ 0.05832		0.03499	\$ 5.00	0.0728	0.06723
Increase in Revenue	7,772	103,620		2,344	92	947	265
Total increase in Revenue for Rate Class		111,393		2,344			1,304
Increase in Wholesale Power Costs		82,764		1,953			789
Increase in Margins		28,628		391			515

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RESPONSE TO PSC STAFF REQUEST NO. 2
END OF THE YEAR CUSTOMER ADJUSTMENT

	Schedule II - Small Com C-2				Schedule III	
	Number of Consumers	Demand KW	Energy kWh		<u>3 Phase Schools & Churches</u>	
			Step 1	Step 2	Number of Consumers	Energy kWh
December 2004	122				31	
January	123	2,306	239,646	390,047	31	880,884
February	123	2,245	236,020	334,764	30	784,188
March	122	2,385	245,020	368,202	30	786,210
April	123	2,496	199,715	432,145	30	685,034
May	124	2,581	222,453	374,548	30	687,806
June	124	2,617	232,789	482,585	30	680,723
July	125	3,133	238,591	523,135	30	596,452
August	125	3,079	240,403	499,014	32	972,142
September	128	3,338	237,117	486,427	32	989,884
October	128	3,506	245,844	439,272	32	1,040,302
November	127	3,701	241,656	591,634	32	1,452,033
December	120	2,854	239,196	458,572	32	1,237,151
 Total	 1,614	 34,241	 2,818,450	 5,380,345	 402	 10,792,809
 Average	 124	 2,853	 234,871	 448,362	 31	 899,401
Average kWh per Average No. of Consumers		23	1,892	3,611		29,085
 Annual Amount if December Level of Consumers Served for Full Year	 1,440	 33,096	 2,724,152	 5,200,333	 384	 11,168,678
 Increase in Billing Units	 (50)	 (1,146)	 (94,298)	 (180,012)	 13	 375,869
 Rates	 5	 3.68	 0.0728	 0.06723		 0.05883
 Increase in Revenue	 (249)	 (4,216)	 (6,865)	 (12,102)		 22,112
 Total Increase in Revenue for Rate Class				 (23,432)		 22,112
 Increase in Wholesale Power Costs				 (12,778)		 16,283
 Increase in Margins				 (10,654)		 5,829

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RESPONSE TO PSC STAFF REQUEST NO. 2
END OF THE YEAR CUSTOMER ADJUSTMENT

	Schedule IV			Schedule IV-A		
	<u>Large Power Industrial P-1</u>			<u>Large Power Rate - 50-2500 kW</u>		
	Number of Consumers	Demand kW	Energy kWh	Number of Consumers	Demand kW	Energy kWh
December 2004	1			58		
January	1	7,610	2,808,000	61	20,995	6,772,209
February	1	7,463	3,031,200	60	20,901	6,980,153
March	1	7,154	3,358,800	62	21,475	7,348,863
April	1	7,164	3,103,200	62	20,029	7,115,286
May	1	6,732	2,700,000	62	21,094	6,753,132
June	1	6,797	2,574,000	63	21,518	7,867,192
July	1	6,667	2,217,600	62	23,028	7,858,327
August	1	6,545	2,401,200	61	22,185	8,039,096
September	1	6,260	2,599,200	61	24,599	7,583,302
October	1	6,138	2,120,400	63	29,565	9,338,822
November	1	6,912	2,566,800	63	33,874	9,465,077
December	1	7,881	2,937,600	73	29,205	9,689,813
 Total	 13	 83,323	 32,418,000	 811	 288,468	 94,811,272
 Average	 1	 6,944	 2,701,500	 62	 24,039	 7,900,939
Average kWh per Average No. of Consumers		6,944	389		385	329
 Annual Amount if December Level of Consumers Served for Full Year	 12	 83,323	 32,418,000	 876	 337,554	 110,944,386
 Increase in Billing Units	 -	 -	 -	 127	 49,086	 16,133,114
 Rates					 3.68	 0.04283
 Increase in Revenue					 180,636	 690,981
 Total Increase in Revenue for Rate Class						 871,617
 Increase in Wholesale Power Costs						 698,903
 Increase in Margins						 <u>172,715</u>

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	<u>Security Lights</u>			<u>Energy kWh</u>
	<u>175 Watt Lamp</u>	<u>400 Watt Lamp</u>	<u>Security Lights Only</u>	
December 2004	8517	1420	54	
January	8,518	1,419	51	794,920
February	8,561	1,427	52	799,050
March	8,606	1,435	52	803,320
April	8,641	1,440	53	806,470
May	8,576	1,430	53	800,520
June	8,663	1,443	53	808,430
July	8,673	1,446	53	809,550
August	8,713	1,452	54	813,190
September	8,756	1,459	55	817,180
October	8,763	1,460	53	817,810
November	8,810	1,469	53	822,395
December	8,834	1,472	53	824,460
Total	112,631	18,772	689	9,717,295
Average	8,664	1,444	53	
Average kWh per Average No. of Consumers				
Annual Amount if December Level of Consumers Served for Full Year	106,008	17,664	636	
Increase in Billing Units	2,041	336	-	
Rates	5.94	11.4		
Increase in Revenue	12,123	3,830		
Total Increase in Revenue for Rate Class	12,123	3,830		
Increase in Wholesale Power Costs	5,684	2,139		
Increase in Margins	6,439	1,691		

SUMMARY OF YEAR END CUSTOMER ADJUSTMENT			
	<u>Additional Revenue</u>	<u>Purchased Power</u>	<u>Margins</u>
Schedule I	111,393	82,764	28,628
Schedule I - Marketing	2,344	1,953	391
Schedule II - C-1	1,304	789	515
Schedule II - C-2	(23,432)	(12,778)	(10,654)
Schedule III	22,112	16,283	5,829
Schedule IV	0	0	-
Schedule IV-A	871,617	698,903	172,715
Schedule VI			
175 Watt MV Lamp	12,123	5,684	6,439
400 Watt SV Lamp	3,830	2,139	1,691
	<u>1,001,291</u>	<u>795,738</u>	<u>205,553</u>

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Witness: Jim Adkins

**RESPONSE TO PSC STAFF REQUEST NO. 2
YEAR END CUSTOMER ADJUSTMENT**

- Q. Provide electronic copies of the spreadsheets contained in Exhibit J and all other exhibits effected by revising the customer adjustment to a 13 month customer average for Rate Schedule I through Rate Schedule VI.

- R. Please see the response to Item No. 46 of the AG's Initial Request.

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RESPONSE TO PSC STAFF REQUEST NO. 2

6. Q. Refer to the Application, Exhibit F, Schedule 5, Adjustment for Interest Expense. Provide the current interest rates on the long-term debt as of the date of this request. Provide an update of the current interest rates by December 9, 2005.

R. Current interest on long-term debt

RUS Debt

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

*This amount was drawn down in January 2005.

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Witness: Jim Adkins

RESPONSE TO PSC STAFF REQUEST NO. 2

CFC and Other Debt

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

RESPONSE TO PSC STAFF REQUEST NO. 2

WAGE AND SALARY INFORMATION

- a. Q. Explain why the bonus is included in the normalized payroll calculations.
- R. The annual bonus has been included in the normalized payroll calculations because this annual bonus is a normal part of the annual remuneration for each employee of Cumberland Valley.
- b. Q. Has Cumberland Valley performed any studies to determine the adequacy of its compensation package? If yes, provide a copy of the study. If no, explain why it has not performed such a study.
- R. Cumberland Valley has not had a study to determine the adequacy of its compensation package. Such a study has not been conducted as Cumberland Valley feels that its wages, salaries and benefits are competitive for the area it serves.
- c. Q. Explain the purpose of the "Payroll Other" allocation.
- R. The "Payroll Other" allocation represents that portion of payroll that has been charged to clearing accounts and/or charged to other accounts. The source of this allocation is RUS Form 7 - Financial and Statistical Report for Cumberland Valley Electric for the Year Ended December 31, 2004 on page 3.1 - Part H.
- d. Q. Reconcile the actual payroll on page 2 of 3 with the actual payroll total on page 3 of 3.

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Witness: Jim Adkins

RESPONSE TO PSC STAFF REQUEST NO. 2

R. Listed below are the details on this difference.

Payroll total from page 3 of 3	2,191,918
Payroll total from page 2 Of 3	<u>2,121,367</u>
Difference	<u><u>70,551</u></u>

This difference is payroll paid to employees during 2004 who are no longer employees as of the end of the test year.
Five employees were in this category.

Employ No.	Amount Paid
4645	34,269
8261	10,282
3230	20,147
7650	4,305
8711	<u>1,957</u>
Subtotal	70,960
Less Bonuses listed in the page 2 total payroll that should not be	<u>400</u>
	<u><u>70,560</u></u>

RESPONSE TO PSC STAFF REQUEST NO. 2

PAYROLL TAXES

Refer to the Application, Exhibit F, Schedule 7, Adjustment for Payroll Taxes.

a. Q. Provide the base wage used to calculate each type of payroll tax.

R. The base wage to calculate each type of payroll tax is provided below:

Tax	Percent	Wage Base
FUTA	0.80%	7,000
SUTA	0.70%	8000
FICA	6.20%	90,000
Medicare	1.45%	None

b. Q. Explain why employee number 2593 does not have taxes withheld on the schedule.

A. This employee is a part time employee. Therefore, only the employer's contributions for FICA and Medicare are required to be paid on this employee. This schedule does not indicate any withholdings from his/her payroll check amount. This schedule indicates the cost of payroll taxes upon the Cooperative.

RESPONSE TO PSC STAFF REQUEST NO. 2

EMPLOYEE BENEFITS

Q. Refer to the Application, Exhibit F, Schedule 8, Adjustment for Employee Benefits. Provide a description of the benefits provided to all employees. Include the contributions by the employee and employer and the method of calculating the premium.

R. The following benefits are provided to the employees of Cumberland Valley Electric, Inc. at no expense to the employee except for specific instances:

1 401k Contributions are made by Cumberland Valley without a required match from the employee. The Cooperative contribution for hourly employees is 10% of their wages and the Cooperative contribution for salaried employees is 5% of their wages.

2 The Retirement and Security program is applicable to salaried employees with an annual rate of 20.1% of the salary rate.

3 Health Insurance is provided to employees and three separate rates apply:

a. Employee only	\$ 305.97	per month
b. Employee and spouse	\$ 722.45	per month
c. Employee, spouse and children	\$ 978.76	per month

4 Dental Insurance is provided to the employees with the Cooperative paying for coverage for the employee and fifty percent of the additional coverage for the family. The applicable rates are listed below:

	Monthly <u>Rate</u>	Coop <u>Pays</u>
a. Coverage for employee only	\$ 29.70	\$ 29.70
b. Coverage for employee and family	\$ 90.71	\$ 60.21

5 Workers Compensation is provided and paid by the company. The rates for this coverage amounts to approximately \$2.92 per month per \$1,000 of payroll.

6 Long Term Disability is also provided to employees with the Cumberland Valley paying the complete cost of this benefit. The rate for this coverage used in the rate application amounts to \$1.01 per month per \$1,000 of payroll. This benefit has a 26 week waiting period with a benefit equal to 50% of the base salary.

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RESPONSE TO PSC STAFF REQUEST NO. 2

EMPLOYEE BENEFITS

- 7 Life Insurance is provided to employees with Cumberland Valley paying the total cost of this benefit. The amount of coverage paid for each employee amounts to three times their annual salary. The rate used to calculate this benefit is \$0.3355 per month per \$1,000 of payroll. Only insurance premium costs for coverage of \$50,000 and is included as a test year expense for rate-making purposes.

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Cumberland Valley Electric

Second Data Request of Commission Staff

10. Refer to the Application, Exhibit F, Schedule 9, Adjustment for Postretirement Employee Benefits. Do the accrual for 2004 and 2005 include amounts for Cumberland Valley's directors and its attorney? If yes, provide the amounts attributable to the directors and the attorney.

Response.

The accrual for 2004 and 2005 do not include amounts for directors or the attorney. The information included in the study included employees only, therefore, the accrual does not include amounts for directors or the attorney. Presently there are no retired directors that are receiving benefits under this plan.

CUMBERLAND VALLEY ELECTRIC, INC.
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Witness: Jim Adkins

RESPONSE TO PSC STAFF REQUEST NO. 2
REVISED EXHIBIT F SCHEDULE 14

Adjustment for Property Taxes

Taxing Jurisdiction	<u>12/31/2004 Property</u>			<u>Taxes</u>		
	<u>Tax Rate/ftgMa/Reall Per \$100</u>	<u>Machinery</u>	<u>Submitted Amount</u>	<u>Tangible Personalty Assessment</u>	<u>Manf Mach Tax Amount</u>	<u>Tang/Personal Tax Amount</u>
Bell Count		203,692	1,251,079	1,228,290		
County	0.00149					1,830.15
Common School	0.00435					5,343.06
Library	0.0007					863.49
Health	0.00037					454.47
District Total						8,491.17
Harlan County		394,535	3,027,010	2,875,716		
County-Real Estate	0.00273	1,077.08			1,077.08	-
Country-Tangible	0.00368					10,571.13
School-Real Estate	0.00389				1,534.74	
School-Tangible	0.00394					11,330.32
Library Real Estate	0.00046				181.49	
Library Tangible	0.00066					1,883.59
Health Real Estate	0.00035				138.09	
Health Tangible	0.00035					1,006.50
Extension Real Estate	0.00057				224.88	
Extension Tangible	0.00077					2,214.30
Conservation Real Esta	0.00008				31.56	
'District Total					3,187.84	27,005.85
Knox County		1,061,752	13,050,602	12,245,303		
County-Real Estate	0.00107				1,136.07	
Country-Tangible	0.00177					21,637.45
School-Real Estate	0.00432				4,586.77	
School-Tangible	0.00432					52,899.71
Health Real Estate	0.0004				424.70	
Health Tangible	0.0004					4,898.12
Extension Real Estate	0.00023				244.20	
Extension Tangible	0.0003					3,710.33
Library Tangible	0.00029				307.91	
Library Real Estate	0.00058					7,114.52
Ambulance Real Estate	0.00039				414.08	
Ambulance Tangible	0.00066					8,045.16
Conservation	0.00008				84.94	
District Total					7,198.68	98,305.29

RESPONSE TO PSC STAFF REQUEST NO. 2
REVISED EXHIBIT F SCHEDULE 14

Adjustment for Property Taxes

Taxing Jurisdiction	12/31/2004 Property		Tangible Personalty		Taxes	
	Tax Rate/MftgMa/Reall Per \$100	Machinery	Submitted Amount	Assessment	Manf Mach Tax Amount	Tang/Personal Tax Amount
Laurel County			287748	282,507		
County Tangible	0.00071					200.58
School Tangible	0.00365					1,031.15
Health Tangible	0.0004					113.00
Extension Tangible	0.00018					51.42
Library Tangible	0.0008					226.57
District Total						<u>1,622.72</u>
Leslie County			625,540	614,145		
County Tangible	0.00162					994.91
School Tangible	0.00403					2,475.00
Library Tangible	0.0015					919.38
Health Tangible	0.0004					245.66
Extension Tangible	0.00068					414.55
District Total						<u>5,049.50</u>
Letcher County			1,588,870	1,559,928		
County Tangible	0.00189					2,948.26
School Tangible	0.00567					8,844.79
Library Tangible	0.00085					1,322.82
Health Tangible	0.00035					545.97
Extension Tangible	0.00052					815.84
District Total						<u>14,477.69</u>
McCreary County			638,050	614,145		
County Tangible	0.00204					1,252.86
School Tangible	0.00407					2,499.57
Health Tangible	0.0004					245.66
Library Tangible	0.00079					482.72
District Total						<u>4,480.80</u>
Whitley County						
County Tangible	0.00278		12,560,834	12,332,033		34,233.72
School Tangible	0.00438		12,035,381	11,816,151		51,754.74
District Total						<u>85,988.46</u>

CUMBERLAND VALLEY ELECTRIC, INC.
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Witness: Jim Adkins

RESPONSE TO PSC STAFF REQUEST NO. 2
REVISED EXHIBIT F SCHEDULE 14

Adjustment for Property Taxes

Taxing Jurisdiction	12/31/2004 Property		Tangible Personalty		Taxes	
	Tax Rate/ftgMa/Reall Per \$100	Machinery	Submitted Amount	Assessment	Manf Mach Tax Amount	Tang/Personal Tax Amount
Corbin Independent School				515,882		
Total Property Taxes						255,808.01
Actual Property Taxes for Test Period						240,582.13
Amount of Adjustment						15,225.88

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RESPONSE TO PSC STAFF REQUEST NO. 2 Witness: Jim Adkins

COVERAGE RATIOS

	<u>Actual</u>	Proposed
<u>OTIER</u>		
Interest Expense	874,856	1,015,090
Operating Margins	<u>(98,217)</u>	864,424
Total	<u>776,639</u>	<u>1,879,514</u>
OTIER	<u>0.89</u>	<u>1.85</u>
TIER		
Interest Expense	874,856	1,015,090
Net Margins	<u>52,449</u>	<u>1,015,090</u>
Total	<u>927,305</u>	<u>2,030,180</u>
TIER	<u>1.06</u>	<u>2.00</u>
Interest Expense	874,856	1,015,090
Net Margins	52,449	1,015,090
Depreciation Expense	<u>2,012,606</u>	<u>2,300,813</u>
	<u>2,939,911</u>	<u>4,330,993</u>
Interest Expense	874,856	1,015,090
Principal Payments	<u>1,061,086</u>	<u>1,061,086</u>
	<u>1,935,942</u>	<u>2,076,176</u>
DSC	1.52	2.09

RESPONSE TO PSC STAFF REQUEST NO. 2 Witness: Jim Adkins

COVERAGE RATIOS
Return on Net Investment Rate Base

Net Investment Rate Base

Plant in Service at Test Year End	61,817,626	61,817,626
Construction Work in Progress	62,085	62,085
Total Utility Plant	<u>61,879,711</u>	<u>61,879,711</u>
ADD		
Materials and Supplies	321,605	301,203
Prepayments	90,485	90,485
Working Capital	757,818	768,674
Subtotal	<u>1,169,908</u>	<u>1,160,362</u>
DEDUCT		
Accumulated Depreciation	22,505,132	22,793,339
Customer Advances for Construction	785,533	785,533
Subtotal	<u>23,290,665</u>	<u>23,578,872</u>
NET INVESTMENT RATE BASE	<u>\$ 39,758,954</u>	<u>\$ 39,461,201</u>

Operating Income

Net Income	\$ 52,449	1,015,090
Interest on Long Term Debt	874,856	1,015,090
	<u>\$ 927,305</u>	<u>\$ 2,030,180</u>
Return on Rate Base	<u>2.33%</u>	<u>5.14%</u>

Return on Capital Structure

Total Distribution Equity	\$ 23,515,186	\$ 24,477,827
Less: G&T Capital Credits	9,024,188	9,024,188
Distribution Equity	<u>14,490,998</u>	<u>15,453,639</u>
Long Term Debt	26,201,231	26,201,231
Total Capital	<u>\$ 40,692,229</u>	<u>\$ 41,654,870</u>
	<u>2.28%</u>	<u>4.87%</u>

