

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF ) CASE NO.  
CUMBERLAND VALLEY ELECTRIC, INC. ) 2005-00187

O R D E R

On June 2, 2006, the Commission approved Cumberland Valley Electric, Inc.'s ("Cumberland Valley") proposed rate adjustment, which resulted in a revenue increase of \$1,394,876. While the Commission found that the approved increase would allow Cumberland Valley to meet its mortgage requirements and service its mortgage debts, we also found that Cumberland Valley could, as a result of a significant increase in long-term interest rates, justify an additional revenue increase of \$544,183 that would result in a Times Interest Earned Ratio ("TIER") of 2.00X. The Commission stated that if Cumberland Valley wished to seek the additional revenues, it should request rehearing and provide support for any changes it wished to make in the approved rate design.

On June 19, 2006, Cumberland Valley filed its motion for rehearing seeking approval of the additional revenues and proposing that the additional revenues be allocated entirely to its Schedule I rate class as an energy charge. The Commission granted rehearing and established a procedural schedule that provided the Attorney General, the only intervenor in the proceeding, the opportunity to file comments and Cumberland Valley the opportunity to file rebuttal comments. The Attorney General filed comments on July 17, 2006, stating that he has no substantive comments to

submit as it is his understanding that the Commission's decision regarding the additional revenues was based on a 2.00X TIER and that the Commission tries to maintain a 2.00X TIER for all its jurisdictional electric cooperatives. On July 24, 2006, Cumberland Valley notified the Commission that it did not plan to file reply comments. Therefore, the matter stands submitted to the Commission for decision.

Having reviewed the record and being otherwise sufficiently advised, the Commission finds that Cumberland Valley's request for the additional revenues and its proposed rate design are reasonable and should be granted and that the rates set forth in Appendix A should be approved for services rendered on and after the date of this Order.

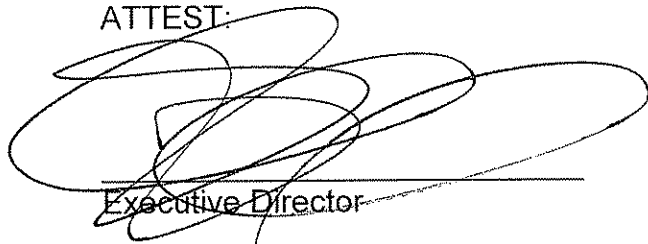
IT IS THEREFORE ORDERED that:

1. The rates set forth in Appendix A are approved for services rendered by Cumberland Valley on and after the date of this Order.
2. Within 20 days of the date of this Order, Cumberland Valley shall file its revised tariff sheets setting forth the rates approved herein.
3. All other provisions of the June 2, 2006 Order, as amended by our Order of June 5, 2006, that are not inconsistent herewith shall remain in full force and effect.

Done at Frankfort, Kentucky, this 21st day of August, 2006.

By the Commission

ATTEST:



Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2005-00187 DATED August 21, 2006.

The following rates and charges are prescribed for the customers in the area served by Cumberland Valley Electric, Inc. All other rates and charges not specifically mentioned in this Order shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE I  
HOME, FARM, SCHOOLS, AND CHURCHES

Energy Charge	\$ .06447
Marketing Rate	\$ .03868