




Cumberland Valley Electric

A Touchstone Energy Cooperative 

May 21, 2007

Beth A. O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, Kentucky 40601-0615

RECEIVED

MAY 23 2007

PUBLIC SERVICE  
COMMISSION

Dear Ms. O'Donnell

*Case No. 2007-00705*

Notice is hereby given to the Kentucky Public Service Commission ("Commission") of the intention of Cumberland Valley Electric, Inc. to file an Application to establish a new non recurring charge with the Commission on or about May 25, 2007. This notice is submitted as required by 807 KAR 5:001, Section 10(2).

Enclosed you will find an original and ten (10) copies of Cumberland Valley Electric's Application to establish a new non recurring charge. A copy of this letter is being sent to the Office of Rate Intervention of the Office of the Attorney General.

If you have any questions concerning this matter, please contact me at your convenience.

Sincerely,



Ted Hampton  
Manager

C: Office of Rate Intervention  
Office of 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

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

CUMBERLAND VALLEY ELECTRIC, INC.  
FOR NEW NONRECURRING CHARGE,  
AN AMR REMOTE DISCONNECT  
SWITCH FEE

RECEIVED

MAY 23 2007

PUBLIC SERVICE  
COMMISSION

CASE NO. 2007-00205

APPLICATION

Comes Cumberland Valley Electric, Inc. (hereafter referred to as "CVE") for an Application to establish a new non recurring charge on May 25, 2007, or such other time as the Commission allows.

1. CVE is filing this Application for the purpose of requesting permission from the Commission to establish a charge for an automated meter reading (AMR) remote disconnect.
2. The full name of CVE is "Cumberland Valley Electric, Inc." and its address is P.O. Box 440 Gray, Kentucky 40734, (807 KAR 5:001, Section 8(1)).
3. The Articles of Incorporation were filed in Case No. 2005-00187 and are incorporated by reference. (807 KAR 5:001, Section 8(3)).
4. This Application is supported by a 12 month historical test period ending March 31, 2007. There are no proposed adjustments or changes. , (807 KAR 5:001, Section 10(1)).
5. CVE's annual reports, including the annual report for the most recent calendar year, are on file with the Commission in accordance with 807 KAR 5:006, Section 3(1). (807 KAR 5:001, Section 10(1)(b)2.)
6. CVE is not a limited partnership. (807 KAR 5:001, Section 10(1)(b)4.)
7. CVE has requested a waiver for providing a Certificate of Good Standing with this Application since CVE is only requesting to establish a new non recurring charge. (807 DAR 5:001, Section 10(1)(b)6.)
8. CVE does not conduct business under an assumed name and thus no Certificate of Assumed name is needed for the Application. (807 KAR 5:001, Section 10(1)(b)).
9. CVE has attached proposed tariffs as Exhibit 1. (807 KAR 5:001, Section 10(1)(b)7.)
10. CVE has not presented the present and proposed tariffs in comparative form since this is a new proposed charge. (807 KAR 5:001, Section 10(1)(b)8).

11. CVE states that its members have been given notice of the filing of this Application in compliance with 807 KAR 5:001, Section 3-10(3)-(4). A copy is attached as Exhibit 2 (807 KAR 5:001, Section 10(1)(b)9.)
12. CVE requests a waiver from providing written notice of intent to file this Application since it is only proposing to establish a new non recurring charge. CVE's Application is based on a fiscal year of March 31, 2007 (807 KAR 5:001, Section 10(2)). CVE's reason for filing this Application is to establish a new non recurring charge to recover the cost of providing this service pursuant to the requirements of 807 KAR 5:001, Section 10(1)(s)(1).
13. A complete description and quantified explanation for proposed adjustments with support for changes in price and activity levels, and other factors affecting the adjustment are presented as Exhibit 3. The only adjustment is for this new charge. (807 KAR 5:001, Section 10(6)(a).)
14. CVE is requesting a waiver from providing prepared testimony since a new non recurring charge is the only rate being requested to be established. (807 KAR 5:001, Section 10(6)(b).)
15. The estimate of effect that new rates will have on revenues including total revenues resulting from increases or decreases and percentage of increase or decrease is shown in Exhibit 4. (807 KAR 5:001, Section 10(6)(d)).
16. The requirement to show the effect upon the average bill for each customer classification does not apply since the proposed changes are only for a non recurring charge. (807 KAR 5:001, Section 10(6)(e)).
17. CVE has not included an analysis of customer's bill since the proposed changes are for a non recurring charge only. (807 KAR 5:001, Section 10(6)(g)).
18. CVE requests a waiver from providing schedules displaying its determination of its revenue requirements based on return on net investment rate base, return of capitalization, interest coverage, debt service coverage or operating ratio, with supporting schedules. However, an impact statement showing the proposed increase on margins and TIER as shown as Exhibit 4. (807 KAR 5:001, Section 10(6)(h).)
19. CVE requests a waiver from providing a calculation of its rate base and capital used to determine its revenue requirements. (807 KAR 5:001, Section 10(6)(i).)
20. CVE has not included a current chart of accounts since no adjustments were proposed. (807 KAR 5:001, Section 10(6)(j).)
21. CVE has not included the independent auditor's annual report since no adjustments were proposed. (807 KAR 5:001, Section 10(6)(k).)

22. CVE states that the Federal Energy Regulatory Commission or Federal Communication Commission has not conducted any audits, and therefore, no reports are available. (807 KAR 5:001, Section 10(6)(l).)
23. CVE requests a waiver from providing a depreciation study since no adjustments are proposed. (807 KAR 5:001, Section 10(6)(n).)
24. CVE used Microsoft Excel and Word for all schedules. (807 KAR 5:001, Section 10(6)(o).)
25. CVE has made no stock or bond offerings. (807 KAR 5:001, Section 10(6)(p).)
26. CVE has not attached its annual report to members since no adjustments were proposed. (807 KAR 5:001, Section 10(6)(q).)
27. CVE has not included its monthly managerial reports providing financial results of operations since no adjustments were proposed. (807 KAR 5:001, Section 10(6)(r).)
28. CVE requests a waiver of the requirement for filing Securities and Exchange Commission reports because CVE is not regulated by the SEC. (807 KAR 5:001, Section 10(6)(s).)
29. CVE requests a waiver for any amounts charged or allocated to it by an affiliate or general or home office or paid any moneys to an affiliate or general or home office during the test period or during the previous three (3) calendar years since no adjustments were proposed. (807 KAR 5:001, Section 10(6)(t).)
30. CVE has not included a cost of service study since there are no proposed changes to the revenues, rates or usages. (807 KAR 5:001, Section 10(6)(u).)
31. CVE states that the requirements of 807 KAR 5:001, Section 10(6)(f) and (v) are not applicable to CVE.
32. The detailed income statement and balance sheet reflecting impact of all proposed adjustments and impact statement are shown as Exhibit 4. (807 KAR 5:001, Section 10(7)(a).)
33. CVE requests a waiver from providing its capital construction budget since no adjustments are being proposed. (807 KAR 5:001, Section 10(7)(b).)
34. CVE states that the requirements of 807 KAR 10(7)(c) are not applicable.
35. CVE has not included the operating budget for each month of the period encompassing the Test Year since no adjustments were proposed. (807 KAR 5:001, Section 10(7)(d).)

36. See paragraph number 33 herein for compliance with the requirements of 807 KAR 5:001, Section 10(7)(e).
37. CVE has included exhibits that describe the remote service switch and the advantages of usage. See Exhibit 5.
38. CVE has included a statement that explains why changes not included in general rate case. See Exhibit 6.

Cumberland Valley Electric, Inc.

A handwritten signature in cursive script, appearing to read "Ted Hampton".

Ted Hampton,  
General Manager

May 21, 2007

21. BILLING

Members will receive statement for electric service monthly on a date to be determined by the Board of Directors for service rendered for a thirty-day period ending the same day of the preceding month. All statements are due and payable upon receipt and shall be paid at the office or the Cooperative within fifteen (15) days from date of bill. Failure to receive electrical statement will not release the member from payment obligation. Should the statement not be paid as above, the Cooperative may, after ten (10) days written notice, discontinue service to that member provided such service shall not be discontinued before twenty-seven (27) days after the mailing date of the original bill. Should it become necessary for the Cooperative's representative to call at the Consumer's premises or other locations for the purpose of collecting a delinquent account, a charge of twenty-five dollars (\$25.00) will be made to the member account for the extra service rendered due and payable at time such delinquent account is collected. If service is disconnected for non-payment, an additional charge of twenty-five dollars (\$25.00) will be made for reconnecting, service due and payable at the time of such reconnection. In some instances, solely at the discretion of Cumberland Valley Electric, a remote disconnect switch will be installed. If service is disconnected for non-payment with the switch, a fee of twenty dollars (\$20.00) will be applied to the member's account for the extra service rendered, due and payable at the time such delinquent account is collected. An additional fee of twenty dollars (\$20.00) will be added for reconnecting the service with the remote switch. If, prior to discontinuance of service, there is delivered to Cumberland Valley Electric or its employees empowered to discontinue service a written certificate signed by a physician, a registered nurse, or a public health officer that in the opinion of their certifier, discontinuance of service will aggravate an existing illness or infirmity on the premises, service shall not be discontinued until the affected member can make other living arrangements or until thirty (30) days elapse from the time of the Cooperative's notification to the member, in writing, of the existence of local, state and federal programs providing for the payment of utility bills under certain conditions and of the offices to contact for such possible assistance as per 807 KAR 5:006 Section 15.

22. BUDGET PAYMENT PLAN

The Cooperative has a budget payment plan available for its residential Customers whereby a customer may elect to pay a monthly amount for the budget year in lieu of monthly or bimonthly billings for actual usage. The monthly budget payment will be determined by the Cooperative based, under normal circumstances, on a minimum of one-twelfth of the estimated annual usage, subject to review and adjustment during the budget year. The normal budget year is the twelve (12) months determined as shown below:

<u>Customer</u>	<u>Budget Year</u>	<u>Settlement Month</u>
All Residential Customers	May – June	June

Date of Issue: May 25, 2007

Issued By: 

Effective Date: June 25, 2007

General Manager

Official Notice

Cumberland Valley Electric, Inc., with its principal office at 6219 North U.S. Highway 25-E, Gray, Kentucky, intends to file with the Kentucky Public Service Commission an application to adjust its retail rates and charges. This adjustment will result in a general rate increase to the member-consumers of Cumberland Valley Electric, Inc.

The rates proposed in this application are the rates proposed by Cumberland Valley Electric, Inc. However, the Kentucky Public Service Commission may order rates to be charged that differ from these proposed rates. Such action may result in rates for consumers other than the rates in this application.

Any corporation, association, body, politic, or person may by motion within thirty (30) days after publication or mailing of notice of the proposed rate changes request leave to intervene. The motion shall be submitted to the Public Service Commission, 211 Sower Boulevard, P. O. Box 615, Frankfort, Kentucky 40602, and shall set forth the grounds for the request including the status and interest of the party. A copy of the application and testimony shall be available for public inspection at Cumberland Valley Electric's offices.

The amount and percent of increase are listed below:

<u>Rate Class</u>	<u>Increase</u>	
	<u>Dollar</u>	<u>Percent</u>
<b>Non Recurring Charges</b>		
Automatic Meter Reading (AMR) Remote Disconnect	\$20.00	100%

The effect of the proposed rates on the average monthly bill by rate class are listed below:

<u>Rate Class</u>	<u>Increase</u>	
	<u>Dollar</u>	<u>Percent</u>
<b>Non Recurring Charges</b>		
Automatic Meter Reading (AMR) Remote Disconnect	\$20.00	100%

The present and proposed rate structure of Cumberland Valley Electric, Inc. are listed below:

<u>Rate Class</u>	<u>Rates</u>	
	<u>Present</u>	<u>Proposed</u>
<b>Non Recurring Charges</b>		
Automatic Meter Reading (AMR) Remote Disconnect	\$0.00	\$20.00

## Remote Disconnect

1 Cost of Remote Disconnect		\$250.00		
Tax		\$15.18		
Handling		<u>\$3.00</u>		
Total cost of unit			\$268.18	
Installation:				
1 hr. labor		\$22.46		
Overhead		<u>\$22.46</u>		
Total			<u>\$44.92</u>	
Total Unit Cost & Installation				<u>\$313.10</u>
Amortized over 60 months				\$5.22
2 Dispatch Labor To Operate Switch & Communicate with Member				
1 hr. labor		\$16.56		
Overhead	65%	<u>\$10.76</u>		
Total			\$27.32	
1/4 hour				\$6.83
3 CSR to Process Service Order				
1 hr. labor		\$16.56		
Overhead	65%	<u>\$10.76</u>		
Total			\$27.32	
1/4 hour				\$6.83
Total Cost				\$18.88
4 Interest 6%				\$1.13
5 Margin for 2.0 TIER				\$1.13
6 Total Cost to Disconnect or Reconnect for Non-Pay Remotely				\$21.14
7 Requesting Service Fee				\$20.00



Cumberland Valley Electric, Inc.  
Income Statement  
Twelve Months Ended March 31, 2007

Operating Revenues:	
Electric revenues	\$38,363,794
Other electric revenues	<u>1,112,800</u>
	<u>39,476,594</u>
Operating Expenses:	
Cost of power	29,519,450
Distribution - operations	1,134,952
Distribution - maintenance	2,118,941
Consumer accounts	1,483,529
Customer service and information	223,526
Administrative and general	<u>1,373,413</u>
	35,853,811
Depreciation	2,268,374
Tax expense - other	36,063
Interest on long-term debt	1,660,956
Other interest charges	49,011
Other deductions	<u>10,265</u>
	<u>39,878,480</u>
Patronage capital	(401,886)
Non operating margins - interest	146,538
Non operating margins - other	0
G & T capital credits	0
Other capital credits	<u>66,194</u>
Net margins	<u><u>(\$189,154)</u></u>

Cumberland Valley Electric, Inc.  
Balance Sheet  
March 31, 2007

Assets

Electric Plant:	
In service	\$69,869,104
Under construction	479,274
	<hr/>
	70,348,378
Less accumulated depreciation	25,477,229
	<hr/>
	44,871,149
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Investments	10,413,799
	<hr/>
Current Assets:	
Cash and cash equivalents	518,088
Accounts receivable - consumers	4,371,527
Accounts receivable - others	55,186
Material and supplies	556,034
Prepayments	56,763
Other current and accrued assets	136,148
	<hr/>
	5,693,746
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Deferred Charges	621,603
	<hr/>
Total Assets	\$61,600,297
	<hr/> <hr/>

Liabilities and Equities

Members' Equities:	
Memberships	\$414,150
Patronage capital	22,937,074
Other equities	256,926
	<hr/>
	23,608,150
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Long-Term Debt	30,911,362
	<hr/>
Accumulated operating provisions	1,487,147
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Current Liabilities:	
Accounts payable	3,235,599
Short term debt	128,315
Consumers deposits	840,850
Other current and accrued expenses	1,344,814
	<hr/>
	5,549,578
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Other Deferred Credits	44,060
	<hr/>
Total Members' Equities And Liabilities	\$61,600,297
	<hr/> <hr/>

CUMBERLAND VALLEY ELECTRIC, INC.  
IMPACT STATEMENT OF ADDITIONAL REVENUES  
March 31, 2007

Computation of Miscellaneous and Non Recurring Charge Limitation Amount:

Other electric revenues	\$1,112,800
Percentage limitation	<u>5%</u>
Limitation amount	<u>\$55,640</u>

Proposed additional revenues	
Number of instances, estimated	1,200
Monthly charge	\$20.00
	<u>\$24,000.00</u>

	<u>Existing</u>	<u>Proposed</u>
Net margins	(\$189,154)	(\$165,154)
Interest on long-term debt	\$1,660,956	\$1,660,956
TIER	<u>0.89</u>	<u>0.90</u>

As indicated by the results of the new non recurring charge, the effect on the TIER is minimal.

### **Description of AMR Remote Service Switch**

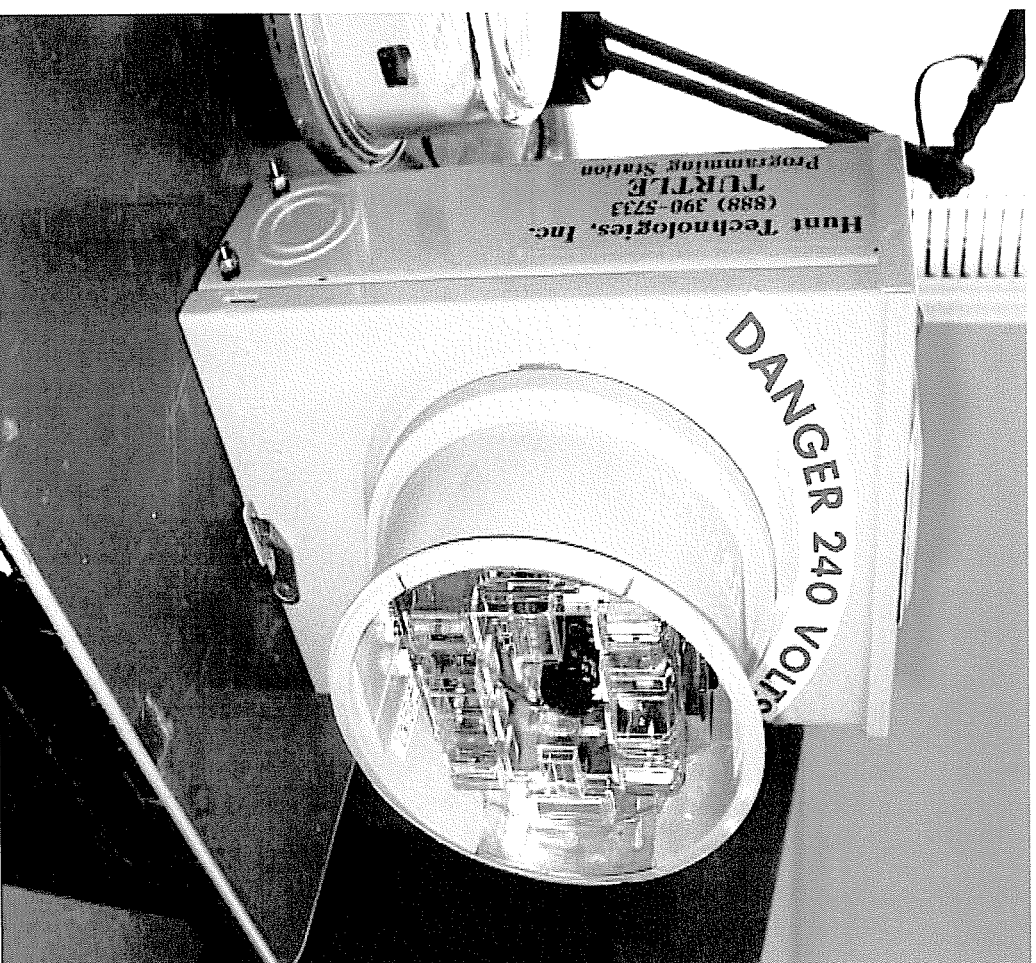
The Hunt Technologies' Remote Service Switch used by Cumberland Valley Electric enables utilities to significantly improve operational efficiencies by eliminating the costs and labor associated with the disconnect or reconnect of electric services. Usable on residential 2S electromechanical and solid state meters, the 200-amp magnetic latching relay operates independently of the meter, all enclosed within a meter socket adapter or collar for complete house connects and disconnects. Using Hunt's proven two-way power line carrier technology, operations, diagnostics and status verifications can be handled remotely, eliminating the need for costly on site labor. Included are pictures of an AMR meter, remote service switch without a meter, and a remote service switch with a meter.

**Advantages of using an AMR Remote Service Switch**

1. **Allows Cumberland Valley Electric to fully utilize the investment in the AMR Project.**  
Cumberland Valley Electric currently has an investment of approximately \$3,000,000 in AMR equipment. The equipment currently installed for AMR allows us to use the remote disconnect switch as an additional feature with only the cost of the switch and installation.
2. **Saves the member disconnection fees.**  
The manual disconnect and reconnect process currently cost the member \$50.00 during regular working hours. Based on our cost analysis with the remote service switch the cost would be \$40.00 during regular working hours. Cumberland Valley Electric makes a conscious effort to time the disconnect process where reconnection will be during normal working hours. However, when manual reconnection after hours does occur the cost is a \$65.00 overtime fee. Using the remote service switch we do not have overtime calculated in the connection fee.
3. **Provides a safer environment for Cumberland Valley Electric employees as well as the member.**  
It avoids conflicts associated with disconnecting services for non-payment.
4. **Provides a faster reconnect response.**  
Sometimes it may take several hours for a serviceman to return to a location to reconnect a service for non-payment. With the remote service switch service can be restored within minutes.
5. **Eliminates access problems to the meter.**  
Provides for remote control of the disconnect or connect process where access to the meter is limited due to locked gates, dogs, etc.



# Cumberland Valley Electric Remote Disconnect



# Cumberland Valley Electric AMR Meter With Remote Disconnect





**Statement explaining why changes not included in general rate increases.**

Cumberland Valley Electric has been utilizing AMR technology since the late 1990's, but until recently has not utilized any type of remote service switch. This remote service switch is a relatively new device that allows for the remote disconnection of service. In our last general rate increase filed in 2005 we were just beginning to get involved with the remote service switch and a separate non recurring charge was not considered. Our next projected general rate increase based on our financial forecast would be in the year 2013. Cumberland Valley Electric wishes to utilize as many Remote Service Switches as is reasonable to reduce the cost of our cut off process. The remote service disconnect process would be less expensive for those members who currently have trouble paying their bill. Therefore, we wish to implement the new non recurring charge for remote disconnect as soon as possible.

Cumberland Valley Electric, Inc  
P O Box 440  
Gray, KY 40734-0440

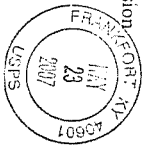


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Executive Director  
Kentucky Public Service Commission  
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Frankfort, Kentucky 40601-0615



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