

LAW OFFICES

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June 16, 2006

Ms. Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RECEIVED

JUN 19 2006

PUBLIC SERVICE
COMMISSION

RE: Cumberland Valley Electric, Inc.
Case No. 2005-00187

Dear Ms. O'Donnell:

Enclosed please find an original and ten copies of the Motion of Cumberland Valley Electric, Inc., for Rehearing To Request Additional Revenue and To Modify Its Rate Design. Additionally, I have enclosed a copy of same for stamping the filing date thereon and returning to my office in the enclosed envelope.

Very truly yours,

A handwritten signature in cursive script that reads "Pat Hauser / d d".

W. Patrick Hauser

WPH/sb

Enclosures

cc: Hon. Dennis G. Howard, II

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES)
OF CUMBERLAND VALLEY)
ELECTRIC, INC.)

CASE NO. 2005-00187

RECEIVED

JUN 19 2006

PUBLIC SERVICE
COMMISSION

**MOTION OF CUMBERLAND VALLEY ELECTRIC, INC.,
FOR REHEARING TO REQUEST ADDITIONAL REVENUE
AND TO MODIFY ITS RATE DESIGN**

* * * * *

Comes now Cumberland Valley Electric, Inc. ("Cumberland Valley"), by counsel, and moves the Kentucky Public Service Commission ("Commission") to schedule a rehearing of the above matter to address the requested additional revenue and modified rate design as is hereinafter set forth.

In support of its motion Cumberland Valley states that it agrees with the findings of the Commission in its Order dated June 2, 2006. Cumberland Valley believes that the use of a Times Interest Earned Ratio ("TIER") of 2.00X to be reasonable and it should be entitled to increase its revenues by \$1,939,059 which is an increase of \$544,183 over its original requested amount.

Cumberland Valley has reviewed its original application and supporting documents to determine what rate class or classes should receive an increase in rates from those set forth in the original application. The first part of the process used by Cumberland Valley was to review the Commission's Order and placed the expense and revenue changes from

it in a comprehensive statement of operations format. The attached Exhibit A provides the Commission allowances before increase in a more comprehensive statement of operations. The second step was to update the Cost of Service Study ("COSS") for the changes mandated from the Commission. Exhibit B provides the results from the COSS and displays statement of operations for each rate class in summary manner. Exhibit B indicates very readily that the Rate Schedule I for residential customers and Rate Schedule VI for outdoor lighting should receive the total amount of revised revenue increase amount as all other rate classes are providing TIER amounts in excess of 2.00X. Exhibit C provides the allocation of the total rate increase to these two rate classes. Schedule VI's amount of revenue increase should remain the same as originally requested. Schedule I should receive the entire additional amount of increase authorized by the Commission and it should be placed on the energy charge for this rate class with no change to the customer charge. The allocation of the increase amount and the suggested rate design is detailed in Exhibit C.

Exhibit D provides the statement of operations in a summary form for each rate class after the allocation of the increase amounts to Schedules I and VL. In this Exhibit, all rate classes are providing revenues greater than the costs to serve. Schedule I is still not providing full revenue requirements but it is providing a margin contribution to Cumberland Valley's margin needs while Schedule VI is meeting revenue requirements and all other rate classes are exceeding revenue requirements.

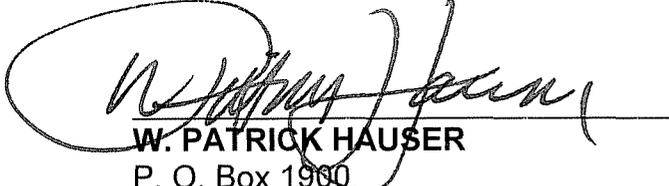
Exhibit E provides a copy of the tariff sheet for Schedule I which reflects the change in energy rates that Cumberland Valley is proposing in the request for rehearing.

WHEREFORE, Cumberland Valley respectfully requests that this Commission schedule a rehearing and to address the requested additional revenue and modified rate design.

Respectfully submitted,

Hon. Gillard B. Johnson, III
Hon. Eric Lycan
Cox Bowling & Johnson, PLLC
1010 Monarch Drive, Suite 250
P.O. Box 910810
Lexington, KY 40591-0810

And



W. PATRICK HAUSER
P. O. Box 1900
Barbourville, KY 40906
(606) 546-3811
**ATTORNEYS FOR PETITIONER,
CUMBERLAND VALLEY ELECTRIC, INC.**

CERTIFICATE OF SERVICE

Counsel certifies that an original and ten photocopies of the Motion of Cumberland Valley Electric, Inc., for Rehearing To Request Additional Revenue and To Modify Its Rate Design was served by mailing a true and correct copy of the same, first class postage prepaid to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a true and correct copy of the same, first class postage prepaid, to Hon. Dennis G. Howard, II, Hon.

Elizabeth E. Blackford, Hon. Lawrence W. Cook, Assistant Attorneys General, 1024 Capital Center Drive, Suite 200, Frankfort, Kentucky 40601-8204, all on this 16th day of June, 2006.



W. PATRICK HAUSER
ATTORNEY AT LAW

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

Rehearing Filing
 Exhibit A
 Witness: Jim Adkins

STATEMENT OF OPERATIONS
BASED ON PSC ORDER DATED JUNE 2, 2006

<u>Operating Revenue</u>	<u>Actual</u>	<u>Adjustments</u>	<u>Adjusted</u>
	<u>Test Year</u>		<u>Test Year</u>
Base Rates	\$ 28,510,045	1197	28,511,242
Fuel Adjustment	-	0	-
Other Revenue	869,646	0	869,646
Total	<u>29,379,691</u>	<u>1,197</u>	<u>29,380,888</u>
Purchased Power	21,362,909	(79,481)	21,283,428
Distribution Operations	1,126,484	32,849	1,159,333
Distribution Maintenance	1,812,547	29,573	1,842,120
Consumer Accounts	958,114	27,928	986,042
Customer Service	147,917	4,314	152,231
Sales	-	-	-
Administrative & General	1,097,455	(211,686)	885,769
Depreciation	2,012,606	288,207	2,300,813
Taxes - Other	30,111	-	30,111
Operatring Expenses	<u>28,548,143</u>	<u>91,704</u>	<u>28,639,847</u>
Operating Margin	831,548	(90,507)	741,041
Interest on Long Term Debt	<u>874,856</u>	<u>512,577</u>	<u>1,387,433</u>
Interest Expense - Other	(45,173)	-	(45,173)
Other Deductions	(9,736)	(996)	(10,732)
Non-operating Income - Intere	111423		111,423
Capital Credits G&T	39243		39,243
	<u>95,757</u>	<u>(996)</u>	<u>94,761</u>
Net Margins	<u>52,449</u>	<u>(604,080)</u>	<u>(551,631)</u>

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

Rehearing Filing
Exhibit B
Page 1 of 1
Witness: Jim Adkins

STATEMENT OF OPERATIONS BY RATE CLASS
BASED ON PSC ORDER DATED JUNE 2 2006

	Schedule I Residential	Schedule 1 ETS	Schedule II Commercial	Schedule II Comm w/Deman	Schedule III Phase Schl. Etc	Schedule IV	Schedule IV-A	Schedule VI Lighting	Total
Revenue	18,382,370	44,002	966,830	700,371	634,941	1,576,365	5,390,112	816,250	28,511,241
Purchased Power Costs	14,057,692	41,392	608,641	341,301	490,485	1,267,530	4,103,070	373,316	21,283,428
O&M	3,278,621	1,800	198,813	64,654	37,310	75,997	250,537	231,995	4,139,726
Admin & General	689,748	575	43,249	10,039	7,781	15,140	50,596	68,641	885,769
Depreciation & Misc.	1,740,509	112	107,847	32,424	32,352	65,797	214,982	147,633	2,341,656
Interest on LTD	1,031,323	67	63,905	19,206	19,159	38,963	127,308	87,501	1,387,433
Other interest	33,578	2	2,081	625	624	1,269	4,145	2,849	45,172
Total Costs	20,831,471	43,949	1,024,537	468,250	587,711	1,464,696	4,750,638	911,935	30,083,186
Operating Margin	(2,449,101)	53	(57,707)	232,121	47,230	111,669	639,474	(95,685)	(1,571,945)
Other Income	758,430	49	46,996	14,124	14,089	28,653	93,622	64,348	1,020,312
Net Margins	(1,690,671)	103	(10,711)	246,245	61,320	140,322	733,096	(31,337)	(551,633)
TIER	(0.64)	2.53	0.83	13.82	4.20	4.60	6.76	0.64	0.60

ALLOCATION OF ADDITIONAL REVENUE TO RATE CLASSES

TOTAL AMOUNT OF INCREASE

1 Target Ratio and Amount:	TIER of 2.0x
2 Annual loss from Adjusted Statement of Operations:	\$ 551,631
3 Amount of Interest on Long Term Debt:	<u>\$ 1,387,433</u>
4 Total Amount of Increase;	<u><u>\$ 1,939,064</u></u>

RATE DESIGN

1 Amount of Increase Allocated to Schedule VI - Outdoor and Security Lights	
a. Total Amount of Rate Increase	1,939,064
b. Increase Amount for Lighting - Schedule VI	121,687
c. Increase Amount for Rate Class	1,817,377
d. Normalized Revenue for Rate Class	18,382,370
e. Percentage Increase for Rate Class	9.89%
f. Rate Design	
Increase Amount for Rate Class	1,817,377
Divided by the Energy Sales for Rate Class	295,446,522
Increase in Energy Rate	0.00615
Current Energy Rate for Rate Class	0.05832
Proposed Energy Rate for Schedule I	0.06447
Proposed Energy Rate for Schedule I - ETS	0.03868

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

Rehearing Filing
Exhibit D
Page 1 of 1
Witness: Jim Adkins

**STATEMENT OF OPERATIONS BY RATE CLASS
AFTER INCREASE IN RATES**

	Schedule I Residential	Schedule 1 ETS	Schedule II Commercial	Sched II w/Dem.	Schedule II Sml Comm	Schedule III Phase Schl. Etc	Schedule IV	Schedule IV-A	Schedule VI Lighting	Total
Revenue	20,199,747	44,002	966,830	700,371	1,667,201	634,941	1,576,365	5,390,112	937,937	30,450,305
Purchased Power Costs	14,057,692	41,392	608,641	341,301	949,942	490,485	1,267,530	4,103,070	373,316	21,283,428
O&M	3,278,621	1,800	198,813	64,654	263,467	37,310	75,997	250,537	231,995	4,139,726
Admin & General	689,748	575	43,249	10,039	53,288	7,781	15,140	50,596	68,641	885,769
Depreciation & Misc.	1,740,509	112	107,847	32,424	140,272	32,352	65,797	214,982	147,633	2,341,656
Interest on LTD	1,031,323	67	63,905	19,206	83,112	19,159	38,963	127,308	87,501	1,387,433
Other Interest	33,578	2	2,081	625	2,706	624	1,269	4,145	2,849	45,172
Total Costs	20,831,471	43,949	1,024,537	468,250	1,492,787	587,711	1,464,696	4,750,638	911,935	30,083,186
Operating Margin	(631,724)	53	(57,707)	232,121	174,414	47,230	111,669	639,474	26,002	367,119
Other Income	758,430	49	46,996	14,124	61,120	14,089	28,653	93,622	64,348	1,020,312
Net Margins	126,706	103	(10,711)	246,245	235,534	61,320	140,322	733,096	90,350	1,387,431
TIER	1.12	2.53	0.83	13.82	3.83	4.20	4.60	6.76	2.03	2.00

Form for filing Rate Schedules
CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Ky. 40734

Exhibit E
For Entire Territory Served
Community, Town, or City
P.S.C. NO.4
First Revised SHEET NO. 2

CLASSIFICATION OF SERVICE

Rates For Residential, Schools and Churches Schedule 1

APPLICABLE

In all territory served by the Seller.

AVAILABILITY

Available to all Residential, Schools and Churches.

TYPE OF SERVICE

Single phase at available voltages.

Customer Charge	\$5.00	Per month per customer
ALL KWH	.06447	I

MARKETING RATE:

Available to Consumers eligible for Tariff Schedule 1

The electric power and energy furnished under this section shall be separately metered for each point of delivery. This retail marketing rate applies only to programs which are expressly approved by the Commission to be offered under the Marketing Rate of East Ky. Power Cooperatives Wholesale Power Rate Schedule A.

Marketing rate for all kwh per month			
PER	KWH	.03868	I

This rate is only applicable during the below listed OFF-PEAK hours:

<u>MONTHS</u>	<u>OFF-PEAK HOURS-EST</u>
OCTOBER thru APRIL	12:00 NOON TO 5:00 P.M. 10:00 P.M. TO 7:00 A.M.
MAY thru SEPTEMBER	10:00 p.m. TO 10:00 A.M.

DATE OF ISSUE: June 22, 2006 DATE EFFECTIVE: June 22, 2006

ISSUED BY: *L. D. Huggins* TITLE: Manager

Issued by authority of an Order of the Public Service Commission
of Ky. in Case No.: 2005-00187 Dated:

Form for Filing Rate Schedules
CUMBERLAND VALLEY ELECTRIC, INC
Gray, Ky. 40734

For Entire Territory Served
Community, Town or City
P.S.C. NO. 4
ORIGINAL SHEET NO. 3

MINIMUM CHARGE

1. The minimum charge under the above rate shall be \$5.00 net where 5 KVA or less of transformer capacity is required. Each customer who requires more than 5 KVA of transformer capacity shall pay, in addition to the minimum, .75 on each additional KVA or fraction thereof required.
2. For seasonal load, water pumps, barns, camps, mobile homes, and similar type consumers, the customer must pay no less than \$60.00 annually and the Cooperative may bill such in advance.

SPECIAL RULES

Service under this schedule is limited to individual motors up to and including ten horsepower (10 H.P.)

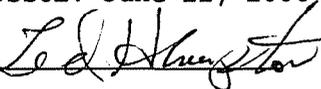
TERMS OF PAYMENT

Customer bill will be due by the fifteenth of each month.

DATE OF ISSUE: June 22, 2006

DATE EFFECTIVE: June 22, 2006

ISSUED BY:



TITLE: Manager

Issued by authority of an Order of the Public Service Commission of Ky. in
Case No.: 2005-00187

Dated:

Form for Filing Rate Schedules

For Entire Territory Served
Community, Town or City

CUMBERLAND VALLEY ELECTRIC, INC.
Gray, Ky. 40734

ORIGINAL

P.S.C. NO. 4
SHEET NO. 4

CLASSIFICATION OF SERVICE

Rates for Residential, Schools and Churches Schedule 1

FUEL ADJUSTMENT CLAUSE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

The monthly kilowatt hour usage shall be subject to plus or minus an adjustment per KWH determined in accordance with the "Fuel Adjustment Clause."

"This tariff is subject to the Energy Emergency Control Program as filed with the Kentucky Energy Regulatory Commission (now the Public Service Commission) on February 23, 1981 in Administrative Case No. 240 and as approved by

DATE OF ISSUE: June 22, 2006

DATE EFFECTIVE: June 22, 2006

ISSUED BY:  TITLE: Manager
Issued by authority of an Order of the Public Service Commission
of Ky. in Case No: 2005-00187