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LAW OFFICES

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MAR 21 2007

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COMMISSION

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March 21, 2007

HAND DELIVERED

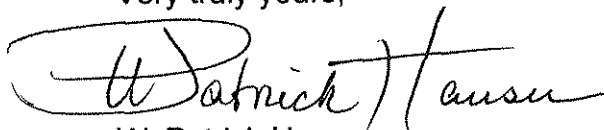
Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

Re: PSC Case No. 2006-00477

Dear Ms. O'Donnell:

Please find enclosed for filing with the Public Service Commission in the above-referenced case an original and five (5) copies of the Responses of Cumberland Valley Electric, Inc., to the Commission Staff's First Data Requests dated March 12, 2007.

Very truly yours,



W. Patrick Hauser

Counsel for Cumberland Valley Electric, Inc

WPH/dd

Enclosures

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>APPLICATION OF CUMBERLAND VALLEY</b>	)	
<b>ELECTRIC, INC. TO PASS-THROUGH AN</b>	)	<b>CASE NO.</b>
<b>INCREASE OF ITS WHOLESALE POWER</b>	)	<b>2006-00477</b>
<b>SUPPLIER PURSUANT TO KRS 278.455(2)</b>	)	

**RESPONSES TO COMMISSION STAFF'S FIRST DATA REQUEST  
TO CUMBERLAND VALLEY ELECTRIC, INC.  
DATED MARCH 12, 2007**

**CUMBERLAND VALLEY ELECTRIC, INC.**

**PSC CASE NO. 2006-00477**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07**

Cumberland Valley Electric, Inc. ("Cumberland Valley") hereby submits responses to the Commission Staff's First Data Request dated March 12, 2007. Each response with its associated supportive reference materials is individually tabbed.



**CUMBERLAND VALLEY ELECTRIC, INC.**

**PSC CASE NO. 2006-00477**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07**

**REQUEST 1**

**RESPONSIBLE PERSON: William A. Bosta**

**COMPANY: Cumberland Valley Electric, Inc.**

**Request 1.** Refer to the Application, Exhibits II and III.

**Request 1a.** Provide all workpapers, calculations, assumptions, and other documentation used to determine the proposed rates and the billing analysis.

**Response 1a.** Attached is information from EKPC's Exhibit I, Pages 3-5, which shows the present and proposed rates and revenues by wholesale customer class for service to Cumberland Valley.

As indicated in Mr. Bosta's testimony, the demand charges for retail industrial rates mirror EKPC's proposed rates for Schedules B and C, as applicable.

The increase applicable to all other classes was based on taking the total increase to the member system, subtracting the retail industrial class increase and then dividing that amount by the kWh for all other classes. This resulted in a per unit (cents/kWh) energy cost increase that was applied to all other classes.

See the response to Request 1b for the calculations to determine the proposed rates.

**Request 1b.** Provide in electronic format the Excel spreadsheets used to determine the proposed rates and billing analysis, with all formulas intact.

**Response 1b.** Based on discussion with the Commission Staff on March 19, 2007, attached are two (2) copies of the requested information on CD-ROM.



Rate C		Demand		Energy		Present Total Revenue		Revenue Adjustment	
#	R_GROUP	BILL-KWH	BILL-KWH	Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment	
1	COOP	31,800	20,997,840	231,822	573,493	805,315	744,895	60,420	
2	C	36,328	19,611,349	284,891	535,660	800,711	731,666	69,023	
3	C	85,224	42,586,301	621,283	1,163,643	1,784,926	1,623,001	161,926	
4	C	107,818	63,280,482	785,993	1,731,325	2,517,318	2,312,464	204,854	
5	C	6,000	2,689,215	43,740	73,483	117,223	105,823	11,400	
6	C	0	0	0	0	0	0	0	
7	C	321,398	181,235,537	2,342,977	4,652,261	7,295,238	6,684,595	610,652	
8	C	165,155	83,822,026	1,203,890	2,290,437	3,494,417	3,180,622	313,795	
9	C	28,973	16,407,017	211,213	448,322	659,535	604,486	55,049	
10	Total C	782,694	430,698,767	5,705,639	11,768,844	17,474,683	15,987,564	1,487,119	

Inland Container		Demand		Energy		Present Total Revenue		Revenue Adjustment	
#	R_GROUP	BILL-KWH	BILL-KWH	Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment	
1	COOP <td>325,738</td> <td>1,942,343</td> <td>2,254,107</td> <td>5,655,627</td> <td>7,869,734</td> <td>7,391,355</td> <td>468,379</td> <td></td>	325,738	1,942,343	2,254,107	5,655,627	7,869,734	7,391,355	468,379	
2	Total AGC	782,694	430,698,767	5,705,639	11,768,844	17,474,683	15,987,564	1,487,119	

AGC		Demand		Energy		Present Total Revenue		Revenue Adjustment	
#	R_GROUP	BILL-KWH	BILL-KWH	Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment	
1	COOP	84,252	44,113,666	444,624	1,127,545	1,572,169	1,473,864	98,305	
2	AGC Auburnk BD	161,750	102,270,245	1,119,310	2,614,104	3,733,414	3,485,937	247,478	
3	Total AGC	226,002	146,383,911	1,563,934	3,741,649	5,305,583	4,959,800	345,783	

Gallatin		Demand		Energy		Present Total Revenue		Revenue Adjustment	
#	R_GROUP	BILL-KWH	BILL-KWH	Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment	
1	COOP	180,000	1,440,000	7,386,687	8,638,806	16,025,493	30,870,772	2,871,785	
2	AGC Auburnk CM	322,343	1,942,343	1,119,310	2,614,104	3,733,414	3,485,937	247,478	
3	Total AGC	502,343	3,382,343	8,505,997	11,252,910	19,758,907	34,356,709	3,119,263	

TGP		Demand		Energy		Present Total Revenue		Revenue Adjustment	
#	R_GROUP	BILL-KWH	BILL-KWH	Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment	
1	COOP	307,373	3,628,076	1,473,864	3,485,937	4,959,800	4,959,800	0	
2	AGC Auburnk CM	408,314	2,449,288	1,119,310	2,614,104	3,733,414	3,485,937	247,478	
3	Total AGC	715,687	6,077,364	2,593,174	6,099,041	8,692,214	8,445,737	246,476	

Inland Steam		Demand		Energy		Present Total Revenue		Revenue Adjustment	
#	R_GROUP	BILL-KWH	BILL-KWH	Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment	
1	COOP	15,872,827	15,872,827	808,531	8,857,116	9,665,647	9,663,647	2,000	
2	AGC Auburnk CM	15,872,827	15,872,827	808,531	8,857,116	9,665,647	9,663,647	2,000	
3	Total AGC	31,745,654							



Demand F  
Efficiency 0.857689  
Heat Rate 9616.9  
Mbtu Demand 38074 \$/Mbtu  
Mbtu Energy 46959 \$/Mbtu

converted  
BILL-KOW 508,649  
BILL-KWH 277,080,329

Mbtu-Demand 4394,11  
Mbtu-Energy 2392891.7

Load Center - Normalized

Meter #	LC =	2573	2855	4605	Revenue	Total LC Revenue	Present Total Revenue	Revenue Adjustment
21	12	48	228	24	886,692	886,692	886,692	0
23	12	144	439,596	24	447,336	439,596	439,596	0
27	12	108	447,336	48	991,668	447,336	447,336	0
3	36	36	240	48	991,668	991,668	991,668	0
30	12	96	413,076	24	413,076	413,076	413,076	0
34	12	120	426,336	12	426,336	426,336	426,336	0
37	180	180	955,980	96	955,980	955,980	955,980	0
49	144	144	613,860	12	613,860	613,860	613,860	0
51	24	48	689,112	48	689,112	689,112	689,112	0
52	108	36	474,120	36	474,120	474,120	474,120	0
54	36	312	1,197,228	48	1,197,228	1,197,228	1,197,228	0
56	84	84	325,248	84	325,248	325,248	325,248	0
57	36	132	517,548	12	517,548	517,548	517,548	0
58	12	84	268,296	84	268,296	268,296	268,296	0
59	72	84	410,676	84	410,676	410,676	410,676	0
61	48	276	1,162,992	84	1,162,992	1,162,992	1,162,992	0
64	36	540	2364	468	10,219,764	10,219,764	10,219,764	0
					Metering	426,000	426,000	0
					\$ Metering Point only	7,500	7,500	0
					Metering	426,000	426,000	0
					\$ Metering Point only	7,500	7,500	0
					140,461,551	168,636,874	216,081,567	554,053,251
					510,669,030	43,364,220	510,669,030	43,364,220

Grand Total Revenue by Member System

COOP	E	B	G	Inland Contains	Inland Steam	Gallatin	TGP	ASC	Load Center	Metering Only	Metering	Proposed Total	Present	Rate Adj	
21	41,970,429	3,346,394	0	0	0	0	0	0	686,692	39,000	39,000	46,242,515	42,526,334	3,716,181	
23	20,177,360	232,807	805,315	0	0	0	0	0	439,596	19,000	19,000	25,735,642	24,028,165	1,707,477	
27	19,437,170	1,242,252	800,711	0	0	0	0	0	447,336	18,000	18,000	21,945,509	20,221,967	1,723,542	
3	42,012,158	1,191,002	1,784,828	0	0	0	0	0	991,668	40,500	40,500	46,020,253	42,364,688	3,655,565	
30	13,398,969	6,629,299	0	0	0	0	0	0	413,076	18,500	18,500	20,459,344	18,871,430	1,587,914	
34	20,735,790	0	2,517,318	0	0	0	0	0	426,336	18,000	18,000	23,697,444	21,777,590	1,919,854	
37	44,354,295	6,953,856	0	0	0	33,842,557	0	0	955,980	34,500	34,500	66,141,167	78,952,694	1,188,483	
49	20,561,234	0	117,223	0	0	0	0	0	613,860	30,000	30,000	21,325,317	19,645,390	1,679,927	
51	26,628,149	1,981,558	0	0	0	0	0	5,305,683	689,112	27,000	27,000	34,611,402	47,484,260	2,672,858	
52	20,429,813	0	7,295,238	0	0	0	0	0	474,120	18,000	18,000	51,943,371	51,840,182	3,659,111	
54	49,482,581	2,072,016	3,494,417	0	0	0	0	0	1,197,228	49,500	49,500	56,267,242	51,840,182	4,467,060	
56	12,731,750	0	0	0	0	0	0	0	325,248	15,000	15,000	13,071,968	12,034,892	1,037,116	
57	24,105,973	0	0	0	0	0	0	0	517,548	22,500	22,500	24,645,121	22,673,225	1,971,896	
58	12,446,242	0	0	0	0	0	0	0	268,296	12,000	12,000	12,728,536	11,716,472	1,010,067	
59	344,503	0	0	0	0	0	0	0	0	0	0	344,503	314,468	30,035	
61	11,813,118	0	659,535	0	0	0	0	0	410,676	19,500	19,500	12,903,629	11,890,088	1,013,741	
64	48,624,862	8,988,678	0	0	0	0	0	0	1,162,992	46,500	46,500	55,923,053	52,390,840	4,432,394	
													510,669,030	510,669,030	43,364,220
													854,033,251	854,033,251	

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

	Total	Total	\$ Increase	% Increase
Residential	25,016,773	26221229.09	1,204,456	4.81%
H-1	60,756	65,509	4,753	7.82%
C-1	1,166,415	1,218,025	51,610	4.42%
C-2	920,886	958,179	37,293	4.05%
E-1	919,688	970,697	51,008	5.55%
P-1	2,714,200	2,889,228	175,028	6.45%
L-1	7,066,926	7,473,058	406,131	5.75%
Street Lighting and Security Lights	960,202	1,001,818	41,616	4.33%
	<hr/>	<hr/>		
	38,825,846	40,797,742	1,971,896	5.08%

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 1  
Residential  
R-1

Demand= 1  
Load Cntr= 1

	Existing			Proposed			\$ Increase	% Increase	Increase Demand	Increase Energy	Increase Cust
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	261,679	\$5.00	\$1,308,395	261,679	\$5.00	\$1,308,395	\$0	0.00%			\$0
Energy charge per kWh	302,483,213	\$ 0.06447	19,501,093	302,483,213	\$0.06845	20,705,549	\$1,204,456	6.18%		\$1,204,456	
Total from base rates			20,809,488			22,013,944	\$1,204,456	5.79%			
Fuel adjustment			2,496,508			2,496,508	\$0	0.00%			
Environmental surcharge			1,710,777			1,710,777	\$0	0.00%			
Total revenues			\$25,016,773			\$26,221,229	\$1,204,456	4.81%			
Average Bill			\$95.60			\$100.20	\$4.60	4.81%			

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 2  
H-1

	Existing			Proposed			\$ Increase	% Increase	Increase Demand	Increase Energy	Increase Cust
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	1,102	\$0.00	\$0	1,102	\$0.00	\$0	\$0	#DIV/0!			\$0
Energy charge per kWh	1,193,612	\$ 0.03868	46,169	1,193,612	\$0.04266	50,922	\$4,753	10.29%		\$4,753	
Total from base rates			46,169			50,922	\$4,753	10.29%			
Fuel adjustment			10,792			10,792	\$0	0.00%			
Environmental surcharge			3,796			3,796	\$0	0.00%			
Total revenues			\$60,756			\$65,509	\$4,753	7.82%			
Average Bill			\$65.13			\$59.45	\$4.31	7.82%			

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 3  
C-1

	Existing			Proposed			\$ Increase	% Increase	Increase Demand	Increase Energy	Increase Cust
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	14,343	\$5.00	\$ 71,715	14,343	\$5.00	\$ 71,715	\$0	0.00%			\$0
Demand Charge	0.00	\$3.68	\$ -	0	\$3.68	-	\$0	#DIV/0!		\$0	
Energy charge per kWh							\$0	#DIV/0!			
0-3000 kWh	6,661,730	\$0.07280	484,974	6,661,730	\$0.07678	511,500	\$26,526	5.47%		\$26,526	
>3000	6,299,426	\$0.06723	423,510	6,299,426	\$0.07121	448,594	\$25,084	5.92%		\$25,084	
Total from base rates			980,199			1,031,809	\$51,610	5.27%			
Fuel adjustment			105,632			105,632	\$0	0.00%			
Environmental surcharge			80,584			80,584	\$0	0.00%			
Total revenues			1,166,415			1,218,025	\$51,610	4.42%			
Average Bill			\$ 81.32			\$ 84.92	\$ 3.60	4.42%			

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 4

C-2

	Existing			Proposed			\$ Increase	% Increase	
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues			
Customer Charge	1,567	\$5.00	\$ 7,835	1,567	\$5.00	\$ 7,835	\$0	0.00%	\$0
Demand Charge	37,570.80	\$3.69	\$ 138,261	37,571	\$3.68	138,261	\$0	0.00%	\$0
Energy charge per kWh									
0-3000 kWh	796,335	\$0.07280	57,973	796,335	\$0.07678	61,144	\$3,171	5.47%	\$3,171
>3000	8,569,268	\$0.06723	576,112	8,569,268	\$0.07121	610,234	\$34,122	5.92%	\$34,122
Total from base rates			780,181			817,473	\$37,293	4.78%	
Fuel adjustment			76,566			76,566	\$0	0.00%	
Environmental surcharge			64,140			64,140	\$0	0.00%	
Total revenues			920,886			958,179	\$37,293	4.05%	
Average Bill			\$ 587.67			\$ 611.47	\$ 23.80	4.05%	

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 5

E-1

	Existing			Proposed			\$ Increase	% Increase	
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues			
Customer Charge	398	\$0.00	\$0	398	\$0.00	\$0	\$0	#DIV/0!	\$0
Energy charge per kWh	12,810,104	\$ 0.05883	753,618	12,810,104	\$0.06281	804,627	\$51,008	6.77%	\$51,008
Total from base rates			753,618			804,627	\$51,008	6.77%	
Fuel adjustment			104,114			104,114	\$0	0.00%	
Environmental surcharge			61,956			61,956	\$0	0.00%	
Total revenues			\$919,688			\$970,697	\$51,008	5.55%	
Average Bill			\$2,310.77			\$2,438.94	\$128.16	5.55%	

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 6  
P-1

	Existing			Proposed			\$ Increase	% Increase	
	Billing	Current	Annualized	Billing	Rate	Annualized			
	Determinants	Rate	Revenues	Determinants	Rate	Revenues			
Customer Charge	24	\$0.00	\$0	24	\$0.00	\$0	\$0	#DIV/0!	\$0
Demand Charge	119,000.56	\$5.71	\$679,493	119,001	\$5.71	\$679,493.21	\$0	0.00%	\$0
Energy Charge							\$0	#DIV/0!	
All kWh	43,956,000	\$0.03395	1,492,306	43,956,000	\$0.03793	1,667,334	\$175,028	11.73%	\$175,028
Total Baseload Charges			\$2,171,799			\$2,346,828	\$175,028	8.06%	
Fuel adjustment			363,853			363,853	\$0	0.00%	
Environmental surcharge			178,547			178,547	\$0	0.00%	
Total Revenues			\$2,714,200			\$2,889,228	\$175,028	6.45%	
Average Bill			\$ 113,091.65			\$ 120,384.49	7,292.84	6.45%	

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 7  
L-1

	Existing			Proposed			\$ Increase	% Increase	
	Billing	Current	Annualized	Billing	Rate	Annualized			
	Determinants	Rate	Revenues	Determinants	Rate	Revenues			
Customer Charge	24	\$0.00	\$0	24	\$0.00	\$0	\$0	#DIV/0!	\$0
Demand Charge	377,399.65	\$3.68	\$1,388,831	377,400	\$3.68	\$1,388,830.69	\$0	0.00%	\$0
Energy Charge							\$0	#DIV/0!	
All kWh	101,994,465	\$0.04283	4,368,423	101,994,465	\$0.04681	4,774,554	\$406,131	9.30%	406,131
Total Baseload Charges			\$5,757,254			\$6,163,385	\$406,131	7.05%	
Fuel adjustment			836,361			836,361	\$0	0.00%	
Environmental surcharge			473,312			473,312	\$0	0.00%	
Total Revenues			\$7,066,926			\$7,473,058	\$406,131	5.75%	
Average Bill			\$ 294,455.26			\$ 311,377.40	16,922.14	5.75%	

	\$38,825,846	\$40,797,742	
		\$1,971,896	
			1,930,280

	KWh		
	Non-Dem		
	495,215,433		
		Parts	Diff
Total Incr	1,971,896	1,971,896	-
Dem Incr	-		
Cust Incr	-		
Energy Incr	1,971,896		
Ener Rate	0.003981896		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Street Lighting and Security Lights  
Outdoor Lighting

	kWh	Existing				Proposed				\$ Increase	% Increase
		Billing Determinants	Total kWh	Current Rate	Annualized Revenues	Billing Determinants	Total kWh	Rate	Annualized Revenues		
175 WATT MERCURY VAPOR	70	108,828	7,617,960	\$6.50	\$707,382.00	108,828	7,617,960	\$6.78	737,716	30,334	4.29%
400 WATT MERCURY VAPOR	0	0	0	\$8.87	\$0.00	0	0	\$9.25	0	0	#DIV/0!
100 WATT HIGH PRESSURE SODIUM OPEN BOT	0	0	0	\$6.50	\$0.00	0	0	\$6.73	0	0	#DIV/0!
100 WATT HIGH PRESSURE SODIUM COLONIAL	0	0	0	\$7.42	\$0.00	0	0	\$7.68	0	0	#DIV/0!
100 WATT HIGH PRESSURE SODIUM DIRECTIOI	70	252	17,640	\$8.03	\$2,023.56	252	17,640	\$8.31	2,094	70	3.47%
400 WATT HIGH PRESSURE SODIUM DIRECTIOI	140	9,648	1,350,720	\$12.47	\$120,310.56	9,648	1,350,720	\$13.03	125,689	5,378	4.47%
400 WATT HIGH PRESSURE SODIUM COBRA HE	140	10,464	1,464,960	\$12.47	\$130,486.08	10,464	1,464,960	\$13.03	136,319	5,833	4.47%
		129,192	10,451,280		\$960,202.20	129,192	10,451,280		1,001,818	41,616	4.33%



**CUMBERLAND VALLEY ELECTRIC, INC.**

**PSC CASE NO. 2006-00477**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07  
REQUEST 2**

**RESPONSIBLE PERSON:** William A. Bosta

**COMPANY:** Cumberland Valley Electric, Inc.

**Request 2.** KRS 278.455(2) provides that a distribution cooperative may change its rates to reflect a change in the rate of its wholesale supplier if the effects of an increase or decrease are allocated to each class and within each tariff on a proportional basis that will result in no change in the rate design currently in effect. 807 KAR 5:007, Section 2(2), provides that the distribution cooperative shall file an analysis demonstrating that the rate change does not change the rate design currently in effect and the revenue change has been allocated to each class and within each tariff on a proportional basis. In the cover letter to its Application, Cumberland Valley states:

In each instance, the retail rates for a particular class have been developed in a manner that is consistent with the method proposed by EKPC. The proposed rate design structure at retail does not change the rate design currently in effect and is consistent with the rate design methodology used at wholesale.

**Request 2a.** For each retail Rate Schedule listed in Exhibit II of the Application, identify the corresponding wholesale Rate Schedule of East Kentucky Power Cooperative, Inc.

**Response 2a.** Please see the attached information.



**Request 2b.** Would Cumberland Valley agree that KRS 278.455(2) and 807 KAR 5:007, Section 2(2), require that increases or decreases in rates from the wholesale supplier must be allocated to each retail class and within each retail tariff on a proportional basis? Explain the response.

**Response 2b.** Yes. EKPC and each Member System understands these requirements and have developed proposed rates that meet the intent of KRS 278.455(2) and 807 KAR5:007. As explained in Mr. Bosta's testimony, EKPC began the rate design process at wholesale by allocating the proposed rate increase to each rate class on a proportional basis. The proportional increase to each rate class was then applied to the most appropriate rate mechanism for each rate class.

The proposed increase at retail is strictly a pass-through of EKPC's increased wholesale costs and each Member System must recover the dollar increase from new wholesale rates. As a result, EKPC and each Member System recognized that it was important to implement retail rates that mirror the change at wholesale, while meeting the proportionality and rate design requirements.

EKPC and its Member Systems understand that a "pure" proportional increase at retail, as discussed in Item 3 herein, would result in increases at retail to customer, demand and energy charges. However, EKPC and its Member Systems came to the conclusion that, for example, an increase in the customer charge at retail made no sense because the wholesale increase had no relationship to customer cost. EKPC has not proposed an increase in its substation charges or metering point charges in this proceeding. Consequently, EKPC and its Member Systems could not justify increasing the retail customer charge when the wholesale increase has no relationship to that cost.

Therefore, EKPC believes that its proposed wholesale increase using a proportional basis, coupled with the use of the wholesale rate design methodology at retail, is a reasonable approach to meeting the intent of the requirements.

**Request 2c.** Would Cumberland Valley agree that KRS 278.455(2) and 807 KAR 5:007, Section 2(2), require that the retail rate change does not change the retail rate design currently in effect? Explain the response.

**Response 2c.** Yes. EKPC and its Member Systems understand the requirements set forth in KRS 278.455(2) and 807 KAR 5:007 and believe that the proposed rates do not alter the existing rate design structure at retail.

As indicated in the response to Item 2b, the rate design used for the pass-through increase at retail was intended to meet these requirements, while also maintaining the existing wholesale/retail rate design relationship and recognizing cost causation principles.

Industrial customers at retail, for example, will pay the same demand charge as the Member System pays to EKPC. This maintains the rate design relationship from wholesale to retail that has existed for a number of years. Likewise, the proposed increase in the "E" wholesale rate, which is only applied to the energy charge, is being passed through only to the energy charge at retail. This process allows the rate design relationship from wholesale to retail to remain in place.

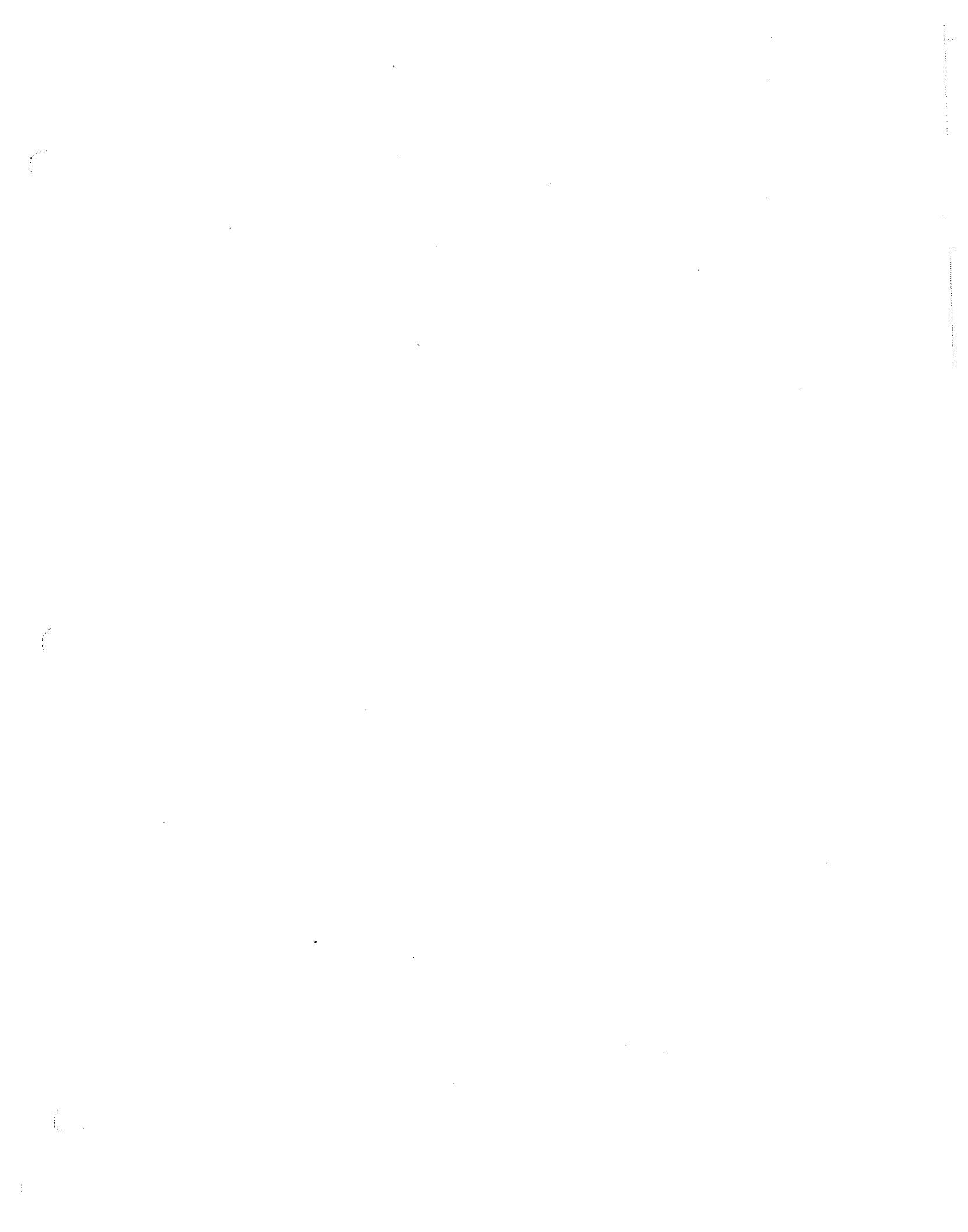
Fundamentally, for every retail rate class, there has been no change in the rate design structure. The demand, energy, and customer components for industrial rates remains intact and the residential and commercial rate design structure remains as is through a continuation of the customer and energy charge structure. This adherence to the rate

design structure, coupled with a retention of the wholesale to retail rate design relationship, is a reasonable approach and meets the legal requirements.

**Request 2a  
Attachment  
Page 1 of 1**

The present and proposed rates structures of Cumberland Valley Electric, Inc are listed below:

<u>Rate Class</u>	<u>EKPC Sch</u>	<u>Present</u>	<u>Proposed</u>
<b>Sch I: Residential, Schools &amp; Churches</b>	<b>E2</b>		
Customer charge per month		\$5.00	\$5.00
All kWh		\$0.06447	\$0.06845
Off-peak marketing rate		\$0.03868	\$0.04266
<b>Sch II: Small Commercial &amp; Small Power</b>	<b>E2</b>		
Single phase customer charge per month		\$5.00	\$5.00
Single phase energy charge – First 3,000 kWh		\$0.07280	\$0.07678
Single phase energy charge – Over 3,000 kWh		\$0.06723	\$0.07121
Three phase customer charge per month		\$5.00	\$5.00
Three phase demand charge per kW		\$3.68	\$3.68
Three phase energy charge – First 3,000 kWh		\$0.07280	\$0.07678
Three phase energy charge – Over 3,000 kWh		\$0.06723	\$0.07121
<b>Sch III: All Three Phase Schools &amp; Churches</b>	<b>E2</b>		
All kWh		\$0.05883	\$0.06281
<b>Sch IV: Large Power – Industrial</b>	<b>E2</b>		
Demand charge per kW		\$5.71	\$5.71
All energy per kWh		\$0.03395	\$0.03793
<b>Sch IV-A: Lrg Pwr Rate 50 kW to 2,500 kW</b>	<b>E2</b>		
Demand charge per kW		\$3.68	\$3.68
Energy charge per kWh		\$0.04283	\$0.04681
<b>Sch V: 1,000 to 2,500 kW</b>	<b>B</b>		
Consumer charge		\$535.00	\$535.00
Demand charge per kW - Contract		\$5.39	\$7.29
Demand charge per kW – Excess		\$7.82	\$9.72
Energy charge per kWh		\$0.03902	\$0.03902
<b>Sch V-A: Large Power – Industrial</b>	<b>B</b>		
Consumer charge		\$1,069.00	\$1,069.00
Demand charge per kW - Contract		\$5.39	\$7.29
Demand charge per kW – Excess		\$7.82	\$9.72
Energy charge per kWh		\$0.03266	\$0.03266
<b>Sch VI: Outdoor Lighting – Security Lights</b>	<b>E2</b>		
<b>(rate per month)</b>			
Mercury Vapor Lamps			
175 watt		\$6.50	\$6.78
400 watt		\$8.87	\$9.25
Other Lamps (rate per month)			
100 watt Open Bottom		\$6.50	\$6.73
100 watt Colonial Flood		\$7.42	\$7.68
100 watt Directional Flood		\$8.03	\$8.31
400 watt Directional Flood		\$12.47	\$13.03
400 watt Cobra Head		\$12.47	\$13.03



**CUMBERLAND VALLEY ELECTRIC, INC.**

**PSC CASE NO. 2006-00477**

**FIRST DATA REQUEST RESPONSE**

**COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07  
REQUEST 3**

**RESPONSIBLE PERSON: William A. Bosta**

**COMPANY: Cumberland Valley Electric, Inc.**

**Request 3.** Refer to Exhibit III of the Application.

**Request 3a.** Prepare the following comparative analyses of Cumberland Valley's present and proposed revenues:

(1) Calculate the percentage that each rate schedule or class represents of the total revenues for both the present revenues and proposed revenues. Percentages should be expressed to 2 decimal places.

(2) Calculate the percentage that each component of the base rates within each rate schedule or class represents of the total base rate revenues for both the present revenues and proposed revenues. Do not include fuel adjustment revenues, environmental surcharge revenues, or green power revenues. Percentages should be expressed to 2 decimal places.

**Response 3a.** (1) Please see the attached information.  
(2) Please see the attached information.

**Request 3b.** Based upon the results of the analyses prepared in part (a) above, explain in detail how Cumberland Valley's proposed pass-through rates are in compliance with the retail rate requirements of KRS 278.455(2) and 807 KAR 5:007, Section 2(2).

**Response 3b.** Maintaining the existing revenue proportion as shown in part (a) above assumes that the proportionality requirement would follow strict adherence to the existing proportion of revenues at retail, by rate mechanism component (i.e. customer, energy and demand). EKPC and the Member Systems believe that the proportionality requirement is not so narrow and that the pass-through at retail has followed the proposed wholesale rate design process in a proportional manner. At retail, for example, there is no increase in the customer charge because EKPC did not increase the metering point charge or substation charge at wholesale. Moreover, the "B" and "C" type retail industrial classes will have the same demand rate as the proposed demand rate for industrial customers at wholesale. It follows the matching concept upon which these rates were originally created.

See also the response to Item 2(b) and 2(c) herein. KRS 278.455(2) explicitly recognizes "proportional" allocation without recognizing a specific method, whether KWh, revenue, or other means of proportionality. EKPC has chosen the proportional method of applying wholesale to retail, with the intended matching concept of costs vs. revenue. The retail rates reflect this top-down approach to proportionality. Please see the attached analysis which illustrates this approach.

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

	<u>Existing</u>	<u>Proposed</u>	<u>\$ Increase</u>	<u>% Increase</u>	Existing Rev % <u>Total</u>	Proposed Rev % <u>Total</u>
Residential	25,016,773	26,221,229.09	1,204,456	4.81%	64.43%	64.27%
H-1	60,756	65,509	4,753	7.82%	0.16%	0.16%
C-1	1,166,415	1,218,025	51,610	4.42%	3.00%	2.99%
C-2	920,886	958,179	37,293	4.05%	2.37%	2.35%
E-1	919,688	970,697	51,008	5.55%	2.37%	2.38%
P-1	2,714,200	2,889,228	175,028	6.45%	6.99%	7.08%
L-1	7,066,926	7,473,058	406,131	5.75%	18.20%	18.32%
Street Lighting and Security Lights	960,202	1,001,818	41,616	4.33%	2.47%	2.46%
	<hr/>	<hr/>	<hr/>	<hr/>		
	38,825,846	40,797,742	1,971,896	5.08%		



Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 1  
Residential

	Existing			Proposed			\$ Increase	% Increase	Present Percent Revenue	Proposed Percent Revenue
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues				
Customer Charge	261,679	\$5.00	\$1,308,395	261,679	\$5.00	\$1,308,395	\$0	0.00%	6.29%	5.94%
Energy charge per kWh	302,483,213	\$ 0.06447	19,501,093	302,483,213	\$0.06845	20,705,649	\$1,204,456	6.18%	93.71%	94.06%
Total from base rates			20,809,488			22,013,944	\$1,204,456	5.79%	100.00%	100.00%
Fuel adjustment			2,496,508			2,496,508	\$0	0.00%		
Environmental surcharge			1,710,777			1,710,777	\$0	0.00%		
Total revenues			\$25,016,773			\$26,221,229	\$1,204,456	4.81%		
Average Bill			\$95.60			\$100.20	\$4.60	4.81%		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 2

H-1

	Existing			Proposed			\$ Increase	% Increase		
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues				
Customer Charge	1,102	\$0.00	\$0	1,102	\$0.00	\$0	\$0	#DIV/0!	0.00%	0.00%
Energy charge per kWh	1,193,612	\$ 0.03868	46,169	1,193,612	\$0.04266	50,922	\$4,753	10.29%	100.00%	100.00%
Total from base rates			46,169			50,922	\$4,753	10.29%	100.00%	100.00%
Fuel adjustment			10,792			10,792	\$0	0.00%		
Environmental surcharge			3,796			3,796	\$0	0.00%		
Total revenues			\$60,756			\$65,509	\$4,753	7.82%		
Average Bill			\$55.13			\$59.45	\$4.31	7.82%		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Request 3a 2  
Attachment  
Page 2 of 5

Schedule 3

C-1

	Existing			Proposed			\$ Increase	% Increase		
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues				
	Customer Charge	14,343	\$5.00	\$ 71,715	14,343	\$5.00				
Demand Charge	0.00	\$3.68	\$ -	0	\$3.68	-	\$0	#DIV/0!	0.00%	0.00%
Energy charge per kWh										
0-3000 kWh	6,661,730	\$0.07280	484,974	6,661,730	\$0.07678	511,500	\$26,526	5.47%	49.48%	49.67%
>3000	6,299,426	\$0.06723	423,510	6,299,426	\$0.07121	448,594	\$26,084	5.92%	43.21%	43.48%
<b>Total from base rates</b>			<b>980,199</b>			<b>1,031,809</b>	<b>\$51,610</b>	<b>5.27%</b>	<b>100.00%</b>	<b>100.00%</b>
Fuel adjustment			105,632			105,632	\$0	0.00%		
Environmental surcharge			80,584			80,584	\$0	0.00%		
<b>Total revenues</b>			<b>1,166,415</b>			<b>1,218,025</b>	<b>\$51,610</b>	<b>4.42%</b>		
<b>Average Bill</b>			<b>\$ 81.32</b>			<b>\$ 84.92</b>	<b>\$ 3.60</b>	<b>4.42%</b>		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 4

C-2

	Existing			Proposed			\$ Increase	% Increase		
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues				
	Customer Charge	1,567	\$5.00	\$ 7,835	1,567	\$5.00				
Demand Charge	37,570.80	\$3.68	\$ 138,261	37,571	\$3.68	138,261	\$0	0.00%	17.72%	16.91%
Energy charge per kWh										
0-3000 kWh	796,335	\$0.07280	57,973	796,335	\$0.07678	61,144	\$3,171	5.47%	7.43%	7.48%
>3000	8,689,268	\$0.06723	578,112	8,569,268	\$0.07121	610,234	\$34,122	5.92%	73.84%	74.65%
<b>Total from base rates</b>			<b>780,181</b>			<b>817,473</b>	<b>\$37,293</b>	<b>4.78%</b>	<b>100.00%</b>	<b>100.00%</b>
Fuel adjustment			76,566			76,566	\$0	0.00%		
Environmental surcharge			64,140			64,140	\$0	0.00%		
<b>Total revenues</b>			<b>920,886</b>			<b>958,179</b>	<b>\$37,293</b>	<b>4.05%</b>		
<b>Average Bill</b>			<b>\$ 587.67</b>			<b>\$ 611.47</b>	<b>\$ 23.80</b>	<b>4.05%</b>		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 5

E-1

	Existing			Proposed			\$ Increase	% Increase		
	Billing	Current	Annualized	Billing	Rate	Annualized				
	Determinants	Rate	Revenues	Determinants	Rate	Revenues				
Customer Charge	398	\$0.00	\$0	398	\$0.00	\$0	\$0	#DIV/0!	0.00%	0.00%
Energy charge per kWh	12,810,104	\$ 0.05883	753,618	12,810,104	\$0.06281	804,627	\$51,008	6.77%	100.00%	100.00%
							\$0	#DIV/0!		
Total from base rates			753,618			804,627	\$51,008	6.77%	100.00%	100.00%
							\$0	#DIV/0!		
Fuel adjustment			104,114			104,114	\$0	0.00%		
Environmental surcharge			61,956			61,956	\$0	0.00%		
							\$51,008	5.55%		
Total revenues			\$919,688			\$970,697	\$51,008	5.55%		
Average Bill			\$2,310.77			\$2,438.94	\$128.16	5.55%		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 6

P-1

	Existing			Proposed			\$ Increase	% Increase		
	Billing	Current	Annualized	Billing	Rate	Annualized				
	Determinants	Rate	Revenues	Determinants	Rate	Revenues				
Customer Charge	24	\$0.00	\$0	24	\$0.00	\$0	\$0	#DIV/0!	0.00%	0.00%
Demand Charge	119,000.56	\$5.71	\$679,493	119,001	\$5.71	\$679,493.21	\$0	0.00%	31.29%	28.95%
							\$0	#DIV/0!		
Energy Charge							\$0	#DIV/0!		
All kWh	43,956,000	\$0.03395	1,492,306	43,956,000	\$0.03793	1,667,334	\$175,028	11.73%	68.71%	71.05%
Total Baseload Charges			\$2,171,799			\$2,346,828	\$175,028	8.06%	100.00%	100.00%
							\$0	0.00%		
Fuel adjustment			363,853			363,853	\$0	0.00%		
Environmental surcharge			178,547			178,547	\$0	0.00%		
							\$175,028	6.45%		
Total Revenues			\$2,714,200			\$2,889,228	\$175,028	6.45%		
Average Bill			\$ 113,091.65			\$ 120,384.49	7,292.84	6.45%		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006

Schedule 7

L-1

	Existing			Proposed			\$ Increase	% Increase			
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
	Customer Charge	24	\$0.00	\$0	24	\$0.00					\$0
Demand Charge	377,399.65	\$3.68	\$1,388,831	377,400	\$3.68	\$1,388,830.69	\$0	\$0	0.00%	24.12%	22.53%
Energy Charge							\$0	\$0	#DIV/0!		
All kWh	101,994,465	\$0.04283	4,368,423	101,994,465	\$0.04681	4,774,554	\$406,131	\$0	9.30%	75.88%	77.47%
Total Baseload Charges			\$5,757,254			\$6,163,385	\$406,131		7.05%	100.00%	100.00%
Fuel adjustment			836,361			836,361	\$0		0.00%		
Environmental surcharge			473,312			473,312	\$0		0.00%		
Total Revenues			\$7,066,926			\$7,473,058	\$406,131		5.75%		
Average Bill			\$ 294,455.26			\$ 311,377.40	16,922.14		5.75%		

Cumberland Valley  
Billing Analysis  
for the 12 months ended September 30, 2006  
  
Street Lighting and Security Lights  
Outdoor Lighting

	Existing			Proposed			% Increase	% Increase				
	Billing Determinants	Total kWh	Current Rate	Annualized Revenues	% Total Revenue	Billing Determinants			Total kWh	Rate	Annualized Revenues	% Total Revenue
175 WATT MERCURY VAPOR	70	108,828	\$6.50	\$707,382.00	73.67%	108,828	7,617,960	\$6.78	737,716	73.64%	30,334	4.29%
400 WATT MERCURY VAPOR	0	0	\$6.87	\$0.00	0.00%	0	0	\$9.25	0	0.00%	0	#DIV/0!
100 WATT HIGH PRESSURE SODIUM OPEN BOT	0	0	\$6.50	\$0.00	0.00%	0	0	\$6.73	0	0.00%	0	#DIV/0!
100 WATT HIGH PRESSURE SODIUM COLONIAL	0	0	\$7.42	\$0.00	0.00%	0	0	\$7.68	0	0.00%	0	#DIV/0!
100 WATT HIGH PRESSURE SODIUM DIRECTIOI	70	252	\$8.03	\$2,023.56	0.21%	252	17,640	\$8.31	2,094	0.21%	70	3.47%
400 WATT HIGH PRESSURE SODIUM DIRECTIOI	140	9,648	\$12.47	\$120,310.56	12.53%	9,648	1,350,720	\$13.03	125,689	12.55%	5,378	4.47%
400 WATT HIGH PRESSURE SODIUM COBRA HE	140	10,464	\$12.47	\$130,486.08	13.59%	10,464	1,464,960	\$13.03	136,319	13.61%	5,833	4.47%
		129,192		\$960,202.20	100.00%	129,192	10,451,280		1,001,818	100.00%	41,616	4.33%

## Analysis of Wholesale to Retail Proportionality

	Retail
Wholesale	

### I Customer Charge

	Existing	Proposed	Change	Existing	Proposed	Change
Metering Point Charge	\$125/Mo.	\$125/Mo.	\$ -	\$5.00/Mo	\$5.00/Mo	\$ -
Substation at less than 3 MVA	\$944/Mo.	\$944/Mo.	\$ -	\$5.00/Mo	\$5.00/Mo	\$ -

### II Demand Charge

B&C Demand Charge (\$/kW)	\$5.39	\$7.29	\$1.90	\$5.39	\$7.29	\$1.90
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### III Energy Charge

The non-industrial wholesale increase was based on the dollar amount remaining to be recovered at wholesale, divided by kWh.

The non-industrial retail increase was based on the dollar amount remaining to be recovered at retail, divided by kWh.