

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|                                     |   |            |
|-------------------------------------|---|------------|
| APPLICATION OF CUMBERLAND VALLEY    | ) |            |
| ELECTRIC, INC. FOR AN ADJUSTMENT OF | ) | CASE NO.   |
| RATES                               | ) | 2005-00187 |

SECOND DATA REQUEST OF COMMISSION STAFF TO  
CUMBERLAND VALLEY ELECTRIC, INC.

Cumberland Valley Electric, Inc. ("Cumberland Valley") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and six copies of the following information, with a copy to all parties of record. The information requested herein is due on September 16, 2005. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. a. When did Cumberland Valley begin serving customers in Tennessee?
- b. As of test year end, provide the number of customers in Kentucky and Tennessee by customer class.

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

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

2. 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.

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.

4. Refer to the Application, page 2, Item 12(b). Provide a copy of the letter from the Rural Utilities Service ("RUS") notifying Cumberland Valley that it did not meet its mortgage times interest earned ratio ("TIER").

5. Refer to the Application, Exhibit F, Schedule 3, part b, Adjustment for Year Level of Consumers in Rate Schedule A-1.

a. Provide an end of test year customer adjustment similar to the 12-month adjustment included in the schedule referenced above, but which uses a 13-month customer average that includes the number of customers billed monthly from December 2003 through December 2004 for all rate schedules, including Rate Schedule I through Rate Schedule VI.

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

6. 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.

7. Refer to the Application, Exhibit F, Schedule 6, Adjustment for Wages and Salaries.

a. Explain why the bonus is included in the normalized payroll calculations.

b. 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.

c. Explain the purpose of the "Payroll Other" allocation.

d. Reconcile the actual payroll total on page 2 of 3 with the actual payroll total on page 3 of 3.

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

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

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

9. 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.

10. Refer to the Application, Exhibit F, Schedule 9, Adjustment for Postretirement Employee Benefits. Do the accruals 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.

11. Refer to the Application, Exhibit F, Schedule 14, Adjustment for Property Taxes, page 3 of 3. Provide a copy of the schedule that includes the totals.

12. Refer to the Application, Exhibit K, page 2 of 2. Provide a copy of the schedule that includes the labels for the amounts shown in the Return on Capital Structure section.

13. Provide a copy of the independent auditor's report for the financial period ended May 31, 2005. If not available, explain why it is not available.

14. Refer to the Application, Exhibit N, page 10, Pension Plans. Did Cumberland Valley seek Commission approval of the deferred asset referenced in the second paragraph? If no, explain why it did not seek approval of the deferred asset.

15. Refer to the Application, Exhibit O, Depreciation Study.

a. Has Cumberland Valley sought RUS approval of the depreciation rates proposed in the depreciation study? If yes, provide a copy of the approval. If no, explain why RUS approval has not been sought.

b. Explain why the depreciation study was performed on distribution plant only and does not include general plant.

c. Provide the source of the computer program used to perform the depreciation study.

d. Refer to the last page of the Scope section. Describe what is meant by “considered the whole life method” as stated in the first paragraph. Provide any analysis performed using the whole life method used in the consideration.

e. Refer to the last page of the depreciation study titled “Whole Life Depreciation Rates.” Explain the purpose of this schedule.

16. Refer to the Application, Exhibit S, Cost-of-Service Study.

a. The TIER for Rate Schedule II – Commercial w/Demand is 18.87X. Explain why Cumberland Valley has not proposed to reduce the rates for Schedule II – Commercial w/Demand to begin addressing the TIER imbalance indicated by the cost-of-service study.

b. The TIER for Rate Schedule II – Commercial is 1.09X. Explain why Cumberland Valley has not proposed to increase the rates for Schedule II – Commercial to begin addressing the TIER imbalance indicated by the cost-of-service study.

17. Refer to the First Data Request of Commission Staff dated May 20, 2005 (“Staff First Request”), Item 3. Explain the change in the margins excluding generation and transmission capital credits annually between 2000 and 2004.

18. Refer to the Staff First Request, Item 8(a).

a. Refer to page 1 of 2. Four of the RUS notes listed have maturity dates in 2005.

(1) Provide the status of each note as of the date of this request.

(2) Explain why each of the notes maturing in 2005 were included in the normalization of long-term debt.

b. For all long-term debt, identify which interest rates are variable and the current term of the variable rate.

19. Refer to the Staff First Request, Item 8(a), page 2 of 2, and Item 9, page 6 of 7. Reconcile the total interest expense between the schedules.

20. Refer to the Staff First Request, Item 10. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between December 31, 2003 and December 31, 2004:

- a. Account No. 362, Station equipment, page 1 of 11.
- b. Account No. 370, Meters AMR, page 1 of 11.
- c. Account No. 396, Power operated, page 2 of 11.
- d. Account No. 107.20, Construction work in progress, page 3 of 11.
- e. Account No. 136, Temporary investment, page 5 of 11.
- f. Account No. 143.30, Other receivables, page 5 of 11.
- g. Account No. 144.10, Allow for uncollectible, page 5 of 11.
- h. Account No. 154, Material and supplies, page 6 of 11.
- i. Account No. 182.30, Past service costs, page 6 of 11.
- j. Account No. 224.20, FFB notes, page 8 of 11.
- k. Account No. 232.10, Accounts payable, page 8 of 11.

21. Refer to the Staff First Request, Item 11. For each income statement account listed below, describe the reason(s) for the change in the account balance between December 31, 2003 and December 31, 2004:

- a. Account No. 442.20, Large commercial, page 1 of 7.
- b. Account No. 593.03, Right-of-way bushhogging, page 2 of 7.

- c. Account No. 593.04, Right-of-way contractors, page 3 of 7.
- d. Account No. 597.00, Meter maintenance, page 3 of 7.
- e. Account No. 598.00, Miscellaneous distribution, page 3 of 7.
- f. Account No. 902.00, Meter reading, page 3 of 7.
- g. Account No. 903.20, Collection agencies, page 3 of 7.
- h. Account No. 904.00, Uncollectibles, page 3 of 7.
- i. Account No. 908.00, Consumer Assistance, page 4 of 7.
- j. Account No. 909.00, Information and instru., page 4 of 7.
- k. Account No. 921.00, Office supplies and exp., page 4 of 7.
- l. Account No. 923.00, Outside services, page 4 of 7.
- m. Account No. 427.15, FFB interest, page 6 of 7.
- n. Account No. 419.00, Interest income, page 7 of 7.

22. Refer to the Staff First Request, Item 10, page 4 of 7. Describe the purpose and the types of items included in Account No. 929.00, Duplicate charge.

23. Refer to the Staff First Request, Item 16.

a. Does Cumberland Valley include capital credits paid to estates with the general capital credits paid?

b. Explain how Cumberland Valley determines which year's capital credits are rotated.

24. Refer to the Staff First Request, Item 23(a).

a. Explain the increase in overtime hours between 2001 and 2004.

b. Has Cumberland Valley performed an analysis to determine if it is more cost-effective to pay overtime or hire additional employees?

(1) If yes, provide a copy of the analysis.

(2) If no, explain why Cumberland Valley has not performed such an analysis.

25. Refer to the Staff First Request, Item 30, page 2 of 2.

a. Using the same format, identify each expense as institutional, conservation or other.

b. Provide a sample of the electric thermal storage and button-up advertisements.

c. For all advertising identified as institutional, explain why the expense items should be included for rate-making purposes pursuant to 807 KAR 5:016, Section 4.

26. Refer to the Staff First Request, Item 31. Provide the specific expense items that are included in the industry association dues.

27. Refer to the Staff First Request, Item 31, page 3 of 3. Explain why annual meeting prizes should be included for rate-making purposes.

28. Refer to the Staff First Request, Item 33. Identify the designated and alternative representatives to the Kentucky Association of Electric Cooperatives and the National Rural Electric Cooperatives Association.

29. Refer to the Staff First Request, Item 37. Provide the name of the lender of the unadvanced funds.

30. Refer to the Staff First Request, Item 40. Is the accumulated depreciation in line with the level normally experienced by a distribution cooperative? Explain the response.



31. Did Cumberland Valley normalize the PSC assessment? Would Cumberland Valley agree that the normalization should reflect the current PSC assessment rate? Explain the response.

for:   
Beth O'Donnell  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

DATED September 2, 2005

cc: All Parties