

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 issued its final Order in this proceeding approving Cumberland Valley Electric, Inc.'s ("Cumberland Valley") proposed \$1,394,876 revenue increase. Based upon the pro forma adjustments found to be reasonable, including recognition of a significant increase in long-term interest rates that occurred subsequent to the filing of the application, the Commission determined that the approved increase would result in a Times Interest Earned Ratio ("TIER") of 1.61X. The Commission also found that it would be reasonable for Cumberland Valley to use a 2.00X TIER and that Cumberland Valley could justify an additional revenue increase in the amount of \$544,183. The Commission stated that if Cumberland Valley wished to seek the additional revenues, it should request rehearing and provide support for any changes it wishes 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. In its original rate application, Cumberland Valley had proposed that the increase in rates be allocated to two rate classes: Schedule I--Residential and Schedule VI--Outdoor Lighting. Cumberland Valley asserts

that as a result of the increase in rates approved on June 2, 2006, Schedule I is the only remaining customer class that is not providing full revenue requirements.

The Attorney General is the only intervenor in this proceeding and he has filed no responsive pleading to Cumberland Valley's motion.

Cumberland Valley submitted with its motion for rehearing tariff sheets setting forth the proposed rate for the Schedule I class that includes the additional rates proposed herein. Cumberland Valley stated an effective date of June 22, 2006 for the tariff of this new Schedule I rate class. The tariff sheets should be rejected as the rate set forth therein cannot be effective until an Order approving same has been entered by this Commission. The only rates that have been approved for services rendered at this time are the rates set forth in Appendix A of our June 2, 2006 Order.

Having reviewed Cumberland Valley's motion for rehearing and being otherwise sufficiently advised, the Commission finds that the motion should be granted, that the tariff sheets attached to the motion should be rejected as the rates contained therein have not been approved by the Commission, that Cumberland Valley should be required to file tariff sheets that comport with the rates approved in the Commission's June 2, 2006 Order, and that a schedule for comments should be established.

IT IS THEREFORE ORDERED that:

1. Cumberland Valley's motion for rehearing is granted.
2. The tariff attached to Cumberland Valley's motion for rehearing is rejected.
3. The Attorney General shall have until July 24, 2006 to file comments, and Cumberland Valley shall have until August 7, 2006 to file reply comments.

Done at Frankfort, Kentucky, this 10th day of July, 2006.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the end.

Executive Director