

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CUMBERLAND VALLEY)	
ELECTRIC, INC. FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO REPLACE ITS)	CASE NO.
TWO-WAY RADIO SYSTEM AND DEVELOP A GIS)	2012-00250
ACCORDING TO THE APPLICANT'S 01/01/2012 ~)	
12/31/2015 CONSTRUCTION WORK PLAN)	

APPLICATION

Cumberland Valley Electric, Inc. ("CVE"), hereinafter called the Applicant, respectfully advises the Commission that:

1. The applicant is a nonprofit membership cooperative corporation without capital stock, duly organized and existing under K.R.S. Chapter 279, engaged in the sale of electric energy at retail rates to its member-consumers in the Kentucky counties of Bell, Clay, Harlan, Knox, Laurel, Leslie, Letcher, McCreary and Whitley.

2. The name of the Applicant is Cumberland Valley Electric, Inc., with a business address of P.O. Box 440, Gray, Kentucky 40734. {807 KAR 5:001, Section 8(1)}

3. Applicants Articles of Incorporation and all amendments thereto are as identified in Case No. 7772, Application to Increase Basic Retail Electric Rates, are on file with the Commission except those amendments for a corporate name change. Said

amendments are provided in Case No. 2005-00187, Application to Adjust Rates of Applicant. {807 KAR 5:001, Section 8(3)}

4. This application is for a Certificate of Public Convenience and Necessity (“CPCN”) to install a new two-way communication infrastructure (“radio system”) and a Graphical Information System (“GIS”) as set out in Case No. 2011-00442, Application for a Certificate of Public Convenience and Necessity for certain items within applicants 2012 ~ 2015 Construction Work Plan (“CWP”). {KRS 278.020 (1)}

5. The CPCN for the radio system and GIS portion of the CWP will permit the Applicant to operate its existing and future distribution plant in a manor necessary to provide adequate and dependable electric service to existing and anticipated new members. Items recommended within the CWP for development of the radio system and GIS will not duplicate existing facilities and are needed to continue operations and provide for improved service reliability and safety.

6. The CWP, which includes the radio system and GIS, covers the period of four years between January 1, 2012 and December 31, 2015, and was prepared by the firm of Patterson & Dewar Engineers, Inc., PO Box 2808, Norcross, GA and the Applicant’s staff. A copy of the CWP and supporting documents were filed in Case No. 2011-00442. The CWP was submitted to the Rural Utility Service (“RUS”), for approval, which was granted Nov 17, 2011; said approval was filed in Case No. 2011-00442.

7. The CWP was approved by the Applicant’s Board of Directors on Oct 13, 2011. Said approval was filed in Case No. 2011-00442.

8. No CWP construction will require franchises or permits to be filed with the Commission.

9. The CWP and supporting documents, including a “Communication Assessment Report” {appendix A of Data Request 1} and “GIS Overview” {appendix B of Data Request 1}, were filed in Case No. 2011-00442 and provide a description and location of new construction, improvements and extensions. The radio system and GIS will aid in providing service to retail consuming facilities located in the territory certified to the Applicant for retail electric service under KRS 278.016 ~.018.

10. Total projected expenditures, including the radio system and GIS, for the four-year CWP are estimated to be \$17,826,442 and summarized as follows {Refer to CWP Exhibit D, filed in Case No. 2011-00442}:

- a) \$4,673,781 ~ New-member construction {740c REF 101 & 102}
- b) \$1,182,710 ~ System improvement projects {740c REF 300}
- c) \$3,801,963 ~ Transformers and meters {740c REF 601}
- d) \$413,954 ~ Service changes and upgrades {740c REF 602}
- e) \$1,800,000 ~ Sectionalizing equipment and activities {740c REF 603}
- f) \$3,500 ~ Capacitor banks and controls {740c REF 605}
- g) \$2,792,592 ~ Pole replacements {740c REF 606}
- h) \$150,000 ~ Conductor Replacement {740c REF 608}
- i) \$400,000 ~ New Radio Communication System {740c REF 615}
- j) \$1,677,942 ~ Security light installations {740c REF 701}
- k) \$930,000 ~ New Mapping (GIS) System {740c REF 1501}

11. The expenditures covered by this CPCN (2012-00250) are those listed in Part 10 above less items “a ~ h” and “j”; said items were covered by a previously filed

CPCN (2011-00442). Thus, the expenditure for this CPCN is \$17,826,442 less \$16,496,442 = \$1,330,000.

12. The anticipated annual cost of operations, excluding the cost of power, of the proposed facilities is \$191,237. Said anticipated cost of operation is filed herein and made a part hereof as Appendix I.

13. CVE filed an application with RUS to arrange for \$17,608,000¹ in financing, using the RUS Guaranteed Federal Financing Bank² ("FFB") loan program, for GIS and Radio System included within this CPCN. Contract and force accounts financed with internally generated funds will be used until loan funds are in hand. Said RUS financing will reimburse the general funds expended for the initial portion of the CWP and finance the balance of the CWP

14. The current revenues are sufficient to cover any additional operating expenses that may be incurred in relation to the CWP. The addition of new consumers-members should assist in offsetting any additional expenses.

WHEREFORE, the Applicant now moves the Public Service Commission of the Commonwealth of Kentucky to grant the said Certificate of Public Convenience and Necessity for Applicant's GIS and Radio System portion of its CWP which the Applicant has herein requested and which the Commission has discretion to grant pursuant to KRS 278.020 (1).

¹ RUS finances 75% of the field inventory for a GIS project (\$875,100*0.75 = \$656,325). The variance in the loan amount is due to an RUS round-off.

² http://www.rurdev.usda.gov/UEP_FFB_Guaranteed_Loans.html

WITNESS the hand of the Applicant on this the 19 day of June, 2012, by its authorized representative.

CUMBERLAND VALLEY ELECTRIC, INC.

BY: Ted Hampton
Ted Hampton
General Manager

BY: W. Patrick Hauser
W. Patrick Hauser
Attorney for Applicant

STATE OF KENTUCKY

COUNTY OF Knox

Subscribed, sworn to and acknowledged before me by Ted Hampton, as General Manager of CUMBERLAND VALLEY ELECTRIC, INC. this 19 day of June, 2012.

Haron Dale Miller
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 4-11-14

STATE OF KENTUCKY

COUNTY OF Knox

Subscribed, sworn to and acknowledged before me by W. Patrick Hauser, as Attorney for CUMBERLAND VALLEY ELECTRIC, INC. this 19 day of June, 2012.

Haron Dale Miller
NOTARY PUBLIC, STATE AT LARGE, KY

MY COMMISSION EXPIRES: 4-11-14

APPENDIX I

Anticipated Annual Additional Cost of Operation After Completion of all CWP Projects:

Estimated Depreciation:

<i>Account No.</i>	<i>Balance 11/30/2011</i>	<i>Monthly Rate X 12</i>	<i>Depreciation</i>	<i>per cent of total</i>	<i>Estimated Capitalization</i>	<i>Estimated Depreciation</i>
36200	\$756,822.52	3.10%	\$23,461.50	0.84%	\$11,212	\$348
36400	\$25,140,874.80	4.00%	\$1,005,634.99	36.13%	\$480,588	\$19,224
36500	\$22,937,228.62	2.80%	\$642,242.40	23.08%	\$306,924	\$8,594
36700	\$3,097,837.82	4.00%	\$123,913.51	4.45%	\$59,218	\$2,369
36800	\$11,085,048.33	3.10%	\$343,636.50	12.35%	\$164,222	\$5,091
36900	\$7,339,097.77	3.60%	\$264,207.52	9.49%	\$126,263	\$4,545
37000	\$6,463,447.99	3.40%	\$219,757.23	7.90%	\$105,021	\$3,571
37100	\$4,004,669.99	4.00%	\$160,186.80	5.76%	\$76,552	\$3,062
37300	\$0.00	0.00%	\$0.00	0.00%	\$0	\$0
39000	\$0.00	0.00%	\$0.00	0.00%	\$0	\$0
	\$80,825,027.84		\$2,783,040.45	100.00%	\$1,330,000	\$46,803

Estimated Property Taxes:

<i>2010 Taxes</i>	<i>Property @ 12/31/10</i>	<i>Average Rate</i>	<i>Work Plan Amount *</i>	<i>Estimated Taxes</i>
\$592,755	\$52,008,797	1.14%	\$1,330,000	\$15,158

Estimated Interest Expense:

<i>Plant</i>	<i>Estimated Interest Rate</i>	<i>Estimated Interest Expense</i>
\$1,330,000	5.00%	\$66,500

Estimated Operation and Maintenance Expense:

<i>Plant</i>	<i>Estimated O&M %</i>	<i>Estimated O&M Expense</i>
\$1,330,000	4.72%	\$62,776

Estimated cost of operation after the proposed facilities are completed:

\$191,237

* This CPCN is for the 2012 ~ 2015 CWP (\$17,826,42) less the previously filed amount of \$16,496,442 = \$1,330,000; said amount is for the GIS and New Radio System.