

Cumberland Valley Electric, Inc.
One Year Status Report for Expense Reduction Plan

Summary

This report by Cumberland Valley Electric, Inc. (“Cumberland Valley”) is intended to comply with Commission Staff’s post-case correspondence dated August 24, 2017 (and specifically paragraph seven (7) thereof) requiring Cumberland Valley to provide, at six- month and one year intervals, a status report on the actual savings it has achieved following the implementation of its Expense Reduction Plan. Contained within this report is a summary of the notable cost savings Cumberland Valley has pursued and realized through its Expense Reduction Plan. Each cost savings measure shows twelve (12) months actual cost (March 2016- February 2017), 2017 budget, actual savings achieved to date and the percent reduction. Cumberland Valley has also included expense information from its Form 7 Income Statement. Cumberland Valley reduced its total expenses by \$792,477.50 during the calendar year of 2017, excluding purchased power cost. The highlighted items included on the Form 7 Income Statement represent controllable expenses; these controllable expenses have been reduced by \$1,128,050.35 and include savings achieved through Cumberland Valley’s Expense Reduction Plan. Cumberland Valley will continue its efforts to provide its members safe, reliable, and efficient service.

Cumberland Valley Electric
Case #2016-00169
One Year Status Report for Expense Reduction Plan

Expense	Cost Saving Measure	Actual Cost (Mar. 2016 - Feb. 2017)	2017 Budget	Actual Savings Achieved (Mar. 2017 - Feb. 2018)	Percentage Reduction
Medical and Dental	Employee Contribution to Medical/Dental Insurance Premiums	\$907,969.48	\$936,000.00	\$52,898.56	5.83%
Construction Contractors	Reduce/Eliminate Use of Construction Contractors	\$838,261.02	\$885,000.00	\$635,485.02	75.81%
IT Contractor	Reduce Use of IT Contractor	\$80,962.63	\$80,000.00	\$26,370.63	32.57%
Recloser Repairs	Temporarily Discontinue Sending Off Reclosers for Repairs	\$53,453.68	\$58,000.00	\$33,520.22	62.71%
Power Cost for CVE Facilities	Pursue Energy Efficiency Measures at Cumberland Valley's Facilities	\$38,026.97	\$39,000.00	\$1,668.04	4.39%
Digital Signage	Discontinue Use of Digital Signage Software	\$3,528.00	\$3,000.00	\$2,940.00	83.33%
Right-of-Way	Reduce Right-of-Way Budget	\$1,126,489.65	\$750,000.00	\$567,919.09	50.41%
Transportation Expense	Evaluate and Address Cumberland Valley's Fleet	\$892,721.65	\$900,000.00	\$167,593.56	18.77%
Telephone Service & Internet Access	Consolidation of Local Telephone Lines & Switch Internet Access	\$24,032.19	\$18,000.00	\$3,217.31	13.39%
SCADA Lines	SCADA Telephone Lines	\$14,887.02	\$0.00	\$12,975.34	87.16%
Corporate Communication Plans	Modification of Communication Plans	\$29,659.71	\$29,000.00	\$10,408.23	35.09%
Total		\$4,009,992.00	\$3,698,000.00	\$1,514,996.00	37.78%

*Some items, such as Construction Contractors, have some portion of the cost that is capitalized. Information shown here is reflecting all cost, whether capitalized or expensed. Refer to Form 7 Income Statement for total year-to-date expense reduction.

*Medical and Dental Cost exclude any Special Refunds or Assessments

Note: Nonunion employees' contributions to health insurance began at 5% on 4/1/17 and increased to 7.5% on 4/1/18 with additional increases scheduled to follow the next two years. Union employees' contributions began on 9/1/17 with an additional increase scheduled for 9/1/18. Nonunion employees' contributions to dental insurance increased to 40% beginning 4/1/17. Cost savings will continue to increase with the increase in employee contributions. The health plan was modified effective 1/1/18 that included increases to employee copays for office visits, prescription drugs, etc. These modifications will cost shift more of the plan expenses from the employer to the employee.

Cumberland Valley Electric, Inc.				
Expenses from Form 7 Income Statement (January - December)				
Description	2017 Amount	2017 Budget	2016 Amount	Change From 2016 to 2017
3. Cost of Purchased Power	\$30,052,394.00	\$31,700,600.00	\$31,802,176.00	-\$1,749,782.00
6. Distribution Expense - Operation	\$1,561,167.43	\$1,660,759.89	\$1,589,154.42	-\$27,986.99
7. Distribution Expense - Maintenance	\$2,188,766.35	\$3,257,552.41	\$3,168,266.10	-\$979,499.75
8. Customer Accounts Expense	\$1,841,241.61	\$1,973,809.51	\$1,894,893.32	-\$53,651.71
9. Customer Service and Informational Expense	\$37,331.74	\$59,440.40	\$52,319.94	-\$14,988.20
10. Sales Expense	\$0.00	\$0.00	\$0.00	\$0.00
11. Administrative and General Expense	\$1,634,180.70	\$1,585,311.55	\$1,686,104.40	-\$51,923.70
12. Total Operation & Maintenance Expense (2 thru 11)	\$37,315,081.83	\$40,237,473.76	\$40,192,914.18	-\$2,877,832.35
13. Depreciation & Amortization Expense	\$3,837,418.72	\$3,735,264.73	\$3,616,753.49	\$220,665.23
14. Tax Expense - Property & Gross Receipts	\$0.00	\$0.00	\$0.00	\$0.00
15. Tax Expense - Other	\$56,070.09	\$55,697.68	\$55,146.22	\$923.87
16. Interest on Long-Term Debt	\$975,621.91	\$843,446.15	\$870,468.46	\$105,153.45
17. Interest Charged to Construction - Credit	\$0.00	\$0.00	\$0.00	\$0.00
18. Interest Expense - Other	\$7,398.62	\$1,740.52	\$1,734.90	\$5,663.72
19. Other Deductions	\$13,791.95	\$15,435.37	\$10,625.37	\$3,166.58
20. Total Cost of Electric Service (12 thru 19)	\$42,205,383.12	\$44,889,058.21	\$44,747,642.62	-\$2,542,259.50
21. Patronage Capital & Operating Margins (1 minus 20)	\$433,925.00	\$672,754.47	-\$755,327.77	\$1,189,252.77
Expenses Excluding Purchase Power	\$12,152,989.12	\$13,188,458.21	\$12,945,466.62	-\$792,477.50

*Highlighted are controllable expenses that have been reduced by a total of \$1,128,050.35