

May 4, 2018

Via Electronic Filing and Hand-Delivery

Ms. Gwen R. Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

Re: PSC Case No. 2016-00169 - *In the Matter of: Application of Cumberland Valley Electric, Inc. for a General Adjustment of Rates Expense Reduction Plan and Report – Additional Follow-up*

Executive Director Pinson:

Cumberland Valley Electric, Inc. (“Cumberland Valley”), acknowledges receipt of your letter dated April 20, 2018, in which you requested cost analysis explanations for certain variances between the savings expected and those actually achieved in connection with Cumberland Valley’s Expense Reduction Plan. Each item is addressed below.

- **Reduce/Eliminate Use of Construction Contractors (\$246,676 below projected savings).** As part of its Expense Reduction Plan, Cumberland Valley projected the savings it expected to achieve over a twelve (12) month period following the implementation of cost-cutting measures. Cumberland Valley’s One Year Status Report filed herein on April 12, 2018, included the Cooperative’s actual savings achieved during the time period of March 2017 through February 2018; however, because construction contractors were not eliminated until June 1, 2017, the One Year Status Report reflected only approximately nine (9) months of savings realized as a result of reducing/eliminating the use of construction contractors. When annualized, Cumberland Valley believes actual savings will be in line with projections.
- **Evaluate and Address CV’s Fleet (\$144,433 above projected savings).** Cumberland Valley’s continued efforts to reduce fleet expenses and streamline processes have resulted in additional savings. Some of the processes evaluated include route management, system automation and labor for repairs. Most of the additional savings are directly attributable to reductions in repairs and fuel cost.
- **Reduce Right of Way Budget (\$98,706 above projected savings).** Cumberland Valley significantly streamlined its right-of-way maintenance program and attributes

additional savings achieved to reduced crew configurations and targeted use of resources.

- **Employee Contribution to Medical/Dental Insurance Premiums (\$44,735 above projected savings)**. The annual savings for employee contributions to medical/dental insurance premiums originally projected in Cumberland Valley's Expense Reduction Plan reflected anticipated savings resulting from salaried employees' contributions for medical and dental insurance. In addition to the salaried employees' contributions, union employees began contributions in September 2017. The variance between budgeted and actual savings is also attributable to changes in employee coverage type (family to individual, etc.) that reduced the cost of medical and dental insurance premiums.

Please note that the filename associated with the version of this document filed electronically is "CVE_Read1st_Post-Case_050418". One (1) original and six (6) copies of this document in paper medium will be hand-delivered to the Commission without delay.

In accordance with 807 KAR 5:001, Section 8, this is to certify that the electronically filed document is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on May 4, 2018; that there are currently no parties in this proceeding that the Commission has excused from participation by electronic means; that the original of the document transmitted electronically will be filed with the Commission in paper medium within two (2) business days from the date of the electronic filing; and that attached to the top of the paper medium submission is a copy in paper medium of the electronic notification from the Commission confirming receipt of electronic submission.

Please do not hesitate to contact me if you have any questions or concerns.

Respectfully submitted,



Mark David Goss

CC:

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