

Cumberland Valley Electric, Inc.  
Six-Month 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 the prior year’s actual expense (January – August), current year 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 has reduced its expenses by \$570,649.80 through the first eight (8) months of 2017, excluding purchased power cost. Cumberland Valley’s staff is very pleased with the progress that has been made thus far but also realizes that continuing efforts will need to be made in the face of a challenging revenue environment. Cumberland Valley will provide an updated status report on or about April 13, 2018, consistent with Commission Staff’s directive.

Cumberland Valley Electric  
Case #2016-00169  
Six-Month Status Report for Expense Reduction Plan

Expense	Cost Saving Measure	2016 Actual Cost (Jan. - Aug.)	2017 Budget	2017 Actual Savings Achieved (Jan. - Aug.)	Percentage Reduction
Medical and Dental	Employee Contribution to Medical/Dental Insurance Premiums	\$621,193.98	\$936,000.00	\$17,059.50	2.75%
Construction Contractors	Reduce/Eliminate Use of Construction Contractors	\$609,726.64	\$885,000.00	\$279,946.14	45.91%
IT Contractor	Reduce Use of IT Contractor	\$51,673.63	\$80,000.00	\$10,599.63	20.51%
Recloser Repairs	Temporarily Discontinue Sending Off Reclosers for Repairs	\$28,183.34	\$58,000.00	\$10,349.45	36.72%
Power Cost for CVE Facilities	Pursue Energy Efficiency Measures at Cumberland Valley's Facilities	\$26,210.23	\$39,000.00	\$2,437.16	9.30%
Digital Signage	Discontinue Use of Digital Signage Software	\$1,862.00	\$3,000.00	\$686.00	36.84%
Right-of-Way	Reduce Right-of-Way Budget	\$795,696.98	\$750,000.00	\$259,167.02	32.57%
Transportation Expense	Evaluate and Address Cumberland Valley's Fleet	\$637,951.24	\$900,000.00	\$138,379.06	21.69%
Telephone Service & Internet Access	Consolidation of Local Telephone Lines & Switch Internet Access	\$17,060.41	\$18,000.00	\$1,657.62	9.72%
SCADA Lines	SCADA Telephone Lines	\$20,317.82	\$0.00	\$18,406.14	90.59%
Corporate Cell Phone Plans	Modification of Cell Phone Plans	\$18,262.47	\$29,000.00	\$4,226.83	23.14%

\*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.

Cumberland Valley Electric, Inc.				
Expenses from Form 7 Income Statement (January - August)				
Description	2017 YTD Amount	2017 YTD Budget	2016 YTD Amount	Change From 2016 to 2017
3. Cost of Purchased Power	\$19,793,419.00	\$21,683,281.00	\$21,683,281.00	-\$1,889,862.00
6. Distribution Expense - Operation	\$980,489.49	\$1,044,038.93	\$1,013,630.05	-\$33,140.56
7. Distribution Expense - Maintenance	\$1,544,311.67	\$2,306,105.82	\$2,260,888.07	-\$716,576.40
8. Customer Accounts Expense	\$1,244,204.12	\$1,302,374.66	\$1,283,127.74	-\$38,923.62
9. Customer Service and Informational Expense	\$25,835.66	\$32,234.44	\$50,447.18	-\$24,611.52
10. Sales Expense	\$0.00	\$0.00	\$0.00	\$0.00
11. Administrative and General Expense	\$1,064,164.66	\$1,030,635.24	\$1,042,243.16	\$21,921.50
12. Total Operation & Maintenance Expense (2 thru 11)	\$24,652,424.60	\$27,398,670.09	\$27,333,617.20	-\$2,681,192.60
13. Depreciation & Amortization Expense	\$2,541,585.85	\$2,496,860.30	\$2,400,827.23	\$140,758.62
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	\$626,802.29	\$573,675.83	\$553,690.58	\$73,111.71
17. Interest Charged to Construction - Credit	\$0.00	\$0.00	\$0.00	\$0.00
18. Interest Expense - Other	\$5,035.49	\$1,183.67	\$1,160.47	\$3,875.02
19. Other Deductions	\$12,209.95	\$10,198.37	\$10,198.37	\$2,011.58
20. Total Cost of Electric Service (12 thru 19)	\$27,894,128.27	\$30,536,285.94	\$30,354,640.07	-\$2,460,511.80
21. Patronage Capital & Operating Margins (1 minus 20)	\$441,809.63	\$452,410.79	-\$433,897.57	\$875,707.20
Expenses Excluding Purchase Power	\$8,100,709.27	\$8,853,004.94	\$8,671,359.07	-\$570,649.80