

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CUMBERLAND VALLEY )  
ELECTRIC, INC. FOR A GENERAL ADJUSTMENT ) CASE NO. 2016-00169  
OF RATES )

**ATTORNEY GENERAL'S INITIAL REQUEST FOR INFORMATION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Cumberland Valley Electric, Inc. ("Cumberland Valley" or "Company") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following instructions:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.
- (2) Please identify the witness (es) who will be prepared to answer questions concerning each request.
- (3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Cumberland Valley with an electronic version of these data requests, upon request.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the

scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded

statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

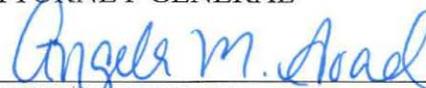
(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,

ANDY BESHEAR  
ATTORNEY GENERAL



---

ANGELA M. GOAD  
KENT CHANDLER  
REBECCA W. GOODMAN  
ASSISTANT ATTORNEYS GENERAL  
1024 CAPITAL CENTER DRIVE, SUITE 200  
FRANKFORT KY 40601-8204  
PHONE: (502) 696-5453  
FAX: (502) 573-1005  
[Angela.Goad@ky.gov](mailto:Angela.Goad@ky.gov)  
[Kent.Chandler@ky.gov](mailto:Kent.Chandler@ky.gov)  
[Rebecca.Goodman@ky.gov](mailto:Rebecca.Goodman@ky.gov)

1. Reference the Cumberland Valley Application generally. Provide all tables and exhibits referenced in or supporting the Application and testimony in their native electronic format (i.e. Microsoft Word, Microsoft Excel), with data including formulae in all cells and rows fully intact and fully accessible.
  - a. Provide all relevant and supporting worksheets in electronic format with data including formulae in all cells and rows fully intact and fully accessible.
2. Reference the Cumberland Valley Application generally. Provide all invoices from outside experts, consultants, and legal counsel related to the current rate case, as well as the total amount expended thus far. Provide this information on an ongoing basis.
3. Reference the Cumberland Valley Application generally. Provide full copies of the Board of Director's ("BOD") meeting minutes for every BOD meeting that has taken place from 5/1/2015 up until the present time where rates were discussed.
4. Reference the Cumberland Valley Application generally. Provide copies of any and all documents, agendas, meeting notices, and/or annual reports relating to or distributed via bill inserts or at any and all meetings with customers between 5/1/2015 and the present time, which address or otherwise discuss the need for a rate adjustment.
5. Reference the Cumberland Valley Application generally. Provide copies of any and all documents, correspondences, newsletters, and/or annual reports mailed or provided electronically to Cumberland Valley's customers from 5/1/2015 up to the present time, which address or otherwise discuss the need for a rate adjustment.
6. Reference the Cumberland Valley Application generally. Has Cumberland Valley conducted a study to compare the Company's salary, benefits, raises and bonuses per

employee with the standard salary, benefits, and raises by the workforce in the counties that it services? If so, provide copies of all such studies. If not, explain why a study has not been performed.

7. Reference Cumberland Valley's Application, Paragraph (1) and provide the per capita income for the residents of each of the nine (9) counties that the Company provides with electricity service.
8. Reference Cumberland Valley's Application, Paragraph (5), where the Company states that increased cost of power, materials, equipment, labor, taxes, and other fixed and variable costs are the reasons behind the Company's rate increase request of \$1,998,262. Provide a detailed explanation of the reasons that these specific costs have risen. Additionally, provide a succinct chart/table that provides a complete breakdown by item/account of the \$1,998,262 rate increase.
9. Reference Cumberland Valley's Application, Paragraph (6). Did the Cumberland Valley Board of Directors ("BOD" or "Board") ever discuss alternatives to filing a rate increase? For example, did the Board discuss either freezing or reducing wage and salary increases/raises and/or bonuses, increasing employee contributions for benefits such as health insurance, etc.?
10. Reference the Cumberland Valley Application generally. Provide copies of any salary surveys/studies or analysis of prevailing wage and salary amounts in the Cumberland Valley area, or any other documents utilized in the process of determining the amount of compensation for wage and salaried employees.

11. Reference the Cumberland Valley Application generally to answer the following:

- a. Provide a list of each Cumberland Valley salaried employee's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
- b. Provide a list of each Cumberland Valley hourly employee's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
- c. Provide a list of each Cumberland Valley BOD's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
- d. Provide a list of each Cumberland Valley officer's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.

12. Reference the Cumberland Valley Application generally. Provide copies of all studies that Cumberland Valley has conducted addressing the impact that the proposed rate design will have on the elderly, low income, fixed income and home bound segments of its ratepayer base. Provide detailed information for each specified group.

13. Reference the Cumberland Valley Application generally. Provide the general wage and salary increases that have been given, or will be given, to all Cumberland Valley employees for each year between 2007 - 2016.

14. Reference the PSC Order from the Application of Cumberland Valley Electric, Inc. for an Adjustment of Rates, Case No. 2014-00159 where the Commission stated that it:

Shares the AG's concern that there seems to be an inherent problem with Cumberland Valley's method for determining pay increases for salaried employees. While there is evidence that increases for bargaining-unit employees are properly determined through negotiations by both sides, there seems to be the expectation that whatever pay increase is granted to union employees will automatically be granted to the salaried employees. The Commission believes that any pay increase for salaried employees needs to be properly justified and not simply based on the increase negotiated for union employees. The Commission will allow the increases proposed in this case, but future increases granted to or proposed for salaried employees will need to be fully justified and documented to show the basis for any proposed increases.

Provide the justification and documentation for granting Union and Non-Union employees the exact same wage and salary increases for years 2015 and 2016.

15. Reference the Cumberland Valley Application generally. Provide the policies and procedures that Cumberland Valley relies upon when making the determination as to providing a wage and/or salary increase to an employee, and whether or not a performance evaluation is the basis for the increase.
16. Reference the Cumberland Valley Application generally. Provide a detailed list of each and every raise or bonus that an employee may be entitled to, and whether or not a performance evaluation is the basis for each.

17. Reference the Cumberland Valley Application generally. Provide a detailed description of the benefits package that Cumberland Valley offers its employees. Include all benefits including but not limited to health, dental, vision, disability, and life insurance plans, pension plans, 401K plans, sick time, vacation time, overtime, etc. and include all dollar amounts paid by the employee and the employer contribution of the same. Include all relevant premiums, co-pays, deductibles, etc.
18. Reference the Cumberland Valley Application generally. Has the Company raised premiums for employees or raised co-pays for doctor visits and/or pharmacy prescriptions in order to assist in keeping the insurance costs as low as possible?
19. Reference the Cumberland Valley Application, Paragraph 5(c). Provide the Times Interest Earned Ratio (“TIER”) for the last three years. Additionally, provide a description of how the 5.48X TIER and the .56X excluding G&T capital credits were calculated.
20. Reference the Cumberland Valley Application Paragraph 5(c). Provide the Operating Times Interest Earned Ratio (“TIER”) for the last three years. Additionally, provide a description of how the OTIER of .12 was calculated.
21. Reference the Cumberland Valley Application Paragraph 5(c). Provide the Net TIER for the last three years. Also provide a description of how the Net TIER was calculated.
22. Reference the Cumberland Valley Application generally. Provide the rationale and justification for applying the large bulk of the rate increase upon the customer charge instead of upon the usage charge.

- a. Confirm that by placing a large percentage of the rate increase upon the customer charge it will prevent its customers from having the ability to reduce their bills through less energy usage?
- b. Does Cumberland Valley agree that by placing a large percentage of the rate increase upon the customer charge it will reduce the incentive to conserve energy?

23. Reference the Company's "Official Notice" at Exhibit D of the Application, which provides the present and proposed rate structure to answer the following questions.

- a. Confirm that Cumberland Valley is proposing to increase the customer charge for Residential, Schools, and Churches ratepayers by 61.51%, in addition to increasing the energy charge per kWh.
- b. Confirm that Cumberland Valley is proposing to increase the customer charge for Small Commercial and Small Power Service (Single Phase) ratepayers by 67.41%.
- c. Confirm that Cumberland Valley is proposing to increase the customer charge for Small Commercial and Small Power Service (Three Phase) ratepayers by 179%.
- d. Confirm that Cumberland Valley is proposing to increase the customer charge for Three Phase Schools and Churches ratepayers by 80%, and increasing the energy charge per kWh.
- e. Confirm that Cumberland Valley is proposing to increase the customer charge for Large Power Industrial ratepayers by 100%.

- f. Confirm that Cumberland Valley is proposing to increase the customer charge for Large Power Rate 50kW-2500kW ratepayers by 62.5%.
  - g. Confirm that Cumberland Valley is proposing to increase the customer charge for Outdoor Lights and Security ratepayers.
  - h. Confirm that Cumberland Valley is proposing to increase the customer charge for Prepaid Service ratepayers by 61.51%, in addition to increasing the energy charge per kWh.
24. Reference Cumberland Valley's Application, Revised Exhibit S to answer the following questions:
- a. Provide a complete detailed breakdown and explanation of the Depreciation increase adjustment of \$219,610.
  - b. Provide a complete detailed breakdown and explanation of the Deferred Debits and Net Change in Assets adjustment of (\$824,847).
  - c. Provide a complete detailed breakdown and explanation of the Memberships adjustment of (\$1,044,457).
  - d. Provide a complete detailed breakdown and explanation of the Operating Revenues Base Rates normalized adjustment of \$151,522 and the proposed increase of \$1,975,812.
  - e. Provide a complete detailed breakdown and explanation of the Operating Revenue Other Electric Revenue normalized adjustment of (\$25,925) and the proposed increase adjustment of \$22,450.

- f. Provide a complete detailed breakdown and explanation of the Operating Expenses Cost of Power for Base Rates normalized adjustment of (\$17,184).
  - g. Provide a complete detailed breakdown and explanation of the Operating Expenses Distribution-Operations normalized adjustment of \$5,571.
  - h. Provide a complete detailed breakdown and explanation of the Operating Expenses Distribution-Maintenance normalized adjustment of \$19,491.
  - i. Provide a complete detailed breakdown and explanation of the Operating Expenses Consumer Accounts normalized adjustment of \$18,312.
  - j. Provide a complete detailed breakdown and explanation of the Operating Expenses Customer Service normalized adjustment of \$1,213.
  - k. Provide a complete detailed breakdown and explanation of the Operating Expenses Administrative and General normalized adjustment of (\$41,017).
  - l. Provide a complete detailed breakdown and explanation of the Operating Expenses Interest on Long-Term Debt normalized adjustment of \$334,521.
25. Reference the Cumberland Valley Application, Exhibit 6, page 1 of 1. Provide an explanation and justification as to why the general advertising costs should be included for rate-making purposes. For example, why should the ratepayers have to pay for advertising with the Kentucky Living Magazine, Tri-City Little League, Inc., or the Cumberland Tourist Commission?

26. Reference the Cumberland Valley Application, Exhibit 8, page 2 of 3 and provide an explanation of the legal duties, and evidence of the same, that Attorney Hauser performed in exchange for the monthly retainer of \$900.
27. Reference the Cumberland Valley Application, Exhibit 8, page 3 of 3 and provide an explanation for the Apple Legal expenses, and be sure to include the reason that bankruptcy services are included.
28. Does Cumberland Valley anticipate any changes in any existing contracts as a result of the new rates it seeks to implement in this filing (e.g., engineering, information technology, maintenance, etc.)? If so, identify each such change.
29. State whether any relative, by blood or marriage, of Cumberland Valley's Board of Directors or executive management team holds, recently held, or will hold any type or sort of position, whether as employee, officer, board member, contractor or consultant, with Cumberland Valley. If so, provide the name of the position(s) involved.
30. Does Cumberland Valley maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to Cumberland Valley's officers, members of its Board, its employees, its independent contractors or consultants? If yes:
  - a. Provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and
  - b. State whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.

31. Does Cumberland Valley have anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.

32. Does Cumberland Valley employ the relatives of:

- a. Any Cumberland Valley Board Member;
- b. Any Cumberland Valley Officer;
- c. Any Cumberland Valley Consultant; and/or
- d. Any other Cumberland Valley Employee?

If so, provide specific details.

33. Reference the Direct Testimony of Robert D. Tolliver, Question #5, page 2 of 8. Mr. Tolliver states that Cumberland Valley's operating TIER has been below 1.1 for the years 2012 through 2015. In Cumberland Valley's Application, it is stated that the TIER is 5.48. Provide an explanation and reconcile these two statements.

34. Reference the Direct Testimony of Robert D. Tolliver, Question #6, page 2 of 8. Mr. Tolliver states that Cumberland Valley has lost 47% of its customer base due to the decline of the coal industry in Southeastern Kentucky.

- a. Confirm that the loss of the coal industry has had a major negative economic impact on the Southeastern Kentucky residents.
- b. Has Cumberland Valley right sized its operations if it has lost 47% of its customer base?

35. Reference the Direct Testimony of Robert D. Tolliver, Question #6, page 2 of 8. Mr. Tolliver states that unemployment in the Cumberland Valley's service area is very significant.
- a. Has Cumberland Valley discussed how its ratepayers will afford yet another rate increase, since the PSC just granted Cumberland Valley a rate increase in January 2015?
  - b. Has Cumberland Valley executives and/or officers discussed any alternatives to filing for another rate increase such as freezing or reducing wage and salary increases/raises, increasing the employee contributions to health insurance premiums, cutting costs, etc.
36. Reference the Direct Testimony of Robert D. Tolliver, Question #9, page 5 of 8. Provide an explanation and justification as to why the PSC should allow the Company to have depreciation rates that are much higher than the RUS High rate.
37. Reference the Direct Testimony of James R. Adkins, Question #8, page 3 of 17. Provide an explanation as to why the EKPC capital credits have never been paid to Cumberland Valley.
38. Reference the Direct Testimony of James. R. Adkins, Question #12, page 6 of 17. Mr. Adkins states that setting margins on the basis of TIER may be a disincentive for a distribution cooperative to maintain the lowest interest expense possible.

- a. Confirm that since Cumberland Valley is a rural electric cooperative, and therefore member owned, Cumberland Valley should always pursue the lowest costs for its member owners in order to provide the lowest cost electricity?
  - b. Confirm that Cumberland Valley has maintained the lowest interest expense possible for its member owners/ratepayers.
39. Reference the Application generally. Provide the current average residential bill for all RECC's and IOU's operating in Kentucky. Ensure to include Cumberland Valley's current average residential bill as well as the proposed average residential bill.
40. Reference the Cumberland Valley Application generally. Identify the test year, filing date, rate effective date, and rate increase (both dollar and percentage) for the Company's last three rate cases.
- a. Provide the level of rate case expense incurred for the last five rate cases. Also, indicate which cases were settled and which were litigated. For the settled cases, also indicate at which stage they were settled.