

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 SUPPLEMENTAL 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 Supplemental 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.

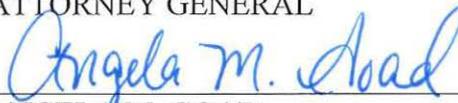
(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; 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
Kent.Chandler@ky.gov
Rebecca.Goodman@ky.gov

1. Reference Cumberland Valley's response to AG 1-6. Provide a full copy of the wage and salary study performed by Intandem Consulting.
2. Reference Cumberland Valley's response to AG 1-8. According to the Company, the rate increase request is due to increased cost of power, materials, equipment, labor, taxes, and other fixed and variable costs. Cumberland Valley's response is inadequate and does not answer the question posed. As originally requested, provide a detailed explanation and breakdown of each specific cost that has risen, and a succinct chart/table that provides a complete breakdown by item/account of the \$1,998,262 rate increase.
3. Reference Cumberland Valley's response to AG 1-9. Explain in complete detail why Cumberland Valley's Board of Directors refused to discuss alternatives to filing a rate increase such as freezing/reducing wage and salary increases, raises, and/or bonuses, increasing employee contributions for benefits such as health insurance, etc.
4. Reference Cumberland Valley's response to AG 1-11(c) to answer the following questions:
 - a. Provide a detailed financial breakdown of each of the Board of Directors' health, dental, and director life benefits, along with an explanation of what each benefit covers. Include the total monetary amount of each benefit per director per year.
 - b. Provide the monetary amount and description of the "modest" Christmas gifts given to each member of the Board of Directors for each of the last five (5) years.
5. Reference Cumberland Valley's response to AG 1-11(a), (b), and (d). The answers are inadequate and do not respond to the questions originally posed. Provide a detailed list for all Cumberland Valley employees, including the President and CEO, that provides the

total yearly salaries or yearly wages, overtime if any, percent pay increase for each of the past five years, and include all benefits, bonuses, awards, etc. For example, if a Christmas bonus was received, provide the monetary amount of the Christmas bonus for each employee.

6. Reference Cumberland Valley's response to AG 1-14. Confirm that since the last rate case, there has continued to be a direct correlation between union and non-union employee wage and salary increases.
7. Reference Cumberland Valley's response to AG 1-15.
 - a. Why does Cumberland Valley not have a formal wage and salary policy for non-union employees? Explain the answer in full detail.
 - b. Why is there not a direct correlation between job performance evaluations and a wage/salary increase? Explain the answer in full detail.
8. Reference Cumberland Valley's response to AG 1-16. The response is inadequate and does not answer the question posed. The Company responded that there are currently no raises or bonuses that salaried employees are entitled to; however, per the application salaried employees are at least entitled to the general raise given each year. Furthermore, throughout the Application "Christmas Bonuses" are also mentioned, but not listed in the response. Provide a detailed list of each and every raise or bonus that any and all Company employee is entitled to, and whether or not a performance evaluation is the basis for each. If a performance evaluation is not the basis for any noted raises or bonuses, provide the basis or justification for each of those raises or bonuses.

9. Reference Cumberland Valley's response to AG 1-17.
 - a. Provide the total monetary amount that Cumberland Valley pays per month in health insurance premiums for the test year period.
 - b. Provide an explanation and justification as to why Cumberland Valley finds it reasonable to pay 100% of the health insurance premium costs of its employees/retirees.
 - c. In order to keep costs down, why has Cumberland Valley not implemented an employee/retiree contribution for health insurance premiums?
 - d. Provide the total monetary amount that Cumberland Valley pays per month in dental insurance premiums for the test year period.
 - e. Provide an explanation and justification as to why Cumberland Valley finds it reasonable to pay 100% of the dental insurance premium for an employee, and roughly 66% of the dental insurance premium for an employee and spouse, employee and children, and employee and family.
 - f. In order to keep costs down, why has Cumberland Valley not raised the employee contribution for dental insurance premiums?
 - g. Provide an explanation and justification as to why Cumberland Valley finds it reasonable to pay 100% of the life insurance premium costs of its employees.
 - h. Provide an explanation and justification as to why Cumberland Valley finds it reasonable to pay 100% of the long term disability insurance premium costs of its employees/retirees.
 - i. Provide a detailed description of the R&S Retirement plan and an explanation of how the plan operates. Include Cumberland Valley's monetary contribution for

each employee per month, employee contributions per month, how Cumberland Valley determines the amount of the contribution, etc.

- j. Provide an explanation and justification as to why Cumberland Valley finds it reasonable to pay 100% of the R&S Retirement costs of its employees/retirees.
- k. Provide an explanation and justification for Cumberland Valley to pay 100% of the 401(k) fees for its employees.
- l. Provide a detailed description of the 401(k) plan and an explanation of how the plan operates. Be sure to include Cumberland Valley's monetary contribution for each employee per month, employee contributions per month, how Cumberland Valley determines the amount of the contribution, etc.

10. Reference Cumberland Valley's response to AG 1-18.

- a. Provide a detailed explanation of the relationship between Cumberland Valley and Kentucky Rural Electric Cooperative in regards to the Kentucky Rural Electric Cooperative Employers Benefit Plan. For example, does Cumberland Valley enter a contract for these services, what are the payments made for the services, etc. If a contract is entered, then provide a copy of the same.
- b. Does Cumberland Valley have the ability to raise employee insurance premiums or co-pays for doctor visits and/or pharmacy prescriptions in order to keep insurance cost as low as possible, or does it have to implement the plan provided by the Kentucky Rural Electric Cooperative group?
- c. Provide a list of other cooperatives that participate in the Kentucky Rural Electric Cooperative Employers Benefit Plan.

11. Reference Cumberland Valley's response to AG 1-19. The response is inadequate and does not answer the question posed.

- a. Provide the mathematical equation used to arrive at the TIER including G&T capital credits, as well as the TIER excluding G&T capital credits. This equation should include the numerator and denominator and what page and line in the Application those figures are provided. If the specific numbers used in the mathematical equation to arrive at TIER are not themselves noted in the Application, but are sums or differences between other amounts, provide the amounts and the location of the page and line those figures appear in the Application.
- b. Provide an explanation and justification as to why Cumberland Valley should be permitted to use the TIER excluding G&T capital credits, instead of using the higher TIER including G&T capital credits.

12. Reference Cumberland Valley's response to AG 1-20. The response is inadequate and does not answer the question posed. Provide the mathematical equation used to arrive at the OTIER. This equation should include the numerator and denominator and what page and line in the Application those figures are provided. If the specific numbers used in the mathematical equation to arrive at OTIER are not themselves noted in the Application but are sums or differences between other amounts, provide the amounts and the location of the page and line those figures appear in the Application.

13. Reference Cumberland Valley's response to AG 1-21. The response is inadequate and does not answer the question posed. Provide the Net TIER for the last three years, and the mathematical equation used to calculate the same. This equation should include the

numerator and denominator and what page and line in the Application those figures are provided. If the specific numbers used in the mathematical equation to arrive at Net TIER are not themselves noted in the Application but are sums or differences between other amounts, provide the amounts and the location of the page and line those figures appear in the Application.

14. Reference Cumberland Valley's response to AG 1-24(a). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Depreciation increase adjustment of \$219,610. Additionally, provide the current depreciation rates and the proposed depreciation rates for any account not included in the chart located in Mr. Tolliver's testimony on page 5 of 8.
15. Reference Cumberland Valley's response to AG 1-24(b). The response is inadequate and does not answer the question posed. Provide an explanation of what the Deferred Debits and Net Change in Assets adjustment of (\$824,847) is comprised of, and provide further explanation of what the net effect on assets represents. Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
16. Reference Cumberland Valley's response to AG 1-24(c) to answer the following questions:
 - a. Provide a detailed explanation of the Patronage capital adjustment of (\$1,044,457).
 - b. Confirm whether Cumberland Valley issued \$1,044,457 in patronage capital to its ratepayers. If so, explain why Cumberland Valley made the decision to issue patronage capital if it could not financially afford to do so.

- c. Provide Cumberland Valley's policy and procedure that governs patronage capital refunds. If none exists, explain why not?
17. Reference Cumberland Valley's response to AG 1-24(d). The response is inadequate and does not answer the question posed. Provide a complete detailed breakdown and explanation of the Operating Revenues Base Rates normalized adjustment of \$151,522. Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
18. Reference Cumberland Valley's response to AG 1-24(e). The response is inadequate and does not answer the question posed. 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. Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
19. Reference Cumberland Valley's response to AG 1-24(f). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Operating Expenses, Cost of Power for Base Rates normalized adjustment of (\$17,184). Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
20. Reference Cumberland Valley's response to AG 1-24(g). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Operating Expenses, Distribution- Operations normalized adjustment of \$5,571. Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.

21. Reference Cumberland Valley's response to AG 1-24(h). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Operating Expenses, Distribution-Maintenance normalized adjustment of \$19,491. Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
22. Reference Cumberland Valley's response to AG 1-24(i). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Operating Expenses, Consumer Accounts normalized adjustment of \$18,312. Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
23. Reference Cumberland Valley's response to AG 1-24(j). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Operating Expenses, Customer Service normalized adjustment of \$1,213. Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
24. Reference Cumberland Valley's response to AG 1-24(k). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Operating Expenses, Administrative General normalized adjustment of (\$41,017). Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.
25. Reference Cumberland Valley's response to AG 1-24(l). The response is inadequate and does not answer the question posed. Provide a detailed breakdown and explanation of the Operating Expenses, Interest on Long-Term Debt normalized adjustment of \$334,521.

Include a general description of what each adjustment consists of in addition to the detailed breakdown of the amounts.

26. Reference Cumberland Valley's response to AG 1-25 to answer the following questions:

- a. Provide copies of all articles, advertisements, etc. that Cumberland Valley paid to appear in the Kentucky Living Magazine.
- b. Provide a detailed explanation and justification as to why the Company's ratepayers should be forced to pay for Cumberland Valley to, "... remain in touch, educate, and provide information on current news and trends [sic] with its member owners" through Kentucky Living magazine, when Cumberland Valley could accomplish these goals via bill inserts, newsletters, emails, member meetings, etc.

27. Reference Cumberland Valley's response to AG 1-26. Provide a detailed explanation of what the \$900 monthly retainer fee for Attorney Hauser covers. Provide invoices for the past twenty-four (24) months with a description of the work performed, what portion, if any, is covered by the \$900 monthly retainer, hourly rate, and total monetary amount paid.

28. Reference Cumberland Valley's response to AG 1-27. Provide all invoices from Apple Legal for the past twenty-four months (24) with a description of the work performed, hourly rate, and total monetary amount paid.

29. Please reference Cumberland Valley's response to AG 1-29 and 1-32. Cumberland Valley confirms that there are multiple incidences of familial relationships amongst the employees such as the CEO being related to a Board Member, Assistant Superintendent, Superintendent, Bookkeeper, etc.

- a. For all of the relationships listed in the responses please specify the date each employee was hired and/or appointed to the position.
- b. Were all of the employees with familial relationships hired after the Nepotism Policy was adopted in 1983? If not, provide a detailed explanation as to why Cumberland Valley violated its Nepotism Policy. Provide all documentation or board minutes noting any exceptions or deviations from Cumberland Valley's Nepotism policy.

30. Please reference Cumberland Valley's response to AG 1-31. Cumberland Valley's Nepotism Policy asserts that the board recognizes that the practice of nepotism in employment of personnel by virtue of family relationships is bad practice as there is natural tendency for kinsman to favor kinsman if the opportunity presents itself. It further states that the cooperative **shall not** employ any person or persons who are kin. However, Cumberland Valley also states that exceptions to the policy can be made by Board Resolution upon recommendation by the CEO. Explain in full detail why Cumberland Valley created the exception to the Nepotism Policy since it is counterproductive and makes the policy essentially ineffective.

31. Reference Cumberland Valley's response to AG 1-30 to answer the following questions since the response is inadequate and does not answer the question posed:

- a. Does Cumberland Valley maintain any contracts with vendors or independent contractors or consultants whose principals are in any manner related, by blood or marriage, to Cumberland Valley's officers, members of its Board, or employees? If yes, provide a detailed explanation of the manner related, name of the vendor/independent contractor or consultant, and name of job position, and a copy

of all agreements and contracts between the vendor/independent contractor or consultant and Cumberland Valley.

- b. Provide a detail explanation of who owns Five-C Construction, the manner that the principal of the Company is related to an employee at Cumberland Valley, and the employee position at Cumberland Valley.
- c. Were all of the awarded contracts given to Five-C Construction for the past ten years competitively bid? If so, provide the bidding documentation verifying that Five-C Construction was the lowest bid. If not, explain why these contracts were not competitively bid.
- d. Why is it necessary to contract with Five-C Construction? Explain in detail why Cumberland Valley is not able to perform the work that it contracts to Five-C Construction each year.

32. Reference Cumberland Valley's response to AG 1-35(b). The response is inadequate and does not answer the question posed. Has Cumberland Valley's 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 insurance premiums, etc.

33. Reference Cumberland Valley's response to AG 1-37. The response is inadequate and does not answer the question posed. As an Owner-Member Cooperative of EKPC, Cumberland Valley should know why EKPC has never issued capital credits. Provide a detailed explanation as to why EKPC has never issued capital credits to Cumberland Valley. Include in the explanation whether EKPC has issued capital credits to the other Owner-Members. Additionally, provide all correspondence between Cumberland Valley

and/or its management and EKPC regarding the capital credits or the issuance of capital credits.

34. Reference Cumberland Valley's response to AG 1-38(a). The response is inadequate and does not answer the question posed. 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. Confirm or deny 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.
35. Reference Cumberland Valley's response to AG 1-40(a) to answer the following questions:
 - a. What is the projected rate case expense for the present case?
 - b. What is the total amount of rate case expense invoiced thus far?