Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

1. Refer to the Application, the Direct Testimony of Robert D. Tolliver ("Tolliver Testimony"), Exhibit H-1, pages 4 and 5 of 8. Explain whether Cumberland Valley submitted the proposed depreciation rates to the Rural Utilities Service ("RUS") for approval. If so, provide documentation of Cumberland Valley's request and the response of RUS to the request. If not, explain why RUS approval was not requested.

Response:

Cumberland Valley Electric submitted the depreciation study to RUS on December 1, 2015. All correspondence about the depreciation study is included on pages 2 thru 5 of this response. Cumberland Valley has not implemented the new rates and assumes they will be addressed in this rate case.

Cumberland Valley Electric
A Touchstone Energy Cooperative

December 1, 2015

Mr. James Murray, Acting Assistant Administrator
USDA Rural Development
Rural Utilities Service
1400 Independence Ave., SW, Rm 5159
STOP 1530
Washington, D.C. 20250-1530

Dear Mr. Murray,

Please find enclosed a copy of the Service Life and Net Salvage Study including the recommended depreciation accrual rates as of December 31, 2014.

Cumberland Valley Electric, Inc. will implement the proposed rates on January 1, 2016.

If you have any questions, please let me know.

Sincerely,

Ted Hampton

Ted Hampton, CEO

Enclosure

cc: Jeff Derouen
KY Public Service Commissions

MAIN OFFICE:
P.O. Box 440 • Gray, KY 40734
Phone: 606-528-2677 • Fax: 606-523-2698

DISTRICT OFFICE:
P.O. Box C • Cumberland, KY 40823
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Matthew G. Bevin
Governor

Charles G. Snavely
Secretary
Energy and Environment Cabinet

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
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psc.ky.gov

James W. Gardner
Chairman

Daniel E. Logsdon Jr.
Vice Chairman

J. Roger Thomas
Commissioner

February 9, 2016

Mr. Ted Hampton
President and Chief Executive Officer
Cumberland Valley Electric
Highway 25E
Gray, Kentucky 40734

Dear Mr. Hampton,

The Commission has received a copy of your December 1, 2015 letter to Mr. James Murray of the USDA Rural Development, Rural Utilities Service ("RUS") submitting a copy of Cumberland Valley Electric's ("Cumberland Valley") Service Life and Net Salvage Study. In your letter, you advise RUS of Cumberland Valley's intent to implement the proposed depreciation rates on January 1, 2016.

In its final Order in Cumberland Valley's last rate case,[1] the Commission ordered Cumberland Valley to perform a depreciation study within five years from the date of the Order or in connection with the filing of its next rate case. The purpose of my letter is to inform you that, pursuant to the Commission's exclusive jurisdiction over the regulation of utility rates, Cumberland Valley must receive Commission authorization prior to using the new depreciation rates for ratemaking purposes. Cumberland Valley can request this authority by submitting an application for approval of the new depreciation rates or it can include the Service Life and Net Salvage Study in its next rate case and request authorization at that time.

Feel free to contact me at 502-564-3940 or Aaron Greenwell of my Staff if you have any questions.

Sincerely,

Jeff Derouen
Executive Director

[1] Case Number, 2014-00159, *Application of Cumberland Valley Electric, Inc. for an Adjustment of Rates*, (Ky. PSC Jan. 16, 2015).

From: Moore, Gerard - RD, Washington, DC [mailto:Gerard.Moore@wdc.usda.gov]
Sent: Wednesday, June 15, 2016 2:17 PM
To: Ted Hampton
Subject: Cumberland Valley Electric 2015 Depreciation Study

Hello Ted: I was processing some depreciation studies when I came upon the 2015 Cumberland Depreciation Study. It had apparently been damaged in the mail and the CD is cracked. Is there any possibility I can get a new CD with the 2015 Depreciation Study?

Thank You

Gerry

Gerard M. Moore |
Rural Development | Rural Utilities Service | Electric Program
U.S. Department of Agriculture Mail Stop 1569
1400 Independence Ave., S.W. | Washington, D.C. 20250
Phone: 202.205-9692 |
www.rurdev.usda.gov

Cumberland Valley Electric
A Touchstone Energy Cooperative

June 28, 2016

Gerald M. Moore
Rural Development
Rural Utilities Service Electric Program
U.S. Department of Agriculture Mail Stop 1569
1400 Independence Ave., S.W.
Washington, D.C. 20250

RE: Cumberland Valley Electric 2015 Depreciation Study

Dear Mr. Moore,

In response to your email regarding the CD, which had apparently been damaged in the mail, containing the 2015 Depreciation Study for Cumberland Valley Electric, Inc., please find enclosed a new CD.

If you need anything else or have any questions, please let me know.

Sincerely,

Ted Hampton

Ted Hampton
President/CEO

Enclosure

TH/be

MAIN OFFICE:
P.O. Box 440 • Gray, KY 40734
Phone: 606-528-2677 • Fax: 606-523-2698

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Cumberland Valley Electric, Inc.
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2. Refer to the Application, Exhibit 19, page 2 of 16.

   a. Provide an explanation and meaning of the column headings Expertise, Leadership, Accountability, Problem Solving, and Intercommunication.

Response:

See Item 2 Pages 2 thru 4 of this response.

   b. Provide an explanation and meaning of the column headings Level and Pts, how the data shown was derived, and what it means.

Response:

See Item 2 Pages 2 thru 4 of this response.

INTANDEM LLC
ADVISORS TO MANAGEMENT

Compensation Plan Position Hierarchy Table

The CVEC compensation plan features a point factor job evaluation system that provides internal equity and helps ensure "equal pay for equal work" from one position to another. Each position in the plan is scored based on the job description for its relative strength with five different job evaluation dimensions; Expertise, Leadership, Accountability, Problem Solving and Intercommunication.

Factor	Descriptor
Expertise	Evaluates the type of education and related experience necessary for a typical incumbent to be proficient in accomplishing the duties and responsibilities listed in the job description. Equivalence to formal education can be substituted by a rate of two year's job experience for one year of formal education.
Leadership	Considers the responsibility for the work of others, difficulty of achieving results and the diversity and complexity of functional responsibilities.
Accountability	Identifies the level of impact the position has on the operation of the organization based on latitude of discretion, functional autonomy, budget responsibility, etc.
Problem Solving	Measures the degree of job structure and evaluates the freedom to act, degree of control as well as the level of standardization (When do problems get escalated to someone else?).
Intercommunication	Evaluates the level and types of communication that the position is charged to relay on behalf of the organization. Quality should be primary while volume and frequency secondary.

Each factor carries a maximum of 400 points making a total possible score of 2,000 points. The sum of the five factors produces a total point value that determines where the position resides in the overall organizational hierarchy. Each factor is divided into seven to nine levels (A through I). When the

400 N Chief Garry Dr, Liberty Lake, WA 99019
Direct: 509.720.88265 Web: www.IntandemConsultants.com

evaluation committee agrees on a particular level, there is a specific point value assigned to that particular level.

Extract of Intercommunication Factor

Level	Definition
- A +	Utilizes common courtesy, communication and listening skills to provide information or respond to questions. Interactions typically involve numerical, quantitative or factual information that can be confirmed or verified.
- B +	Requires active listening and communication skills to understand requests and respond to questions or resolve problems. Responses include advising, communicating plans or coordinating activities.
- C +	Provides information that may be of a technical, legal or sensitive nature. Position requires tact, diplomacy or confidentiality in dealing with complicated problem situations or stressful encounters.

Extract of Point Allocation Table

Level	Expertise	Leadership	Accountability	Problem Solving	Inter-communication
A-	40	40	40	40	40
A	58	54	58	58	58
A+	76	68	76	76	76
B-	94	82	94	94	94
B	112	96	112	112	112
B+	130	110	130	130	130

Because the scoring is based on the job description, the result is demographically blind to race or gender. Other clients that have this system have been audited for disparate impact and been cleared based on the use of the point factor system.

Cumberland Valley Electric, Inc.
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3. Refer to the Application, Exhibit 21.

   a. On page 6 of 38, it is stated that the study utilized "Iowa Type Survivor Curves" ("Iowa Curves"). Provide a full explanation and description of the derivation of the Iowa Curves and how they are used.

Response:

Iowa Type Curves. The range of survivor characteristics usually experienced by utility and industrial properties is encompassed by a system of generalized survivor curves known as the Iowa type curves. There are four families in the Iowa system, labeled in accordance with the location of the modes of the retirements in relationship to the average life and the relative height of the modes. The left moded curves, are those in which the greatest frequency of retirement occurs to the left of, or prior to, average service life. The symmetrical moded curves, are those in which the greatest frequency of retirement occurs at average service life. The right moded curves, are those in which the greatest frequency occurs to the right of, or after, average service life. The origin moded curves, are those in which the greatest frequency of retirement occurs at the origin, or immediately after age zero. The letter designation of each family of curves (L, S, R or O) represents the location of the mode of the associated frequency curve with respect to the average service life. The numbers represent the relative heights of the modes of the frequency curves within each family. The Iowa curves were developed at the Iowa State College Engineering Experiment Station through an extensive process of observation and classification of the ages at which

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industrial property had been retired. A report of the study which resulted in the classification of property survivor characteristics into 18 type curves, which constitute three of the four families, was published in 1935 in the form of the Experiment Station's Bulletin 125. These curve types have also been presented in subsequent Experiment Station bulletins and in the text, "Engineering Valuation and Depreciation." In 1957, Frank V. B. Couch, Jr., an Iowa State College graduate student, submitted a thesis presenting his development of the fourth family consisting of the four O type survivor curves.

b. Explain why Iowa Curves are frequently used by utilities to analyze depreciation of property recorded on a mass basis.

Response:

See response to a. above.

c. Describe the available alternatives to the Iowa Curves, how they differ from the Iowa Curves, and why they would or would not be acceptable.

Response:

The most common methods of fitting actuarial data are:

1. The Iowa Type Curves (25)

Cumberland Valley Electric, Inc.
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2. The Gompertz-Makeham distribution (1)

3. The Truncated Normal Distribution or h curves (9)

4. The Fitted Polynominals (4)

5. The Weiball Distribution (23)

Of the several other methods introduced over the years, the Patterson series (17) is probably the only other worthy of mention. Of the five main methods listed above, the first three involve fitting to an observed survivor curve or its life table, while polynomials are fit to observed retirement ratios, and Weibull distributions are fit to cumulative retirement curves.

Whether mathematical or graphical in nature, the fitting methods assume that given actuarial aged data for property in a format prescribed by that method, the mathematical or graphical bases of the method will extend and predict the remaining retirement or survivor characteristics of the property. The very fact that there are many methods of completing or extending survivor curves leads to the second and possibly most important aspect of life estimation, that of life forecasting.

All of the processes described to this point are life analysis processes. If the results of all possible fitting methods were available, a great variety of evidence as to average service life, probable average life, expectancy, and dispersion would be available with very little

Cumberland Valley Electric, Inc.
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if any agreement between methods. Life forecasting would then be needed to come to a decision based on this evidence. Life forecasting relies solely on the judgment of a person's experience in this area. All evidences produced in the life analysis stage must be considered. These evidences not only include fitting results but also consideration of such things as overall economic trends, management policies, development of new technology, future potential direction, and an additional large variety of influences on the properties being treated. (1)

(1) "Revalidation of Iowa-Type Survivor Curves" by John George Russo, 1978

d. Refer to page 9 of 38. Clarify whether the depreciation rates Cumberland Valley has decided to use are those developed in this study using the whole life method.

Response:

Yes, the whole life method was selected.

e. Refer to page 11 of 38. Provide a revised schedule that indicates the survivor curve for each account.

Response:

Please see attached.

Cumberland Valley Electric, Inc.
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f. Refer to pages 15 through 22 of 38. Explain the determination of the order in which the curves are shown.

Response:

The curves are listed in order of least Squared Error. The R, S, and L curves were compared and the curve with the estimated life in the middle of the 3 was selected.

g. Refer to pages 24 through 38 of 38. Explain how the information shown on these pages is utilized in determining the appropriate Iowa Curve and net salvage.

Response:

Additions and retirements by year are entered into the Computer Assisted Depreciation and Life Analysis System ("CADLAS") which provides best fits for each asset class. The CADLAS is used by most government agencies, including RUS, to determine lives of assets.

When vintage accounting is not available, the SPR method is accepted by the Society of Depreciation Professionals.

The program will provide the best fit for each Iowa Type Curve, i.e., R; S; L; O. Professional judgment is then used to determine which of the curves actually provides the

Cumberland Valley Electric, Inc.
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best fit. This is done by comparing the Squared Error, Index of Variation, Conformation Index, and Retirement Experience. The Simulated Plant Record ("SPR") method is used by utilities and commissions to indicate generalized survivor curves that best represent the life characteristics of property when the property records do not contain the age of property upon retirement. The selection of curves is based upon the closeness of the match between actual and simulated annual amounts.

Additions and retirements are reviewed to make sure there are no unusual or extraordinary events that would cause there to be unusual variations in either there additions or retirements for a particular year. These are then smoothed out to make the analysis more representative.

Cumberland Valley Electric Cooperative
Whole Life Depreciation Rates
as of December 31, 2014

Account Number	Description	Balance Dec 31, 2014	Guideline Curve	Average Service Life	No Net Salvage Accrual	No Net Salvage Rate	Net Salvage Percent	Proposed Rates With Net Salvage Rate	Proposed Rates With Net Salvage Accrual	Existing Rate	Existing Accrual	Difference
362	Station equipment	758,414	(a)	15	50,561	6.70%	0.00%	6.70%	50,814	3.10%	23,511	27,303
364	Poles, Towers & Fixtures	28,703,498	R1	30.1	953,605	3.32%	0.58%	3.90%	1,118,734	4.00%	1,148,140	(29,406)
365	Overhead Conductors & Devices	27,212,587	R1	37.2	731,521	2.69%	0.58%	3.27%	889,186	2.80%	761,952	127,233
367	Underground Conductors & Devices	3,736,396	R3	28	133,443	3.57%	0.45%	4.02%	150,174	4.00%	149,456	718
368	Line Transformers	10,203,355	R1	41.9	243,517	2.39%	0.00%	2.39%	243,860	3.10%	316,304	(72,444)
369	Service (Pole-to-House)	8,254,232	R1	27.1	304,584	3.69%	0.45%	4.14%	341,660	3.60%	297,152	44,507
370	Meters	1,594,716	(a)	31	51,442	3.40%	0.00%	3.40%	54,220	3.40%	54,220	0
370..01	Meters, AMI	4,849,217	(a)	15	323,281	6.70%	0.00%	6.70%	324,898	6.70%	324,898	0
371	Installations on Customers' Premises	4,788,991	R1	22.5	212,844	4.44%	0.45%	4.89%	234,144	4.00%	191,560	42,584
373	Street Lighting & Signal Systems	0		22.5	0	0.00%	0.00%	0.00%	0	4.00%	0	0
	Total	90,101,406			3,004,798				3,407,688		3,267,193	140,495
							Composite rate		3.78%		3.63%	

(a) PSC prescribed rate in Case No. 2014-00159

Cumberland Valley Electric, Inc.
Case No. 2016-00169
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4. Refer to Cumberland Valley's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 1.

   a. Refer to the response to Item 1.a. State whether the response indicates that, for residential accounts, the minimum charge is the greater of the customer charge or the transformer capacity charge. If not, explain what the response means. If so, state whether Cumberland Valley believes that the tariff language should be revised to clarify the issue, and provide the proposed tariff language.

Response:

The response does indicate the minimum charge to be the greater of the customer charge or the transformer capacity charge. Cumberland Valley believes the tariff language should be revised and proposes the following:

Minimum Charge

1. The minimum charge under the above rate shall be the current customer charge listed above.

   b. Refer to the response to Item 1.b.

      (1) Explain what is meant by "this type of customer."

Cumberland Valley Electric, Inc.
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Response:

The inclining block charge type of customer is presumed to be one that has been on the system for a period of time, consistently one with low energy usage, and not a true residential customer but more likely a tobacco barn, shed or a small shop. This is the type of customer that is meant by the statement "this type of customer."

(2) Explain how 600 kWh was chosen as the level at which an inclining block rate customer bill would exceed the bill for a Schedule I residential customer.

Response:

The 600 kWh threshold is judgment amount and is based on the fact that it is approximately one half the average monthly usage for this rate class.

(3) Provide Cumberland Valley's reason(s) for proposing an inclining block rate.

Response:

The inclining block rate is being proposed for the type of customer to provide an alternative to this customer other than having the service shut off. Additionally,

Cumberland Valley Electric, Inc.
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Cumberland Valley wishes to maintain this revenue source as it already has made an investment in the facilities to serve this member.

Cumberland Valley Electric, Inc.
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Commission Staff's Third Request for Information

5. Refer to Cumberland Valley's response to Staff's Second Request, Item 2.

   a. Confirm that RUS requires that Cumberland Valley achieve an operating tier of 1.10.

Response:

Yes, per the RUS loan contract Section 5.4, Rates to Provide Revenue Sufficient to Meet Coverage Ratios Requirements, (b) Retrospective Requirement: The average OTIER (operating tier) must be not less than 1.1 for the 2 best years out of the 3 most recent calendar year.

   b. Discuss the factors contributing to Cumberland Valley's operating margin shifting from an income to loss position from 2011 to 2012, and subsequent years.

Response:

Cumberland Valley has moved from a positive margins situation in 2011 to losses succeeding years for two primary reasons. The first reason has been a decline in sales revenue and the second reason has been the increases in expenses. The decline in sales has been due to the decimation of the coal industry in eastern Kentucky and with this has been a large decrease of the sales for the industrial rate classes. In addition, this decline has impacted the employment and overall economy in the region. Energy sales statistics for this period in kWh and dollars is provided below.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
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The other factor that has been the reason for change from positive margins to losses has been the increase in expenses. Expenses on distribution operations, distribution maintenance, consumer records, consumer and information service, administrative and general, depreciation and long term interest expenses have increased over this period. Provided below is the expenses for each calendar year for 2010 – 2015 Please see schedule provided below which provides more detail on the loss of sales, the increase in expenses and the decline in margins.

COMMERCIAL 1,000 KVA & OVER						
	2010	2011	2012	2013	2014	2015
Revenue	7,487,110	8,205,090	7,237,097	5,481,973	5,459,252	4,368,579
Energy kWh	104,533,879	106,476,667	91,224,900	68,689,615	68,978,440	57,659,927
MAJOR EXPENSE CATEGORIES						
Distribution Oper	1,290,779	1,273,160	1,318,827	1,404,991	1,445,918	1,422,332
Distribution Maint,	2,885,876	2,623,802	2,831,797	2,660,031	2,726,964	2,917,645
Consumer Accounts	1,760,564	1,846,299	1,819,520	1,871,976	1,895,090	1,987,657
Consumer Service	140,899	128,768	179,251	153,670	169,774	104,014
Admin. & General	1,261,108	1,260,980	1,248,508	1,369,893	1,501,315	1,529,192
Depreciation	2,750,265	2,868,087	2,968,519	3,115,270	3,246,850	3,509,699
Interest on LTD	567,377	449,190	427,212	354,342	348,543	560,381
Total	10,656,868	10,450,286	10,793,634	10,930,173	11,334,454	12,030,920
MARGINS						
Operating Margins	1,687,181	801,028	128,155	121,888	28,539	(426,379)
Net Margins (no GTCC	1,951,642	987,909	109,187	74,837	246,456	(269,642)

Cumberland Valley Electric, Inc.
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6. Refer to Cumberland Valley's response to Staff's Second Request, Item 7. The table referred to in the request was the table in response to Q21 on page 13 of 17 of the Direct Testimony of James R. Adkins ("Adkins Testimony"). The response provided by Cumberland Valley relates to the table in response to Q19 on page 12 of 17 of the Adkins Testimony. Provide a revised table in response to Q21 from the Adkins Testimony, page 13 of 17, using the rate class increases requested as shown in Revised Exhibit J.

Response:

Provided below is the requested table.

RATE		TIER		OTIER	
CLASS	Increase	Before	After	Before	After
I - Residential, Schools and Churches	$1,628,748	(0.35)	2.17	(0.66)	1.85
I - Prepaid Service	$11,179	(0.35)	2.17	(0.66)	1.85
I - Marketing Rate	25,802	(34.02)	62.26	(34.02)	64.26
II - Small Power, Single Phase	97,406	2.26	4.85	1.93	4.52
II - Small Power, Three Phase	27,657	0.17	1.87	0.09	1.79
III - Three Phase Schools and Churches	31,374	1.66	3.74	1.63	3.71
IV - Large Power, Industrial	750	5.54	5.62	5.54	5.62
IV-A - Large Power Rate	24,600	2.56	2.93	2.56	2.93
S & T - Outdoor Lighting Service	128,675	(0.49)	1.91	(0.50)	1.90

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

7. Refer to Cumberland Valley's response to Staff's Second Request, Item 9.

   a. Refer to the response to Item 9.b. State whether Cumberland Valley plans to remove the electric thermal storage ("ETS") meters since there is no need to have the units separately metered going forward. If Cumberland Valley has no such plans, explain why the meters would not be removed.

Response:

Cumberland Valley does not plan to remove the meter for the electric thermal storage ("ETS") units. If the meter is removed and the member wishes to continue to use the ETS unit there would be considerable expense to the member to rewire the service. ETS units have their own separate meter base installation. Current ETS customers can choose the new Time of Day rate for this meter and have an off peak rate only slightly above the current marketing rate. The current marketing rate for ETS units is $0.05138 per kWh. The proposed Time of Day off peak rate is $0.06000.

   b. Refer to the response to Item 9.c. Regardless of whether the ETS meters are removed, state whether an ETS unit's electric use will continue to be limited to the same hours it is currently limited.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

Response:

The time of day the ETS units use energy is determined by an internal clock in the unit itself. If the new Time of Day rate is approved and the member elects this option the hours for off peak rates would be the same as the current marketing rate.

Cumberland Valley Electric, Inc.
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Commission Staff's Third Request for Information

8. Refer to Cumberland Valley's response to Staff's Second Request, Item 10. Provide a revised table from page 17 of 17 of the Adkins Testimony using the proposed revenues as shown in Revised Exhibit J for the three Schedule I tariffs that appear in the table (Residential/Farm, Prepay, and Marketing).

Response:

Please see requested table below:

Proposed Revenues	Schedule I Residential & Prepay	Schedule I Residential Marketing - ETS
Revenue from Rates	$29,863,542	63,702
Total Cost to Serve	30,840,765	47,093
Margins from Rates	($977,223)	$16,609
Other Revenue	1,739,599	0
Net Margins	762,375.94	16,609

Cumberland Valley Electric, Inc.
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9. Refer to Cumberland Valley's response to Staff's Second Request, Item 14. The amount for "Total margins and equities" in revised Exhibit K does not agree with Revised Exhibit S filed with Cumberland Valley's responses to Commission Staff's Second Request for Information, Item 19, in the amount of $41,872,064. State which amount is correct and provide revised exhibits if necessary.

Response:

Please see revised Exhibits K and S, which both reflect "Total margins and equities" of $41,846,154.

Exhibit K
page 1 of 7
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2016-00169
Computation of Rate of Return
November 30, 2015

	Actual Test Year	Adjusted Test Year
Net margins	$ 2,266,320	$ 1,199,412
G&T capital credits	(2,489,156)	-
Interest on long-term debt	506,126	850,647
Total	$ 283,290	$ 2,050,059
Net rate base	$ 66,289,286	$ 66,070,122
Rate of return	0.43%	3.10%
Equity Capitalization	$ 67,827,210	$ 66,703,861
Rate of return	0.42%	3.07%

Exhibit K
page 2 of 7
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2016-00169
Determination of Rate Base
November 30, 2015

	Actual Test Year	Adjusted Test Year
Gross rate base:		
Total electric plant	$ 100,810,405	$ 100,810,405
Material and supplies	444,962	444,962
(13 months average for test year)		
Prepayments	158,454	158,454
(13 months average for test year)		
Working capital:		
12.5% of operating expense		
less cost of power	991,384	991,831
	102,405,205	102,405,651
Deductions from rate base:		
Accumulated depreciation	36,032,638	36,252,248
Consumer advances	83,281	83,281
Net rate base	$ 66,289,286	$ 66,070,122

	Material	Prepayments
November. 2014	427,422	86,331
December	427,412	45,952
January	413,710	134,594
February	449,617	126,696
March	423,647	116,459
April	457,697	262,651
May	474,287	252,374
June	475,618	242,097
July	453,381	199,426
August	431,248	206,050
September	467,916	166,051
October	380,193	126,053
November	502,353	95,169
Average	444,962	158,454

Cumberland Valley Electric
Case No. 2016-00169
Computation of Rate of Return
November 30, 2015

		Calendar Year				
	Test Year 2015	1st 2014	2nd 2013	3rd 2012	4th 2011	5th 2010
Net margins	$2,266,320	$2,735,613	$3,031,856	$2,473,447	$3,687,972	$3,465,120
Interest on long-term debt	506,126	348,543	354,342	427,212	449,190	567,377
Total	2,772,446	3,084,156	3,386,198	2,900,659	4,137,162	4,032,497
Net rate base	66,289,286	65,044,423	63,796,898	60,934,675	58,106,354	55,768,535
Rate of return	4.18%	4.74%	5.31%	4.76%	7.12%	7.23%

Return excluding G & T patronage dividends:				Calendar Year		
	Test Year 2015	1st 2014	2nd 2013	1st 2012	2nd 2011	3rd 2010
Net margins	$2,266,320	$2,735,613	$3,031,856	$2,473,447	$3,687,972	$3,465,120
G & T patronage dividends	2,489,156	2,489,157	2,957,019	2,364,260	2,700,063	1,513,478
Interest on long-term debt	506,126	348,543	354,342	427,212	449,190	567,377
Total	283,290	594,999	429,179	536,399	1,437,099	2,519,019
Net rate base	66,289,286	65,044,423	63,796,898	60,934,675	58,106,354	55,768,535
Rate of return, excluding G & T	0.43%	0.91%	0.67%	0.88%	2.47%	4.52%

Cumberland Valley Electric
Case No. 2016-00169
Determination of Rate Base
November 30, 2015

	Test Year	Calendar Year				
		1st	2nd	3rd	4th	5th
	2015	2014	2013	2012	2011	2010
Gross rate base:						
Total electric plant	$100,810,405	$97,990,900	$95,868,118	$91,907,099	$87,488,900	$84,725,706
Material and supplies (13 mo. ave t	444,962	427,412	496,675	700,215	587,895	515,580
Prepayments (13 mo. ave test year)	158,454	45,952	69,683	46,119	42,743	39,578
Working capital:						
12.5% of operating expense						
less cost of power	991,384	967,383	932,570	924,738	891,626	917,403
	102,405,205	99,431,647	97,367,046	93,578,171	89,011,164	86,198,267
Deductions from rate base:						
Accumulated depreciation	36,032,638	34,331,984	33,482,599	32,589,402	30,851,298	30,384,843
Consumer advances	83,281	55,240	87,549	54,094	53,512	44,889
Net rate base	$66,289,286	$65,044,423	$63,796,898	$60,934,675	$58,106,354	$55,768,535

Exhibit K
page 5 of 7
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2016-00169
TIER and DSC Calculations
November 30, 2015

	Actual Test Year	Adjusted Test Year
TIER:		
Margins, excluding G&T capital credits	($222,836)	$1,199,412
Interest on long term debt	506,126	850,647
TIER	0.56	2.41
DSC:		
Margins, excluding G&T capital credits	($222,836)	$1,199,412
Depreciation expense	3,485,419	3,705,029
Interest on long term debt	506,126	850,647
Principal payment on long term debt	2,024,179	2,024,179
DSC	1.49	2.00

DSC = (Margins + depreciation + interest) / (interest + principal payments)

Cumberland Valley Electric
Case No. 2016-00169
TIER and DSC Calculations
November 30, 2015

	Test Year	Calendar Year 1st	2nd	3rd	4th	5th
TIER calculations:	2015	2014	2013	2012	2011	2010
Margins, excluding G&T capital credits	(222,836)	246,456	74,837	109,187	987,909	1,951,642
Interest on long term debt	506,126	348,543	354,342	427,212	449,190	567,377
TIER, excluding G&T capital cr	0.56	1.71	1.21	1.26	3.20	4.44
Margins, including G&T capital credits	2,266,320	2,735,613	3,031,856	2,473,447	3,687,972	3,465,120
Interest on long term debt	506,126	348,543	354,342	427,212	449,190	567,377
TIER	5.48	8.85	9.56	6.79	9.21	7.11
DSC calculations:						
DSC = ((Margins + depreciation + interest) / (interest + principal payments)						
Margins, excluding G&T capital credits	(222,836)	246,456	74,837	109,187	987,909	1,951,642
Depreciation expense	3,485,419	3,246,850	3,115,270	2,750,265	2,968,519	2,868,087
Interest on long term debt	506,126	348,543	354,342	427,212	449,190	567,377
Principal payment on long term debt	2,024,179	1,888,565	1,944,489	1,656,579	1,884,303	2,138,705
DSC,excluding G&T capital cred	1.49	1.72	1.54	1.58	1.89	1.99
Margins, including G&T capital credits	2,266,320	2,735,613	3,031,856	2,473,447	3,687,972	3,465,120
Depreciation expense	3,485,419	3,246,850	3,115,270	2,750,265	2,968,519	2,868,087
Interest on long term debt	506,126	348,543	354,342	427,212	449,190	567,377
Principal payment on long term debt	2,024,179	1,888,565	1,944,489	1,656,579	1,884,303	2,138,705
DSC	2.47	2.83	2.83	2.71	3.05	2.55

Cumberland Valley Electric
Case No. 2016-00169
Equity Capitalization
November 30, 2015

Exhibit K
page 7 of 7
Witness: Jim Adkins

	Proposed	Test Year 2015	Calendar Year 2014	2013	2012	2011	2010
Equity Capitalization: without G&T patronage capital							
Total margins and equities	41,846,154	42,969,503	42,864,919	40,094,172	31,322,996	37,000,392	34,652,023
Less G&T Patronage capital	23,066,206	23,066,206	20,577,049	17,620,030	15,255,770	12,555,707	11,042,229
	18,779,948	19,903,297	22,287,870	22,474,142	16,067,226	24,444,685	23,609,794
Long-term debt	47,923,913	47,923,913	43,857,616	42,813,061	35,722,364	37,921,171	37,526,041
Total	66,703,861	67,827,210	66,145,486	65,287,203	51,789,590	62,365,856	61,135,835
Equity capitalization ratio	28%	29%	34%	34%	31%	39%	39%
Equity Capitalization: with G&T patronage capital							
Total margins and equities	41,846,154	42,969,503	42,864,919	40,094,172	31,322,996	37,000,392	34,652,023
Long-term debt	47,923,913	47,923,913	43,857,616	42,813,061	35,722,364	37,921,171	37,526,041
Total	89,770,067	90,893,416	86,722,535	82,907,233	67,045,360	74,921,563	72,178,064
Equity capitalization ratio	47%	47%	49%	48%	47%	49%	48%
Equity to Total Assets: with G&T patronage capital							
Total margins and equities	41,846,154	42,969,503	42,864,919	40,094,172	31,322,996	37,000,392	34,652,023
Total assets	91,086,437	100,240,172	96,904,768	93,207,169	77,308,129	85,721,370	82,033,415
Equity to total asset ratio	46%	43%	44%	43%	41%	43%	42%

Cumberland Valley Electric
Case No. 2016-00169
Balance Sheet, Adjusted
November 30, 2015

Exhibit S
page 1 of 4
Witness: Jim Adkins

	Actual Test Year	Adjustments to Test Year	Adjusted Test Year
Assets and Other Debits			
Electric Plant:			
In service	100,581,010		100,581,010
Under construction	229,395		229,395
	100,810,405		100,810,405
Less accumulated depreciation	36,032,638	219,610	36,252,248
	64,777,767	(219,610)	64,558,157
Investments	24,798,652		24,798,652
Current Assets:			
Cash and temporary investments	5,070,910		5,070,910
Accounts receivable, net	3,493,030		3,493,030
Material and supplies	407,597		407,597
Prepayments and current assets	86,055		86,055
	9,057,592		9,057,592
Deferred debits and net change in assets	1,606,161	(903,739)	702,422
Total	100,240,172	(1,123,349)	99,116,823
Liabilities and Other Credits			
Margins and Equities			
Memberships	434,550		434,550
Patronage capital	42,534,953	(1,123,349)	41,411,604
	42,969,503	(1,123,349)	41,846,154
Long Term Debt	47,923,913		47,923,913
Accumulated Operating Provisions	3,538,956		3,538,956
Current Liabilities:			
Short term borrowings	-		-
Accounts payable	3,152,263		3,152,263
Consumer deposits	1,223,581		1,223,581
Accrued expenses	1,348,675		1,348,675
	5,724,519		5,724,519
Deferred credits	83,281		83,281
Total	100,240,172	(1,123,349)	99,116,823

Cumberland Valley Electric
Case No. 2016-00169
Statement of Operations, Adjusted

Exhibit S
page 2 of 4
Witness: Jim Adkins

	Actual Test Year	Normalized Adjustments	Normalized Test Year	Proposed Increase	Proposed Test Year
Operating Revenues:					
Base rates	41,038,599	151,522	41,190,121	1,975,812	43,165,933
Fuel and surcharge	2,982,174	(2,982,174)	-		-
Other electric revenue	1,646,269	(6,935)	1,639,334		1,639,334
	45,667,042	(2,837,587)	42,829,455	1,975,812	44,805,267
Operating Expenses:					
Cost of power:					
Base rates	31,296,277	(17,184)	31,279,093		31,279,093
Fuel and surcharge	2,818,449	(2,818,449)	-		-
Distribution - operations	1,411,233	5,571	1,416,804		1,416,804
Distribution - maintenance	2,881,530	19,491	2,901,021		2,901,021
Consumer accounts	2,011,653	18,312	2,029,965		2,029,965
Customer service	115,054	1,213	116,267		116,267
Sales	-	-	-		-
Administrative and general	1,511,605	(41,017)	1,470,588		1,470,588
Total operating expenses	42,045,801	(2,832,063)	39,213,738	-	39,213,738
Depreciation	3,485,419	219,610	3,705,029		3,705,029
Taxes - other	56,395	-	56,395		56,395
Interest on long-term debt	506,126	397,503	903,629		903,629
Interest expense - other	3,795	-	3,795		3,795
Other deductions	12,632	(12,632)	-		-
Total cost of electric svc	46,110,168	(2,227,582)	43,882,586	-	43,882,586
Utility operating margins	(443,126)	(610,005)	(1,053,131)	1,975,812	922,681
Nonoperating margins, inter	124,232	-	124,232		124,232
Nonoperating margins, other	-	-	-		-
G & T capital credits	2,489,156	(2,489,156)	-		-
Other capital credits	96,057	-	96,057		96,057
Net Margins	2,266,319	(3,099,161)	(832,842)	1,975,812	1,142,970
TIER, total	5.48		0.08		2.26
TIER, exclude G&T	0.56				

Cumberland Valley Electric
Case No. 2016-00169
Summary of Adjustments to Test Year

	Adj 1 Salaries	Adj 2 Payroll Taxes	Adj 3 Deprec	Adj 4 Interest	Adj 5 R & S Retirement	Adj 6 Advertising	Adj 7 Donations	Adj 8 Professional Fees	Adj 9 Directors	Adj 10 Misc Expenses	Adj 11 Rate Case	Adj 12 G & T Capital Cr	Adj 13 Purchase Power	Adj 14 Non-Recurring Charges	Adj 15 Normalize Revenue	Adj 16 Additional Revenue	Total
Operating Revenues:																	
Base rates															151,522		151,522
Fuel and surcharge															(2,982,174)		(2,982,174)
Other electric revenue														22,498		(29,433)	(6,935)
	0	0	0	0	0	0	0	0	0	0	0	0	0	22,498	(2,830,652)	(29,433)	(2,837,587)
Operating Expenses:																	
Cost of power:																	
Base rates													(17,184)				(17,184)
Fuel and surcharge													(2,818,449)				(2,818,449)
Distribution - operations	4,320	462	(1,138)		1,927												5,571
Distribution - maintenanc	13,860	1,482	(2,034)		6,183												19,491
Consumer accounts	12,128	1,297	(523)		5,410												18,312
Customer service	1059	113	(432)		473												1,213
Sales	0	0	0		0												0
Administrative and gener	8,643	924	(742)		3,856	(1,144)		(17,212)	(68,173)	(2,169)	35,000						(41,017)
Total operating expense	40,010	4,278	(4,869)	0	17,849	(1,144)	0	(17,212)	(68,173)	(2,169)	35,000	0	(2,835,633)	0	0	0	(2,832,063)
Depreciation			219,610														219,610
Taxes - other																	0
Interest on long-term debt				397,503													397,503
Interest expense - other																	0
Other deductions							(12,632)										(12,632)
Total cost of electric ser	40,010	4,278	214,741	397,503	17,849	(1,144)	(12,632)	(17,212)	(68,173)	(2,169)	35,000	0	(2,835,633)	0	0	0	(2,227,582)
Utility operating margin	(40,010)	(4,278)	(214,741)	(397,503)	(17,849)	1,144	12,632	17,212	68,173	2,169	(35,000)	0	2,835,633	22,498	(2,830,652)	(29,433)	(610,005)
Nonoperating margins, interest																	0
Nonoperating margins, other																	0
G & T capital credits												(2,489,156)					(2,489,156)
Patronage capital credits																	0
	0	0	0	0	0	0	0	0	0	0	0	(2,489,156)	0	0	0	0	(2,489,156)
Net Margins	(40,010)	(4,278)	(214,741)	(397,503)	(17,849)	1,144	12,632	17,212	68,173	2,169	(35,000)	(2,489,156)	2,835,633	22,498	(2,830,652)	(29,433)	(3,099,161)

Exhibit S
page 4 of 4
Witness: Jim Adkins

Cumberland Valley Electric
Case No. 2016-00169
Proposed Revenues
November 30, 2015

Interest on long term debt	903,629
Normalized margins	(832,842)
Proposed increase in revenues over normalized revenues	$1,975,812

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

10. Refer to Cumberland Valley's response to Staff's Second Request, Item 15.f.(2) and Item 16, the Revised Cost of Service Study ("COSS"), page 25 of 40. The response to Item 15 states that the formula error related to the Percentage of Investment Consumer Related was corrected. A review of the response to Item 16, page 25 of 40, indicates that the error was not corrected. Provide a revised COSS with the formula corrected.

Response:

Please find the revised COSS as part of this response.

Revision 3 Exhibit R

Cumberland Valley Electric, Inc.
Gray, KY

Case No. 2016-00169

COST OF SERVICE STUDY

Test Year -

Twelve Months Ending Novermber 2015

Prepared: March 2016

J. Adkins

OUTLINE

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Schedule

A	Test Year - Actual & Adjusted
B	Functionalization of Expenses
C	Funtionalization Footnotes
D	Rate Base Functionalized
E	Classification of Expenses
F	Determination of Demand & Consumer Related Plant Investments
G	Allocation of Costs
H	Demand & Energy Allocators
I	Consumer Allcators
J	Unbundled Statement of Operations
K	Increase Amounts by Rate Class & Rate Design
L	Rate Base for Each Rate Class

			Test Year Adjustments						
		Actual	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Pro Forma
Acct	Description	$$$$	1, 2 & 5	3	4, 6, & 7	8, 9, 10, & 11	12	13 & 15	$$$$
No.									
555	Demand Charges	6,986,348							6,986,348
	Energy Charges	26,406,018						(2,818,449)	23,587,569
	Load Center Charges	722,360						(17,184)	705,176
	Total Purchased Power	34,114,726	-	-	-	-	-	(2,835,633)	31,279,093
580	Operations Supv & Eng	-							-
									-
582	Station Expense	5,629	27						5,656
583	Overhead Line Exp.	622,602	2,960						625,562
584	Underground Line Exp	46,746	222						46,968
586	Meter Expense	448,223	2,131						450,354
587	Consumer Installations	118,166	562						118,728
588	Misc. Distribution Exp	162,367	772						163,139
589	Rents	7,500	36	(1,138)					6,398
	Total Operations	1,411,233	6,709	(1,138)	-	-	-	-	1,416,804
									-
590	Maint Supv & Eng	-							-
									-
592	Maint of Station Equip	-							-
593	Maint. Overhead Lines	2,547,433	19,029						2,566,463
594	Maint of Underground Lines	-	-						-
595	Maint Line Transformers	13,072	98						13,170

			Test Year Adjustments						
		Actual	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Pro Forma
Acct	Description	$$$$	1, 2 & 5	3	4, 6, & 7	8, 9, 10, & 11	12	13 & 15	$$$$
596	Maint of St Lg & Signal Sys	-	-						-
597	Maintenance of Meters	137,635	1,028						138,663
598	Maint Misc Distrib Plant	183,389	1,370	(2,034)					182,725
									-
	Total Distribut Maintenance	2,881,530	21,525	(2,034)	-	-	-	-	2,901,021
									-
902	Meter Reading Expense	173,508	1,625	(523)					174,610
903	Cons Recds & Collections	1,661,185	15,554						1,676,738
904	Uncollectible Accounts	176,961	1,657						178,618
									-
	Total Consumer Accounts	2,011,654	18,835	(523)					2,029,966
									-
908	Customer Assist. Expense	75,190	1,075						76,265
909	Customer Information Exp	39,864	570	(432)					40,002
									-
	Total Customer Service	115,054	1,645	(432)					116,267
									-
	Total of Above	40,534,196	48,714	(4,127)	-	-	-	(2,835,633)	37,743,150
									-
920	Administrative Salaries	875,442	13,423						888,865
921	Office Supplies	111,055							111,055
923	Outside Services	71,607				17,788			89,395
928	Regulatory Comm Expenses	10,691							10,691
925	Injuries & Damages	-							-
929	Duplicate Charges	(42,650)							(42,650)

			Test Year Adjustments						
		Actual	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Adjustment	Pro Forma
Acct	Description	$$$$	1, 2 & 5	3	4, 6, & 7	8, 9, 10, & 11	12	13 & 15	$$$$
930.1	Director Fees	179,483				(68,173)			111,310
930.1	General Advertising Exp	75,546			(1,144)				74,402
930.2	Misc. General Exp-Other	87,210				(2,169)			85,041
930.3	Capital Credits	13							13
930.4	Annual Meetings	25,840							25,840
932	Maintenance of General Plant	117,369		(742)					116,627
									-
	Total Admin & General	1,511,605	13,423	(742)	(1,144)	(52,554)	-	-	1,470,588
									-
403	Deprec. Distribution Plant	3,299,174		219,610					3,518,784
403	Deprec. General Plant	186,245							186,245
									-
	Total Depreciation	3,485,419	-	219,610	-	-	-	-	3,705,029
									-
408	Taxes Other Than Income Tax	56,395							56,395
426.1	Donations	6,181			(6,181)				0
426.1	Donations - Scholarships	4,500			(4,500)				-
423.1	Donations - dues	1,950			(1,950)				0
									-
	Total Miscellaneous	69,027	-	-	(12,631)	-	-	-	56,396
									-
	Total Interest on LTD	506,126			397,503				903,629
									-
	Total Short Term Interest	3,796							3,796
									-
	Total Costs	46,110,168	62,137	214,741	383,728	(52,554)	-	(2,835,633)	43,882,587

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Functionalization of Revenue Requirements

			Allocation	Pro Forma	Power	Substa-	
	Acct	Description	Basis	$$$$	Supply	Station	Lines
	No.						
	555	Demand Charges	Direct Assign	6,986,348	6,986,348		
		Energy Charges	Direct Assign	23,587,569	23,587,569	-	
		Load Center Charges	Direct Assign	705,176	705,176		
		Total Purchased Power		31,279,093	31,279,093		
	580	Operations Supv & Eng	Prop. Exp(b)	-			
	582	Station Expense	Direct Assign	5,656		5,656	
	583	Overhead Line Exp.	Plant Bal (a)	625,562			551,027
	584	Underground Line Exp	Plant Bal (a)	46,968			41,372
	586	Meter Expense	Direct Assign	450,354			
	587	Consumer Installations	Direct Assign	118,728			
	588	Misc. Distribution Exp	Prop. Exp(b)	163,139		740	77,484
	589	Rents	Prop. Exp(b)	6,398		29	3,039
		Total Operations		1,416,804	-	6,424	672,922
				-			
	590	Maint Supv & Eng	Prop. Exp(b)	-			
				-			
	592	Maint of Station Equip	Direct Assign	-			
	593	Maint. Overhead Lines	Plt Bal (a)	2,566,463			2,260,674
	594	Maint of Underground Lines	Plt Bal (a)	-			
	595	Maint Line Transformers	Direct Assign	13,170			
	596	Maint of St Lg & Signal Sys	Direct Assign	-			

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Functionalization of Revenue Requirements

		Allocation	Trans			Cons. & Acct	Outdoor
Acct	Description	Basis	former	Services	Meters	Services	Lighting
No.							
555	Demand Charges	Direct Assign					
	Energy Charges	Direct Assign					
	Load Center Charges	Direct Assign					
	Total Purchased Power						
580	Operations Supv & Eng	Prop. Exp(b)					
582	Station Expense	Direct Assign					
583	Overhead Line Exp.	Plant Bal (a)		74,534			
584	Underground Line Exp	Plant Bal (a)		5,596			
586	Meter Expense	Direct Assign			450,354		
587	Consumer Installations	Direct Assign					118,728
588	Misc. Distribution Exp	Prop. Exp(b)		10,481	58,905		15,529
589	Rents	Prop. Exp(b)	-	411	2,310		609
	Total Operations		-	91,022	511,569	-	134,866
590	Maint Supv & Eng	Prop. Exp(b)					
592	Maint of Station Equip	Direct Assign					
593	Maint. Overhead Lines	Plt Bal (a)		305,789			
594	Maint of Underground Lines	Plt Bal (a)		-			
595	Maint Line Transformers	Direct Assign	13,170				
596	Maint of St Lg & Signal Sys	Direct Assign					

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Functionalization of Revenue Requirements

			Allocation	Pro Forma	Power	Substa-	
	Acct	Description	Basis	$$$$	Supply	Station	Lines
	No.						
	597	Maintenance of Meters	Direct Assign	138,663			
	598	Maint Misc Distrib Plant	Prop. Exp {c}	182,725			151,964
		Total Distribut Maintenance		2,901,021	-		2,412,637
	901	Supervision	Direct Assign				
	902	Meter Reading Expense	Direct Assign	174,610			
	903	Cons Recds & Collections	Direct Assign	1,676,738			
	904	Uncollectible Accounts	Direct Assign	178,618			
		Total Consumer Accounts		2,029,966			-
	908	Customer Assist. Expense	Direct Assign	76,265			
	909	Customer Information Exp	Direct Assign	40,002			
		Total Customer Service		116,267	-	-	-
		Total of Above		37,743,150	31,279,093	6,424	3,085,559
	920	Administrative Salaries	Prop. Exp(d)	888,865		883	424,291
	921	Office Supplies	Prop. Exp(d)	111,055		110	53,011
	923	Outside Services	Prop. Exp(d)	89,395		89	42,672
	928	Regulatory Comm Expenses	Prop. Exp(d)	10,691		11	5,103
	925	Injuries & Damages	Prop. Exp(d)	-		-	-
	929	Duplicate Charges	Prop. Exp(d)	(42,650)		(42)	(20,359)
	930.1	Director Fees	Prop. Exp(d)	111,310		111	53,133

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Functionalization of Revenue Requirements

Acct No.	Description	Allocation Basis	Trans former	Services	Meters	Cons. & Acct Services	Outdoor Lighting
597	Maintenance of Meters	Direct Assign			138,663		
598	Maint Misc Distrib Plant	Prop. Exp {c}	885	20,555	9,321		
	Total Distribut Maintenance		14,055	326,344	147,984	-	-
901	Supervision	Direct Assign					
902	Meter Reading Expense	Direct Assign				174,610	
903	Cons Recds & Collections	Direct Assign				1,676,738	
904	Uncollectible Accounts	Direct Assign				178,618	
	Total Consumer Accounts		-	-		2,029,966	-
						-	
908	Customer Assist. Expense	Direct Assign				76,265	
909	Customer Information Exp	Direct Assign				40,002	
	Total Customer Service		-	-		116,267	-
	Total of Above		14,055	417,367	659,553	2,146,233	134,866
920	Administrative Salaries	Prop. Exp(d)	1,933	57,392	90,694	295,126	18,545
921	Office Supplies	Prop. Exp(d)	241	7,171	11,331	36,873	2,317
923	Outside Services	Prop. Exp(d)	194	5,772	9,121	29,681	1,865
928	Regulatory Comm Expenses	Prop. Exp(d)	23	690	1,091	3,550	223
925	Injuries & Damages	Prop. Exp(d)	-	-	-	-	-
929	Duplicate Charges	Prop. Exp(d)	(93)	(2,754)	(4,352)	(14,161)	(890)
930.1	Director Fees	Prop. Exp(d)	242	7,187	11,357	36,958	2,322

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Functionalization of Revenue Requirements

			Allocation	Pro Forma	Power	Substa-	
	Acct	Description	Basis	$$$$	Supply	Station	Lines
	No.						
	930.1	General Advertising Exp	Prop. Exp(d)	74,402		74	35,515
	930.2	Misc. General Exp-Other	Prop. Exp(d)	85,041		85	40,594
	930.3	Capital Credits	Prop. Exp(d)	13		0	6
	930.4	Annual Meetings	Prop. Exp(d)	25,840		26	12,334
	932	Maintenance of General Plant	Prop. Exp(d)	116,627		116	55,671
		Total Admin & General		1,470,588		1,462	701,972
				-			
	403	Deprec. Distribution Plant	Net Plant	3,518,784		27,118	2,279,515
	403	Deprec. General Plant	Net Plant	186,245		1,435	120,652
		Total Depreciation		3,705,029	-	28,553	2,400,167
				-			
	408	Taxes Other Than Income Taxe	Rate Base	56,395		435	36,535
	426.1	Donations	Rate Base	0		0	0
	426.1	Donations - Scholarships	Rate Base	-			
	423.1	Donations - dues		0			
		Total Miscellaneous		56,396	-	435	36,536
				-			
		Total Interest on LTD		903,629	-	6,965	585,412
				-			
		Total Short Term Interest	Rate Base	3,796	-	29	2,459
				-			
		Total Costs		43,882,587	31,279,093	43,868	6,812,104

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Functionalization of Revenue Requirements

Acct No.	Description	Allocation Basis	Trans former	Services	Meters	Cons. & Acct Services	Outdoor Lighting
930.1	General Advertising Exp	Prop. Exp(d)	162	4,804	7,592	24,703	1,552
930.2	Misc. General Exp-Other	Prop. Exp(d)	185	5,491	8,677	28,236	1,774
930.3	Capital Credits	Prop. Exp(d)	0	1	1	4	0
930.4	Annual Meetings	Prop. Exp(d)	56	1,668	2,637	8,579	539
932	Maintenance of General Plant	Prop. Exp(d)	254	7,530	11,900	38,723	2,433
	Total Admin & General		3,198	94,952	150,050	488,273	30,682
403	Deprec. Distribution Plant	Net Plant	372,575	308,312	260,916	93,030	177,319
403	Deprec. General Plant	Net Plant	19,720	16,319	13,810	4,924	9,385
	Total Depreciation		392,295	324,630	274,726	97,954	186,704
408	Taxes Other Than Income Taxe	Rate Base	5,972	4,942	4,181	1,488	2,842
426.1	Donations	Rate Base	0	0	0	0	0
426.1	Donations - Scholarships	Rate Base					
423.1	Donations - dues						
	Total Miscellaneous		5,972	4,942	4,181	1,488	2,842
	Total Interest on LTD		95,696	79,179	66,999	23,838	45,541
	Total Short Term Interest	Rate Base	402	333	281	100	191
	Total Costs		511,617	921,402	1,155,791	2,757,885	400,827

CUMBERLAND VALLEY ELECTRIC

CASE NO. 2016-00169

FUNCTIONALIZATION OF REVENUE REQUIREMENTS

FOOTNOTES

(a)	Plant Balances								
		Amount	Percent						
	Poles, Towers & Fixtures	29,674,571							
	Overhead Conductor	27,905,005							
	Underground Conductor	3,889,519							
	Subtotal	61,469,094	88.1%						
	Services	8,314,588	11.9%						
	Total	69,783,683	100.0%						
(b)	Expense Proportion								
		Stations	Lines	Transformers	Services	Meters	Lighting	Total	
582	Station Expense	5,656		-		-	-	5,656	
583	Overhead Line Exp.	-	551,027	-	74,534	-	-	625,562	
584	Underground Line Exp	-	41,372	-	5,596	-	-	46,968	
586	Meter Expense	-		-		450,354	-	450,354	
587	Consumer Installations	-		-		-	118,728	118,728	
	Total	5,656	592,399	-	80,131	450,354	118,728	1,247,267	
	Percent	0.45%	47.50%	0.00%	6.42%	36.11%	9.52%	100.0%	

CUMBERLAND VALLEY ELECTRIC

CASE NO. 2016-00169

FUNCTIONALIZATION OF REVENUE REQUIREMENTS

FOOTNOTES

[c]	Expense Proportion								
		Lines	Transformers	Services	Meters	Total			
593	Maint. Overhead Lines	2,260,674	-	305,789	-	2,566,463			
594	Maint of Underground Li		-	-	-	-			
595	Maint Line Transformers	-	13,170		-	13,170			
596	Maint of St Lg & Signal Sy	-	-	-	-	-			
597	Maintenance of Meters	-	-	-	138,663	138,663			
	Total	2,260,674	13,170	305,789	138,663	2,718,296			
	Percent	83.17%	0.48%	11.25%	5.10%	100.00%			
(d)	Expense Proportion								
		Station	Lines	Transformers	Services	Meters	Consumer	Lighting	Total
	Total Operations	6,424	672,922	-	91,022	511,569	-	134,866	1,416,804
	Total Distribut Maintenar	-	2,412,637.35	14,054.90	326,344.27	147,984.16	-	-	2,901,021
	Total Consumer Account	-	-	-	-	-	2,029,966		2,029,966
	Total Customer Service	-	-	-	-	-	116,267	-	116,267
	Total	6,424	3,085,559	14,055	417,367	659,553	2,146,233	134,866	6,464,057
	Percent	0.10%	47.73%	0.22%	6.46%	10.20%	33.20%	2.09%	100.00%

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169
NET INVESTMENT RATE BASE

									Consumer	
								Meters	& Accounting	Outdoor
	Description		$$$$	Stations	Lines	Transformers	Services	Consumer	Services	Lighting
360	Land & Land Rights		5,488		5,488					
362	Station Equipment		768,921	768,921						
364	Poles, Towers and Fixtures		29,674,571		29,674,571					-
365	Overhead Conductor		27,905,005		27,905,005					
366	Underground Conduit				-					
367	UG Conductor		3,889,519		3,889,519					
368	Line Transformers		10,656,531			10,656,531				
369	Services		8,314,588				8,314,588			-
370	Meters		6,656,001					6,656,001		
371	Install. On Consumer Prem.		4,912,562							4,912,562
373	Street Ltg & Signal Systems		-							
	Total Distribution Plant		92,783,185	768,921	61,474,582	10,656,531	8,314,588	6,656,001	-	4,912,562
				0.83%	66.26%	11.49%	8.96%	7.17%	0.00%	5.29%
	Total General Plant		8,027,220	7,978	3,831,721	17,454	518,296	819,048	2,665,243	167,480
				0.1%	47.7%	0.2%	6.5%	10.2%	33.2%	2.1%
	Total Utility Plant		100,810,405	776,899	65,306,303	10,673,984	8,832,884	7,475,050	2,665,243	5,080,042
	Accum. Depreciation		36,032,638	277,687	23,342,416	3,815,200	3,157,136	2,671,805	952,637	1,815,758
	Net Plant		64,777,767	499,212	41,963,887	6,858,785	5,675,749	4,803,244	1,712,606	3,264,284
			101,039,800	0.77%	64.78%	10.59%	8.76%	7.41%	2.64%	5.04%
	CWIP		229,395	1,901	151,988	26,347	20,557	16,456	-	12,146
			65,007,162	501,114	42,115,876	6,885,132	5,696,305	4,819,701	1,712,606	3,276,430
	Plus									
	Cash Working Capital		991,384	7,640	642,232	104,969	86,864	73,511	26,210	49,958
	Materials & Supplies		444,962	3,429	288,252	47,113	38,987	32,994	11,764	22,423
	Prepayments		158,454	1,221	102,649	16,777	13,884	11,749	4,189	7,985
	Minus: Consumer Advances		83,281	690	55,179	9,565	7,463	5,974	-	4,409
	Net Investment Rate Base		66,518,681	512,714	43,093,829	7,044,427	5,828,577	4,931,980	1,754,769	3,352,385
	Percentage			0.77%	64.78%	10.59%	8.76%	7.41%	2.64%	5.04%

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2016-00169

CLASSIFICATION OF FUNCTIONALIZED COSTS

			Pro Forma	Power Supply			Distribution	Lir
Acct	Description		$$$$	Demand	Energy	Load Center	Station	Demand
No.								
555	Demand Charges		6,986,348	6,986,348				
	Energy Charges		23,587,569	-	23,587,569			
	Load Center Charges		705,176			705,176		
	Total Purchased Power		31,279,093	6,986,348	23,587,569	705,176		
580	Operations Supv & Eng		-					-
582	Station Expense		5,656				5,656	
583	Overhead Line Exp.		625,562	-				301,403
584	Underground Line Exp		46,968					18,968
586	Meter Expense		450,354					
587	Consumer Installations		118,728					
588	Misc. Distribution Exp		163,139				740	41,792
589	Rents		6,398				29	1,639
	Total Operations		1,416,804				6,424	363,802
			-					
590	Maint Supv & Eng		-					
			-					
592	Maint of Station Equip		-					
593	Maint. Overhead Lines		2,566,463					1,236,551
594	Maint of Underground Lines		-					
595	Maint Line Transformers		13,170					
596	Maint of St Lg & Signal Sys		-					
597	Maintenance of Meters		138,663					
598	Maint Misc Distrib Plant		182,725					81,964

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2016-00169

CLASSIFICATION OF FUNCTIONALIZED COSTS

			Pro Forma	ies	Transformers		Services	Meters	Cons & Acct	Outdoor
Acct	Description		$$$$	Consumer	Demand	Consumer	Consumer	Consumer	Consumer	Lighting
No.										
555	Demand Charges		6,986,348							
	Energy Charges		23,587,569							
	Load Center Charges		705,176							
	Total Purchased Power		31,279,093							
580	Operations Supv & Eng		-		-		-	-	-	
582	Station Expense		5,656							
583	Overhead Line Exp.		625,562	249,625			74,534			
584	Underground Line Exp		46,968	22,403			5,596			
586	Meter Expense		450,354					450,354		
587	Consumer Installations		118,728							118,728
588	Misc. Distribution Exp		163,139	35,692			10,481	58,905		15,529
589	Rents		6,398	1,400	-		411	2,310		609
	Total Operations		1,416,804	309,119	-		91,022	511,569		134,866
			-							
590	Maint Supv & Eng		-							
			-							
592	Maint of Station Equip		-							
593	Maint. Overhead Lines		2,566,463	1,024,123			305,789			
594	Maint of Underground Lines		-				-			
595	Maint Line Transformers		13,170		10,609	2,561				
596	Maint of St Lg & Signal Sys		-							
597	Maintenance of Meters		138,663					138,663		
598	Maint Misc Distrib Plant		182,725	70,000	713	172	20,555	9,321	-	-

CUMBLERLAND VALLEY ELECTRIC
CASE NO. 2016-00169

CLASSIFICATION OF FUNCTIONALIZED COSTS

				Pro Forma	Power Supply			Distribution	Lir
	Acct	Description		$$$$	Demand	Energy	Load Center	Station	Demand
		Total Distribut Maintenance		2,901,021	-	-	-	-	1,318,515
	901	Supervision		174,610					
	902	Meter Reading Expense		174,610					
	903	Cons Recds & Collections		1,676,738	76,272				
	904	Uncollectible Accounts		178,618					
		Total Consumer Accounts		2,029,966					-
				-					
	908	Customer Assist. Expense		76,265					
	909	Customer Information Exp		40,002					
		Total Customer Service		116,267	-		-		-
		Total of Above		37,743,150	6,986,348	23,587,569	705,176	6,424	1,682,317
	920	Administrative Salaries		888,865				883	228,847
	921	Office Supplies		111,055				110	28,592
	923	Outside Services		89,395				89	23,016
	928	Regulatory Comm Expenses		10,691				11	2,752
	925	Injuries & Damages		-				-	-
	929	Duplicate Charges		(42,650)				(42)	(10,981)
	930.1	Director Fees		111,310				111	28,658

CUMBLERLAND VALLEY ELECTRIC
CASE NO. 2016-00169

CLASSIFICATION OF FUNCTIONALIZED COSTS

			Pro Forma	ies	Transformers		Services	Meters	Cons & Acct	Outdoor
Acct	Description		$$$$	Consumer	Demand	Consumer	Consumer	Consumer	Consumer	Lighting
	Total Distribut Maintenance		2,901,021	1,094,123	11,322	2,733	326,344	147,984	-	-
901	Supervision		174,610							
902	Meter Reading Expense		174,610						174,610	
903	Cons Recds & Collections		1,676,738						1,676,738	
904	Uncollectible Accounts		178,618						178,618	
	Total Consumer Accounts		2,029,966		-		-		2,029,966	-
			-							
908	Customer Assist. Expense		76,265						76,265	
909	Customer Information Exp		40,002						40,002	
	Total Customer Service		116,267		-		-		116,267	-
	Total of Above		37,743,150	1,403,242	11,322	2,733	417,367	659,553	2,146,233	134,866
920	Administrative Salaries		888,865	195,444	1,557	376	57,392	90,694	295,126	18,545
921	Office Supplies		111,055	24,419	195	47	7,171	11,331	36,873	2,317
923	Outside Services		89,395	19,656	157	38	5,772	9,121	29,681	1,865
928	Regulatory Comm Expenses		10,691	2,351	19	5	690	1,091	3,550	223
925	Injuries & Damages		-	-	-	-	-	-	-	-
929	Duplicate Charges		(42,650)	(9,378)	(75)	(18)	(2,754)	(4,352)	(14,161)	(890)
930.1	Director Fees		111,310	24,475	195	47	7,187	11,357	36,958	2,322

CUMBLERLAND VALLEY ELECTRIC
CASE NO. 2016-00169

CLASSIFICATION OF FUNCTIONALIZED COSTS

				Pro Forma	Power Supply			Distribution	Lir
	Acct	Description		$$$$	Demand	Energy	Load Center	Station	Demand
	930.11	General Advertising Exp		74,402				74	19,156
	930.2	Misc. General Exp-Other		85,041				85	21,895
	930.3	Capital Credits		13				0	3
	930.4	Annual Meetings		25,840				26	6,653
	932	Maintenance of General Plant		116,627				116	30,027
		Total Admin & General		1,470,588				1,462	378,618
				-					-
	403	Deprec. Distribution Plant		3,518,784				27,118	1,229,486
	403	Deprec. General Plant		186,245				1,435	65,075
		Total Depreciation		3,705,029	-	-	-	28,553	1,294,561
				-					
	408	Taxes Other Than Income Taxes		56,395				435	19,706
	426.1	Donations		0				0	0
	426.11	Donations - Scholarships		-					-
	423.12	Donations - dues		0					-
		Total Miscellaneous		56,396	-	-	-	435	19,706
				-					-
		Total Interest on LTD		903,629	-			6,965	315,750
				-					-
		Total Short Term Interest		3,796	-			29	1,326
				-					-
		Total Costs		43,882,587	6,986,348	23,587,569	705,176	43,868	3,692,278

CUMBLERLAND VALLEY ELECTRIC
CASE NO. 2016-00169

CLASSIFICATION OF FUNCTIONALIZED COSTS

			Pro Forma	es	Transformers		Services	Meters	Cons & Acct	Outdoor
Acct	Description		$$$$	Consumer	Demand	Consumer	Consumer	Consumer	Consumer	Lighting
930.11	General Advertising Exp		74,402	16,360	130	31	4,804	7,592	24,703	1,552
930.2	Misc. General Exp-Other		85,041	18,699	149	36	5,491	8,677	28,236	1,774
930.3	Capital Credits		13	3	0	0	1	1	4	0
930.4	Annual Meetings		25,840	5,682	45	11	1,668	2,637	8,579	539
932	Maintenance of General Plant		116,627	25,644	204	49	7,530	11,900	38,723	2,433
	Total Admin & General		1,470,588	323,354	2,576	622	94,952	150,050	488,273	30,682
			-	-						
403	Deprec. Distribution Plant		3,518,784	1,050,028	300,137	72,438	308,312	260,916	93,030	177,319
403	Deprec. General Plant		186,245	55,577	15,886	3,834	16,319	13,810	4,924	9,385
	Total Depreciation		3,705,029	1,105,605	316,023	76,272	324,630	274,726	97,954	186,704
			-							
408	Taxes Other Than Income Taxes		56,395	16,830	4,811	1,161	4,942	4,181	1,488	2,842
426.1	Donations		0	0	0	0	0	0	0	0
426.11	Donations - Scholarships		-	-						
423.12	Donations - dues		0	-						
	Total Miscellaneous		56,396	16,830	4,811	1,161	4,942	4,181	1,488	2,842
			-	-						
	Total Interest on LTD		903,629	269,662	77,090	18,606	79,179	66,999	23,838	45,541
			-	-						
	Total Short Term Interest		3,796	1,133	324	78	333	281	100	191
			-	-						
	Total Costs		43,882,587	3,119,826	412,146	99,472	921,402	1,155,791	2,757,885	400,827

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Determination of Certain Plant Investments as Demand Related or Consumer Related

	Account 364 - Poles			
Pole	Investment	Number of Units	Unit Cost	Size
30.00	4,684,595	13,980	335.09	25.00
35.00	1,216,604	8,267	147.16	35.00
40.00	8,757,707	18,467	474.24	40.00
45.00	3,082,724	5,788	532.61	45.00
50.00	1,047,257	1,568	667.89	50.00
55.00	390,394	410	952.18	55.00
60.00	106,419	87	1,223.20	60.00
65.00	63,077	58	1,087.54	65.00
70.00	17,987	21	856.50	70.00
75.00	13,697	2	6,848.68	75.00
Total for Sample	19,380,462	48,648		
X Variable - (Size)	11.01			
Zero Intercept	(29.91)			
Use Minimum Size Pole			147.16	
Number of poles			48,648.00	
Consumer Related Investment			7,159,231.75	
Total Investment for sample			19,380,462.16	
Percent Customer Related			**36.94%**	
Percent Demand Related			**63.06%**	

CUMBERLAND VALLEY ELECTRIC, INC.
Case No. 2016-00169

Determination of Certain Plant Investments as Demand Related or Consumer Related

Account 365 - Overhead Conductor

Conductor	Investment	Number of Units	Unit Cost	Amps
6ACWC	689	12,164	$ 0.0566	140
8ACWC	8,355	154,482	$ 0.0541	100
4 HD CU	22,935	206,906	$ 0.1108	170
6HD CU	8,876	107,987	$ 0.0822	128
1/0 ACSR	1,830,598	4,427,885	$ 0.4134	242
2/0 ACSR	117,654	527,534	$ 0.2230	276
4/0 ACSR	1,598,035	2,199,887	$ 0.7264	357
2 ACSR	6,485,603	12,712,740	$ 0.5102	184
4 ACSR	2,030,455	6,419,782	$ 0.3163	140
#336.4 ACSR	880,426	918,426	$ 0.9586	519
3/0 ACSR	23,425	2,259,903	$ 0.0104	315
397.5 MCM AL	110	267	$ 0.4114	576
Aerial Cable	83,323	72,029	$ 1.1568	268
4/0 Aerial Cable	4,242	7,885	$ 0.5380	**268**
Aerial Cable 2	8,106	1,430	$ 5.6688	**128**
2 SP Cable	200	838	$ 0.2385	**128**
1/0 SP Cable	7,470	950	$ 7.8632	**172**
266.8 MCM-CU	9,351	44,109	$ 0.2120	**308**
4/0 SP Cable	70,292	23,880	$ 2.9436	**268**
Total for Sample	13,190,145	30,099,084	$ 0.4382	
X Variable - (Size)	0.00081			
Zero Intercept	0.25236			
Total Amount of Conductor in Feet		30,099,084		
Use Zero Intercept		**0.25236**		
Minimum Size Investment -Consumer Related		7,595,792.21	**57.59%**	
Demand Related		**5,594,353**	**42.41%**	
Investment in Conductor		**13,190,145.06**	**100.00%**	

CUMBERLAND VALLEY ELECTRIC, INC.
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Determination of Certain Plant Investments as Demand Related or Consumer Related

	Account 367 - Underground Conductor				
Conductor	Investment	Number of Units	Unit Cost	Amps	
Cable , UG Duplex, 600V	**2,769**	**373**	**7.42**	70	
2 URD Triplex	**227,471**	**53,184**	**4.28**	120	
4 URD Triplex	4,567	570	**8.01**	90	
350 URD Triplex	**156,635**	**29,635**	**5.29**	320	
1/0 URD Conc	**33,664**	**13,213**	**2.55**	155	
2/0 URD Triplex	**882,420**	**248,394**	**3.55**	180	
4/0 URD Triplex	**942,695**	**292,874**	**3.22**	240	
350 URD Quad	**5,462**	**746**	**7.32**	320	
2 URD CONC	**756,273**	**172,891**	**4.37**	119	
2 URD SOL	**56,982**	**28,826**	**1.98**	168	
Total for Sample	**3,068,939**	**840,706**	**3.65**		
X Variable - (Size)	-0.00386				
Zero Intercept	4.32554				
Total Amount of Conductor in Feet		840,706			
Use Minimum Size		**1.97675**			
Minimum Size Investment -Consumer Related		1,661,863.38	**54.15%**		
Demand Related		**1,407,075**	**45.85%**		
Investment in Conductor		**3,068,938.58**	**100.00%**		

Breakdown of Lines into Demand Related and Consumer Related Components

	Total Sample Investment	Percent Consumer	Amount Consumer	Percent Demand	Amount Demand
Underground Conductor	**3,068,939**	**54.15%**	**1,661,863.38**	**45.85%**	**1,407,075**
Overhead Conductor	**13,190,145**	**57.59%**	**7,595,792.21**	**42.41%**	**5,594,353**
Poles	**19,380,462**	**36.94%**	**7,159,231.75**	**63.06%**	**12,221,230**
	32,570,607.22		**14,755,023.96**		**17,815,583.26**
Percentage Allocations For Overhead Lines			**45.30%**		**54.70%**
	35,639,546		16,416,887		19,222,658
Percentage Allocation for All Lines			46.1%		**53.94%**

CUMBERLAND VALLEY ELECTRIC, INC.
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Determination of Certain Plant Investments as Demand Related or Consumer Related

	Account 368-Transformers				
Pole	Investment	Number of Units	Unit Cost	Predicted Value	Size
1.5KVA CSP	22,260	213.00	104.51	1.50	
3.KVA CSP	73,018	542.00	134.72	3.00	
5KVA CSP	150,249	881.00	170.54	5.00	
7.5KVA CSP	7,132	32.00	222.88	7.50	
10KVA CSP	1,031,822	4,548.00	226.87	10.00	
15KVA CSP	2,552,394	8,743.00	291.94	15.00	
25KVA CSP	2,097,274	4,013.00	522.62	25.00	
50 KVA CSP	279,152	337.00	828.35	50.00	
10 KVA	23,236	60.00	387.26	10.00	
15 KVA	425,502	660.00	644.70	15.00	
25 KVA	184,988	280.00	660.67	25.00	
37.5 KVA	21,794	46.00	473.79	37.50	
50 KVA	328,841	415.00	792.39	50.00	
75 KVA CSP	1,645	2.00	822.71		
500 KVA URD	40,445	8.00	5,055.66		
50R BARE COST	4,610	2.00	2,304.79		
300 KVA URD	15,475	4.00	3,868.82		
1667 KVA AUTO CONV	4,159	3.00	1,386.17		
2000 KVA 3PH PAD MT	16,504	4.00	4,125.96		
75KVA	12,457	13.00	958.27		
100KVA	177,408	132.00	1,344.00		
167 KVA	160,099	87.00	1,840.22		
250 KVA	57,539	22.00	2,615.40		
333 KVA	175,919	51.00	3,449.40		
500 KVA	21,706	3.00	7,235.32		
500 KVA 3PH PAD MT	79,745	11.00	7,249.53		
1500 KVA PAD MT	9,265	1.00	9,265.00		
500 KVA URD	39,937	8.00	4,992.06		
750-1000 KVA 3PH PAD MT	79,109	8.00	9,888.68		
1500 KVA PAD MT	9,265	1.00	9,265.00		
Total Sample Investment	8,102,950	21,130	383.48		
X Variable - (Size)	15.65				
Zero Intercept	67.3766				
Number of Transformers			20,770.00		
Zero Intercept			67.38		
Consumer Related Investment			1,399,412.26		
Total Investment			7,197,663.20		
Percentage of Investment Consumer Related			**19.44%**		
Percentage of Investment Demand Related			**80.56%**		

CUMBLERLAND VALLEY ELECTRIC
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REVENUE REQUIREMENTS FOR EACH RATE CLASS

	A	B	C	D	E
1					Schedule I
2		Catengory		Enviro	Residential,
3			Amount	Watts	Schl & Chur
4		Purchased Power Costs			
5		Demand	6,986,348		5,059,147
6		Load Center Charges	705,176		470,409
7		Total Purchased Power Demand	7,691,524		5,529,556
8					
9		Energy	23,587,569	656	15,524,060
10					
11		Distribution Costs			
12		Demand Related			
13		Stations	43,868		29,263
14		Lines	3,692,278		2,463,047
15		Transformers	412,146		274,934
16		Total Demand Realted	4,148,292		2,767,245
17					
18		**Consumer Related**			
19		Lines	3,119,826		2,903,202
20		Transformers	99,472		86,309
21		Services	921,402		809,444
22		Meters	1,155,791		1,003,993
23		Consumer Svc			
24		& Accouting	2,757,885		2,150,124
25		Total Consumer Related	8,054,375		6,953,073
26					
27		Outdoor Lighting	400,827		
28					
29		Total Costs	43,882,587	656	30,773,935
30					
31					
32		Purchased Power Demand Costs	7,691,524		5,529,556
33		Purchased Power Energy Costs	23,587,569	656	15,524,060
34		Distribution Demand Costs	4,148,292		2,767,245
35		Distribution Consumer Costs	8,054,375		6,953,073
36		Distribution Outdoor Lighting	400,827		
37					
38			43,882,587	656	30,773,935

CUMBLERLAND VALLEY ELECTRIC
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REVENUE REQUIREMENTS FOR EACH RATE CLASS

	B	C	F	G	H	I
1			Schedule I	Schedule II	Schedule II	Schedule III
2	Catengory		Marketing	Sml Com	Sml Com	3 Phase Schl
3		Amount	Rate	1 Phase	3 Phase	& Churches
4	Purchased Power Costs					
5	Demand	6,986,348		139,657	218,267	241,749
6	Load Center Charges	705,176		18,494	18,922	29,036
7	Total Purchased Power Demand	7,691,524	-	158,151	237,188	270,784
8						
9	Energy	23,587,569	37,844	743,356	379,308	814,083
10						
11	Distribution Costs					
12	Demand Related					
13	Stations	43,868	-	1,150	1,177	1,806
14	Lines	3,692,278	-	96,835	99,074	152,030
15	Transformers	412,146	-	10,809	11,059	16,970
16	Total Demand Realted	4,148,292	-	108,795	111,310	170,807
17						
18	**Consumer Related**					
19	Lines	3,119,826	-	174,985	18,447	6,325
20	Transformers	99,472	-	6,694	1,263	1,373
21	Services	921,402	-	72,707	7,665	6,258
22	Meters	1,155,791	4,056	60,514	54,117	2,187
23	Consumer Svc					
24	& Accouting	2,757,885	5,066	215,992	45,540	13,272
25	Total Consumer Related	8,054,375	9,122	530,892	127,033	29,415
26						
27	Outdoor Lighting	400,827				
28						
29	Total Costs	43,882,587	46,966	1,541,195	854,839	1,285,089
30						
31						
32	Purchased Power Demand Costs	7,691,524	-	158,151	237,188	270,784
33	Purchased Power Energy Costs	23,587,569	37,844	743,356	379,308	814,083
34	Distribution Demand Costs	4,148,292	-	108,795	111,310	170,807
35	Distribution Consumer Costs	8,054,375	9,122	530,892	127,033	29,415
36	Distribution Outdoor Lighting	400,827				
37						
38		43,882,587	46,966	1,541,195	854,839	1,285,089

REVENUE REQUIREMENTS FOR EACH RATE CLASS

	B	C	J	K	L	M
1			Schedule IV	Schedule IV-A	Schedule VI	
2	Catengory		Large Power	Large Power	Outdoor	
3		Amount	2500 kW Plus	50-2500 kW	Lights	Total
4	Purchased Power Costs					
5	Demand	6,986,348	132,976	1,107,059	87,495	6,986,348
6	Load Center Charges	705,176	19,794	134,106	14,414	705,176
7	Total Purchased Power Demand	7,691,524	152,770	1,241,165	101,909	7,691,524
8						
9	Energy	23,587,569	843,984	4,663,617	580,660	23,587,569
10						
11	Distribution Costs					
12	Demand Related					
13	Stations	43,868	1,231	8,343	897	43,868
14	Lines	3,692,278	103,642	702,176	75,473	3,692,278
15	Transformers	412,146	11,569	78,380	8,425	412,146
16	Total Demand Realted	4,148,292	116,442	788,898	84,795	4,148,292
17						
18	**Consumer Related**					
19	Lines	3,119,826	132	10,410	6,325	3,119,826
20	Transformers	99,472	331	3,390	112	99,472
21	Services	921,402	124	9,832	15,372	921,402
22	Meters	1,155,791	387	30,538	-	1,155,791
23	Consumer Svc					
24	& Accouting	2,757,885	1,041	56,535	270,315	2,757,885
25	Total Consumer Related	8,054,375	2,014	110,703	292,123	8,054,375
26						
27	Outdoor Lighting	400,827			400,827	400,827
28						
29	Total Costs	43,882,587	1,115,210	6,804,384	1,460,314	43,882,587
30						
31						
32	Purchased Power Demand Costs	7,691,524	152,770	1,241,165	101,909	7,691,524
33	Purchased Power Energy Costs	23,587,569	843,984	4,663,617	580,660	23,587,569
34	Distribution Demand Costs	4,148,292	116,442	788,898	84,795	4,148,292
35	Distribution Consumer Costs	8,054,375	2,014	110,703	292,123	8,054,375
36	Distribution Outdoor Lighting	400,827			400,827	400,827
37						-
38		43,882,587	1,115,210	6,804,384	1,460,314	43,882,587

CUMBERLAND VALLEY ELECTRIC, INC.
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Demand Related Costs and Energy Related Costs Allocators

A. Energy Sales	Allocation is proportional on actual sales to end use customers								
	Schedule 1	Schedule 1	Schedule II	Schedule II	Schedule III	Schedule IV	Schedule IV-A	Schedule VI	
	Residential	Residential	Commercial	Small Power	Three Phase	Large Power	Large Power	Outdoor Lights	Total
Month	Schls & Chur	ETS	No Demand	W/Demand	Schls & Chur	Industrial	Rate	Security Lights	
January	29,160,163	119,674	1,173,456	597,612	1,335,021	1,956,600	7,091,903	938,854	42,373,283
February	36,625,715	160,352	1,362,903	645,799	1,584,899	1,602,000	7,788,431	942,844	50,712,943
March	42,960,412	192,039	1,498,154	638,848	1,610,651	1,728,000	8,013,886	941,164	57,583,154
April	27,197,552	117,757	1,171,325	608,159	1,270,416	1,591,200	6,203,863	940,954	39,101,226
May	19,485,373	50,227	1,148,740	649,327	1,240,462	1,648,800	7,381,378	941,374	32,545,681
June	18,066,464	12,568	1,053,649	640,603	1,207,283	1,335,600	7,373,376	942,354	30,631,897
July	21,938,968	935	1,176,442	63S,825	1,192,677	1,242,000	8,091,828	939,624	35,218,299
August	26,087,434	1,013	1,366,439	613,644	1,033,766	993,600	8,044,206	941,724	39,081,826
September	21,980,055	877	1,205,115	639,367	1,356,211	1,083,600	8,153,421	947,534	35,366,180
October	18,692,385	1,351	1,145,361	620,866	1,527,049	1,062,000	7,882,800	946,526	31,878,338
November	18,290,596	19,832	1,119,258	551,711	1,264,542	1,058,400	7,416,068	947,772	30,668,179
December	22,109,264	61,006	1,068,021	551,383	1,244,426	1,148,400	7,458,032	947,002	34,587,534
Total	302,594,381	737,631	14,488,863	7,393,144	15,867,403	16,450,200	90,899,192	11,317,726	459,748,540
Percent	65.82%	0.16%	3.15%	1.61%	3.45%	3.58%	19.77%	2.46%	100.00%

Used to allocate purchased power energy costs to retail rate classes. Wholesale energy costs for rate classes LP1 And LP2 are directly assigned.

CUMBERLAND VALLEY ELECTRIC, INC.
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Demand Related Costs and Energy Related Costs Allocators

B. Wholesale Billing CP Contributions

Month	Schedule 1 Residential Schls & Chur	Schedule 1 Residential ETS	Schedule II Commercial No Demand	Schedule II Small Power W/Demand	Schedule III Three Phase Schls & Chur	Schedule IV Large Power Industrial	Schedule IV-A Large Power Rate	Schedule VI Outdoor Lights Security Lights	Total
December	71,427	-	2,699	2,772	4,363	2,109	16,674	2,458	102,502
January	104,561	-	4,261	3,334	3,052	2,305	17,965	2,461	137,939
February	122,387	-	4,157	4,145	3,377	2,105	18,684	2,462	157,317
March	91,285	-	2,678	3,092	3,044	2,851	19,023	2,456	124,429
April	48,528	-	1,490	2,594	3,313	1,922	14,532	-	72,379
May	42,781	-	861	3,334	2,505	913	13,286	-	63,680
June	58,638	-	1,368	2,811	2,998	2,083	16,622	-	84,520
July	62,936	-	522	3,370	3,767	1,860	14,041	-	86,496
August	60,428	-	1,226	2,884	3,741	1,629	12,757	-	82,665
September	58,628	-	1,140	2,853	4,070	2,046	12,604	-	81,341
October	49,849	-	1,355	2,717	3,196	1,298	13,607	2,482	74,504
November	84,960	-	1,884	3,042	3,497	1,389	17,607	2,492	114,871
Total	856,408	-	23,641	36,948	40,923	22,510	187,402	14,811	1,182,643
Percent	72.41%	0.00%	2.00%	3.12%	3.46%	1.90%	15.85%	1.25%	100.00%

Used to allocate wholesale power demand costs to rate classes. Wholesale power demand is billed on basis of CP demand.

2,458	**2,461**	**2,462**	**2,456**	**2,458**	**2,463**	**2,471**	**2,478**	**2,484**	**2,490**	**2,492**

CUMBERLAND VALLEY ELECTRIC, INC.
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Demand Related Costs and Energy Related Costs Allocators

C. Monthly Peak Demands for Each Rate Class

Month	Schedule 1 Residential Schls & Chur	Schedule 1 Residential ETS	Schedule II Commercial No Demand	Schedule II Small Power W/Demand	Schedule III Three Phase Schls & Chur	Schedule IV Large Power Industrial	Schedule IV-A Large Power Rate	Schedule VI Outdoor Lights Security Lights	Total
December	74,329	-	4,235	2,772	4,840	4,256	21,889	2,458	114,779
January	104,562	-	4,261	3,334	5,230	4,071	21,202	2,461	145,121
February	122,387	-	4,157	4,145	5,246	4,241	20,547	2,462	163,185
March	91,285	-	2,678	3,097	4,749	4,759	22,615	2,456	131,639
April	61,056	-	4,248	2,806	4,860	4,193	22,869	2,458	102,490
May	69,422	-	1,949	3,396	5,382	3,494	23,661	2,469	109,773
June	67,625	-	2,236	3,087	4,408	3,403	23,567	2,471	106,797
July	75,830	-	3,762	3,628	4,156	2,515	23,997	2,478	116,366
August	75,737	-	2,012	3,400	5,213	2,401	24,955	2,484	116,202
September	84,224	-	1,982	3,525	5,608	2,407	24,371	2,490	124,607
October	71,560	-	3,159	2,717	5,096	2,391	24,209	2,492	111,624
November	70,286	-	3,390	3,042	4,980	2,614	22,166	2,492	108,970
Total	968,303	-	38,069	38,949	59,768	40,745	276,048	29,671	1,451,553
Percent	66.71%	0.00%	2.62%	2.68%	4.12%	2.81%	19.02%	2.04%	100.00%

Used to allocate distribution demand related costs to appropriate rate classes

CUMBERLAND VALLEY ELECTRIC, INC.

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Consumer Related Costs Allocators

A. Lines (poles and conduit)

	Number of Consumers	Allocation Percent
Schedule I - Residential	22,033	93.06%
Schedule I - Prepaid		0.00%
Schedule I - Marketing ETS	0	0.00%
Schedule II - Small Commercial (kWh)	1,328	5.61%
Schedule II - Small Commercial (kW)	140	0.59%
Schedule III - 3 Phase Schools & Churches	48	0.20%
Schedule IV - Large Power Industrial	1	0.00%
Schedule IV-A - Large Power Rate	79	0.33%
Schedule VI - Outdoor & Security Lights	48	0.20%
	23,677	1.0000

B. Transformers

Rate Class	Number of Consumers	Minimum Transformer Cost	Relative Cost	Weight	Allocation Percent
Schedule I - Residential	22,033	227	1.00	22,033.00	86.768%
Schedule I - Prepaid		-	-		0.000%
Schedule I - Marketing ETS	-	-	-	-	0.000%
Schedule II - Small Commercial (kWh)	1,328	292	1.29	1,708.84	6.730%
Schedule II - Small Commercial (kW)	140	523	2.30	322.50	1.270%
Schedule III - 3 Phase Schools & Churches	48	1,657	7.30	350.51	1.380%
Schedule IV - Large Power Industrial	1	19,154	84.42	84.42	0.332%
Schedule IV-A - Large Power Rate	79	2,485	10.95	865.32	3.408%
Schedule VI - Outdoor & Security Lights	48	135	0.59	28.50	0.112%
	23,677			25,393.09	100.0%

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Consumer Related Costs Allocators

C. Services

Rate Class	# of Consume	Minim Service Cost	Relative Cost	Weight	Allocation Percent
Schedule I - Residential	22,033	195.27	1.00	22,033.00	87.85%
Schedule I - Prepaid			-		
Schedule I - Marketing ETS	-	-	-	-	0.00%
Schedule II - Small Commercial (kWh)	1,328	291.00	1.49	1,979.09	7.89%
Schedule II - Small Commercial (kW)	140	291.00	1.49	208.64	0.83%
Schedule III - 3 Phase Schools & Churches	48	692.93	3.55	170.34	0.68%
Schedule IV - Large Power Industrial	1	661.47	3.39	3.39	0.01%
Schedule IV-A - Large Power Rate	79	661.47	3.39	267.61	1.07%
Schedule VI - Outdoor & Security Lights	11,080	7.37	0.04	418.41	1.67%
	34,709			25,080.48	1.00

D. Meters

Rate Class	# of Consume	Minimum Meter Cost	Relative Cost	Weight	Allocation Percent
Schedule I - Residential	22,033	36.00	1.00	22,033.00	86.87%
Schedule I - Prepaid					
Schedule I - Marketing ETS	89	36.00	1.00	89.00	0.35%
Schedule II - Small Commercial (kWh)	1,328	36.00	1.00	1,328.00	5.24%
Schedule II - Small Commercial (kW)	140	305.38	8.48	1,187.62	4.68%
Schedule III - 3 Phase Schools & Churches	48	36.00	1.00	48.00	0.19%
Schedule IV - Large Power Industrial	1	305.38	8.48	8.48	0.03%
Schedule IV-A - Large Power Rate	79	305.38	8.48	670.16	2.64%
Schedule VI - Outdoor & Security Lights	-	-	-	-	
	23,718			25,364.26	1.00

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E. Consumer & Accounting Services — Consumer Related Costs Allocators

Rate Class	Number of Consumers	Relative Weight Meter Read	Relative Weight Cons Rcds	Relative Weight Cust Asst	Combined Relative Weights	Weight	Allocation Percent
Schedule I - Residential	22,033	1.00	4.00	1.00	6.00	132,198	77.96%
Schedule 1 - Prepaid							
Schedule I - Marketing ETS	89	1.00	1.00	1.50	3.50	312	0.18%
Schedule II - Small Commercial (kWh)	1,328	1.00	6.00	3.00	10.00	13,280	7.83%
Schedule II - Small Commercial (kW)	140	2.00	10.00	8.00	20.00	2,800	1.65%
Schedule III - 3 Phase Schools & Churches	48	1.00	8.00	8.00	17.00	816	0.48%
Schedule IV - Large Power Industrial	1	4.00	20.00	40.00	64.00	64	0.04%
Schedule IV-A - Large Power Rate	79	4.00	20.00	20.00	44.00	3,476	2.05%
Schedule VI - Outdoor & Security Lights	11,080	-	1.00	0.50	1.50	16,620	9.80%
						169,565.50	1.00

	Meter Reading			Consumer Records		
	Factor	Weight	Relative Weight	Factor	Weight	Relative Weight
Schedule I - Residential	1.00	1.00	1.00	4.00	1.00	4.00
Schedule 1 - Prepaid						
Schedule I - Marketing ETS	1.00	1.00	1.00	1.00	1.00	1.00
Schedule II - Small Commercial (kWh)	1.00	1.00	1.00	3.00	2.00	6.00
Schedule II - Small Commercial (kW)	2.00	1.00	2.00	5.00	2.00	10.00
Schedule III - 3 Phase Schools & Churches	1.00	1.00	1.00	4.00	2.00	8.00
Schedule IV - Large Power Industrial	4.00	1.00	4.00	10.00	2.00	20.00
Schedule IV-A - Large Power Rate	4.00	1.00	4.00	10.00	2.00	20.00
Schedule VI - Outdoor & Security Lights	-	1.00	-	1.00	1.00	1.00

CUMBERLAND VALLEY ELECTRIC, INC.

Case No. 2016-00169

Consumer Related Costs Allocators

	Consumer Assistance		
	Factor	Weight	Relative Weight
Schedule I - Residential	1.00	1.00	1.00
Schedule 1 - Prepaid			
Schedule I - Marketing ETS	1.00	1.50	1.50
Schedule II - Small Commercial (kWh)	1.00	3.00	3.00
Schedule II - Small Commercial (kW)	2.00	4.00	8.00
Schedule III - 3 Phase Schools & Churches	2.00	4.00	8.00
Schedule IV - Large Power Industrial	2.00	20.00	40.00
Schedule IV-A - Large Power Rate	2.00	10.00	20.00
Schedule VI - Outdoor & Security Lights	0.50	1.00	0.50

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2016-00169
REVENUE FROM RATES MATCHED WITH REVENUE REQUIREMENTS

	Total	Enviro Watts	Schedule I Residential	Schedule 1 Residential. Market - ETS	Schedule II Single Phase Commercial	Schedule II Three Phase Commercial
Normalized Revenue from Rates	$41,190,121	780	28,223,615	37,899	1,500,642	837,357
Wholesale Demand Costs						
Generation	6,986,348		5,059,147	-	139,657	218,267
Distribution Substation	705,176		470,409	-	18,494	18,922
Total Wholesale Demand	7,691,524	-	5,529,556	-	158,151	237,188
Wholesale Energy Costs	23,587,569	656	15,524,060	37,844	743,356	379,308
Total Wholesale Costs	31,279,093	656	21,053,617	37,844	901,508	616,496
Gross Margin	9,911,028	124	7,169,998	55	599,134	220,861
Distribution Demand Costs						
Station	43,868		29,263	-	1,150	1,177
Lines	3,692,278		2,463,047	-	96,835	99,074
Transformers	412,146		274,934	-	10,809	11,059
Total Distribution Demand	4,148,292		2,767,245	-	108,795	111,310
Distribution Consumer						
Lines	3,119,826		2,903,202	-	174,985	18,447
Transformers	99,472		86,309	-	6,694	1,263
Services	921,402		809,444	-	72,707	7,665
Meters	1,155,791		1,003,993	4,056	60,514	54,117
Consumer Services	2,757,885	-	2,150,124	5,066	215,992	45,540
Lighting	400,827		-			
Total Distribution Consumer	8,455,202	-	6,953,073	9,122	530,892	127,033
Total Distribution Costs	12,603,494	-	9,720,318	9,122	639,687	238,343
Margin before Other Revenue	(2,692,466)	124	(2,550,320)	(9,067)	(40,553)	(17,482)
Allocation of Other Elec. Revenue	1,639,334		1,530,680	-	92,259	9,726
Allocation of Misc. Revenue	220,289	-	205,688	-	12,397	1,307
Net Margin	(832,843)	124	(813,952)	(9,067)	64,103	(6,449)

CUMBERLAND VALLEY ELECTRIC
CASE NO. 2016-00169
REVENUE FROM RATES MATCHED WITH REVENUE REQUIREMENTS

	Schedule III Three Phase Schl, Churches	Schedule IV Over 2500 kW	Schedule IV-A 50-2500 kW	Schedule VI Lighting	Total
Normalized Revenue from Rates	1,270,330	1,143,450	6,811,729	1,364,318	41,190,121
Wholesale Demand Costs					
Generation	241,749	132,976	1,107,059	87,495	6,986,348
Distribution Substation	29,036	19,794	134,106	14,414	705,176
Total Wholesale Demand	270,784	152,770	1,241,165	101,909	7,691,524
Wholesale Energy Costs	814,083	843,984	4,663,617	580,660	23,587,568
Total Wholesale Costs	1,084,867	996,753	5,904,782	682,569	31,279,093
Gross Margin	185,463	146,697	906,947	681,749	9,911,028
Distribution Demand Costs					
Station	1,806	1,231	8,343	897	43,868
Lines	152,030	103,642	702,176	75,473	3,692,278
Transformers	16,970	11,569	78,380	8,425	412,146
Total Distribution Demand	170,807	116,442	788,898	84,795	4,148,292
Distribution Consumer					-
Lines	6,325	132	10,410	6,325	3,119,826
Transformers	1,373	331	3,390	112	99,472
Services	6,258	124	9,832	15,372	921,402
Meters	2,187	387	30,538	-	1,155,791
Consumer Services	13,272	1,041	56,535	270,315	2,757,885
Lighting		-		400,827	400,827
Total Distribution Consumer	29,415	2,014	110,703	692,950	8,455,202
					-
Total Distribution Costs	200,221	118,457	899,602	777,744	12,603,494
					-
Margin before Other Revenue	(14,759)	28,240	7,346	(95,995)	(2,692,466)
					-
Allocation of Other Elec. Revenue	3,335	-	-	3,335	1,639,334
Allocation of Misc. Revenue	448	-	-	448	220,289
					-
Net Margin	(10,976)	28,240	7,346	(92,213)	(832,842)

	Enviro-Watts	Schedule I Residential	Schedule 1 ETS	Schedule II Commercial 1 Phase	Schedule II Commercial 3 Phase
Revenue Requirements					
Total Costs	$ 656	$ 30,773,935	$ 46,966	$ 1,541,195	$ 854,839
Plus Margin Requirements	-	860,271	353	48,679	21,184
Revenue Requirements	$ 656	$ 31,634,206	$ 47,319	$ 1,589,873	$ 876,023
Minus Revenue from Rates	780	28,223,615	37,899	1,500,642	837,357
Increase Amount	(124)	3,410,591	9,420	89,232	38,666
Less: Other Revenue	-	1,736,368	-	104,657	11,033
Net Increase Amount	(124)	1,674,223	9,420	(15,425)	27,633
Less: Increases -Rate Classes		$1,639,927		97,406	27,657
Under (Over) Recovery	$ (124)	$ 34,295	$ 9,420	$ (112,831)	$ (24)
Statement of Operations with					
Revenue from Rates	780	28,223,615	37,899	1,500,642	837,357
Rate Increase	$ -	$ 1,639,927	$ -	$ 97,406	$ 27,657
Purchased Power Costs	656	21,053,617	37,844	901,508	616,496
Gross Margins	124	8,809,925	55	696,540	248,518
Distribution Costs	-	9,720,318	9,122	639,687	238,343
Margins before Other Rev.	124	(910,393)	(9,067)	56,853	10,175
Plus Other Revenue	-	1,736,368	-	104,657	11,033
Net Margins with Increase	$ 124	$ 825,976	$ (9,067)	$ 161,510	$ 21,208
Interest Expense	-	680,126	279	38,485	16,748
TIER	-	2.21	(31.51)	5.20	2.27
OTIER		1.91	(31.51)	4.87	2.19
Rate Base		50,865,828	20,529	2,874,293	1,130,757
Return on Rate Base		2.96%	-42.81%	6.96%	3.36%

	Schedule III	Schedule IV	Schedule IV-A	Schedule VI	
	3 Phase Schl. Etc			Lighting	Total
Revenue Requirements					
Total Costs	$ 1,285,089	$ 1,115,210	$ 6,804,384	$ 1,460,314	$ 43,882,586
Plus Margin Requirements	22,824	14,341	102,037	73,281	$ 1,142,970
Revenue Requirements	$ 1,307,913	$ 1,129,551	$ 6,906,421	$ 1,533,595	$ 45,025,556
Minus Revenue from Rates	1,270,330	1,143,450	6,811,729	1,364,318	41,190,121
Increase Amount	37,583	(13,899)	94,691	169,277	3,835,435
Less: Other Revenue	3,783	-	-	3,783	1,859,623
Net Increase Amount	33,800	(13,899)	94,691	165,494	1,975,812
Less: Increases -Rate Class	31,374	750	24,600	128,675	$ 1,975,812
Under (Over) Recovery	$ 2,426	$ (14,649)	$ 70,091	$ 36,819	$ (0)
Statement of Operations with					
Revenue from Rates	1,270,330	1,143,450	6,811,729	1,364,318	41,190,121
Rate Increase	$ 31,374	$ 750	$ 24,600	$ 128,675	$ 1,975,812
Purchased Power Costs	1,084,867	996,753	5,904,782	682,569	31,279,093
Gross Margins	216,837	147,447	931,547	810,424	11,886,841
Distribution Costs	200,221	118,457	899,602	777,744	12,603,494
Margins before Other Rev.	16,615	28,990	31,946	32,679	(716,653)
Plus Other Revenue	3,783	-	-	3,783	1,859,623
Net Margins with Increase	$ 20,398	$ 28,990	$ 31,946	$ 36,462	$ 1,142,970
Interest Expense	18,045	11,338	80,670	57,938	903,629
TIER	2.13	3.56	1.40	1.63	2.26
OTIER	2.11	3.56	1.40	1.62	2.02
Rate Base	1,227,850	754,603	5,438,763	4,206,058	66,518,681
Return on Rate Base	3.13%	5.34%	2.07%	2.24%	3.08%

CUMBERLAND VALLEY ELECTRIC, INC,

Case No. 2016-00169

Unbundled Rate Base

			Schedule I	Schedule I	Schedule II	Schedule II	Schedule III	Schedule IV	Schedule IV-A	Schedule VI	
			Residential,	Marketing	Sml Com	Sml Com	3 Phase Schl	Large Power	Large Power	Outdoor	
		Amount	Schl & Chur	Rate	1 Phase	3 Phase	& Churches	2500 kW Plus	50-2500 kW	Lights	Total
Function	Classification										
Stations											
	Demand	512,714	342,021	-	13,447	13,757	21,111	14,392	97,505	10,480	512,714
Lines		43,093,829									
	Demand	23,571,612	15,724,167	-	618,198	632,489	970,566	661,654	4,482,713	481,824	23,571,612
	Consumer	19,522,218	18,166,703	-	1,094,966	115,433	39,577	825	65,137	39,577	19,522,218
Transformer		7,044,427									
	Demand	5,674,808	4,671,895	-	199,928	43,292	120,328	70,080	518,262	51,023	5,674,808
	Consumer	1,369,619	1,188,387	-	92,169	17,395	18,905	4,554	46,672	1,537	1,369,619
Services											
	Consumer	5,828,577	5,120,358	-	459,931	48,487	39,585	787	62,192	97,237	5,828,577
Meters											
	Consumer	4,931,980	4,284,229	17,306	258,224	230,928	9,333	1,649	130,310	-	4,931,980
Consumer Acct & Serv.		1,754,769	1,368,067	3,224	137,430	28,976	8,444	662	35,972	171,994	1,754,769
Outdoor Lighting		3,352,385								3,352,385	3,352,385
Total		66,518,681	50,865,828	20,529	2,874,293	1,130,757	1,227,850	754,603	5,438,763	4,206,058	66,518,681

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

11. Refer to Cumberland Valley's response to Staffs Second Request, Item 15.g. The response indicates that the Prepaid customer kWh energy sales are included as part of the residential energy sales in the revised COSS. However, the correction does not appear to have been made. Provide a revised COSS with the correction included.

Response:

Please find the revised COSS as Pages 2 – 40 of Item No. 10.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

12. Refer to Cumberland Valley's response to Staff's Second Request, Item 16, Revision 2, Exhibit R, page 15 of 40. The Accum. Depreciation of $36,032,638 shown on this page is the actual test-year amount rather than the adjusted test-year amount of $36,252,248 as shown in the response to Staff's Second Request, Item 19, Revised Exhibit S, page 1 of 4. Explain whether the Accum. Depreciation used in the COSS should be the adjusted test year amount. If so, provide a revised COSS with the correction included.

Response:

It is believed that the actual test-year amount is the more appropriate one for the reason that a large adjustment is made for depreciation expense and it is unknown if that adjustment is accepted as determined. It is felt that the known amount is better one to use.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

13. Refer to Cumberland Valley's response to Staff's Second Request, Item 18.b. Provide the dollar equivalent of the 1 percent of the salary increase declined by the President and CEO ("CEO").

Response:

The total dollar equivalent including payroll overheads and related benefits of the 1 percent of the salary increase that was declined is $2,508.62.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

14. Refer to Cumberland Valley's response to Staff's Second Request, Item 18.c.

a. Provide the wage and salary plan or, if not available, provide an update on its status.

Response:

An annual market update of the compensation plan was prepared and will be presented to the board in September 2016. See Item 14 Pages 3-23 of this response for the updated plan. It is assumed the board will accept and fully implement the plan at this time.

b. Is it Cumberland Valley's intent that the wage and salary survey that was filed as Exhibit 19 of the Application will be the basis for the wage and salary plan? Explain if that is not the intent.

Response:

Yes, that is Cumberland Valley's intent with the inclusion of the August 5, 2016 Annual Market Update provided in this Item Pages 3 – 23. There will also be a yearly performance review or appraisal component to the plan.

c. The Tolliver Testimony indicates that the wage and salary survey was completed in 2015. Exhibit 19 is a draft of the survey which was submitted on July 16, 2015.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

Provide the date of the completed survey and explain why the Board of Directors has not acted on the results to date.

Response:

The plan as submitted in Exhibit 19 of the Application is the completed plan. An annual market update of the compensation plan was prepared as shown in Item 14 Pages 3-23 of this response. Cumberland Valley's board minutes from September 2012 show salary increases for non-union employees were approved through the same four year time frame as union employees. The four year period ended August 31, 2015. The Board of Directors at Cumberland Valley has always fully intended to comply with the Commission's request to have wages and salaries of non-union employees fully justified before another rate case. However, the board action from 2012 had already approved the increases through August 31, 2015 and the current rate case was not anticipated so soon. The wage and salary plan is expected to be approved and fully implemented in September 2016.

INTANDEM LLC
ADVISORS TO MANAGEMENT

August 5, 2016

Mr. Robert Tolliver
Cumberland Valley Electric Cooperative
Gray, KY
Via Email

Hello Robert:

The annual market update of the compensation plan is a key indicator to ensure that the compensation plan is an accurate indicator of the competitive labor market for Cumberland Valley Electric Cooperative (CVEC). By having market sensitive ranges, you will have the foundational information necessary to determine how the labor market has changed and then determine how your organization needs to react to stay competitive.

Internal Job Hierarchy

The compensation plan design balances both internal organizational hierarchy and external competitive market data to derive the market value of positions. The internal job hierarchy was established by use of a point factor job ranking system and is presented in the following table:

CVEC Position Evaluation Hierarchy

Grade	Title	Expertise		Leadership		Accountability		Problem Solving		Intercommunication		Total
		Level	Pts	Level	Pts	Level	Pts	Level	Pts	Level	Pts	Points
6	[redacted]	C-	148	A	54	B+	130	B+	130	C+	184	646
8	[redacted]	D	220	B-	82	D-	202	D	220	B	112	836
9	[redacted]	D+	238	A	54	D-	202	D-	202	C	166	862
9	[redacted]	C	166	A+	68	D	220	D+	238	C+	184	876
10	[redacted]	D+	238	B+	110	D+	238	D+	238	C+	184	1008

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Direct : 509.720.8826 ▯ www.IntandemConsultants.com

Grade	Title	Expertise		Leadership		Accountability		Problem Solving		Intercommunication		Total
		Level	Pts	Level	Pts	Level	Pts	Level	Pts	Level	Pts	Points
12	[redacted]	D	220	D+	194	D+	238	D	220	D+	238	1110
12	[redacted]	E-	256	D+	194	D+	238	D	220	D+	238	1146
12	[redacted]	E-	256	C+	152	D+	238	E	274	D+	238	1158
14	[redacted]	E+	292	D	180	E	274	E+	292	E	274	1312
15	[redacted]	E-	256	E	222	F	328	E+	292	E-	256	1354
16	[redacted]	E	274	F	264	F	328	F-	310	E	274	1450
17	[redacted]	F-	310	F-	250	G-	364	G-	364	E	274	1562
18	[redacted]	F+	346	G	306	F+	346	F+	346	F-	310	1654

Compensation Plan Market Model

The compensation plan market model is the interface between the internal hierarchy and competitive external market data by regressing point factor values against market data for benchmark positions to derive the plan's market/midpoint curve.

Market Model Salary Survey Sources

Survey	Description
2016 National Compensation Survey (NCS) Dataset effective November, 2015	Produced annually by NRECA, this survey provides information for approximately 120 positions from cooperative distribution systems located throughout the United States. Over 800 systems contribute to this non-voluntary survey (values are used for calculating group benefit premiums), which report actual salaries. Regional, State and National values were used throughout this study as market references.
Economic Research Institute (ERI) Salary	ERI's Salary Assessor® is an easy-to-use software program that reports "up to the present day" competitive wage, salary, and incentive survey data. Each of over 5,800 jobs has been studied over time (many since 1967).

Survey	Description
Assessor Database Dataset effective July 2016	Analyses are derived from millions of data points gathered from digitized public records including the US SEC, OCR of US IRS returns, ERI Salary Survey's patented online surveys (78 US industries in 5 countries), and licensed UK, Canadian, and US salary surveys and datasets. ERI provides analyses of competitive pay defined by 500 geographical areas in North America and Europe, 1,200 industries, and infinite organization sizes. Six thousand corporate subscribers, including most US Fortune 500 companies, use Assessor data in planning salaries (some for over 20 years). The ERI dataset was set to represent the Kentucky mean.

Competitive Target

The market model sets the competitive posture and incorporates the job evaluation hierarchy with competitive salary data to derive the market model of the compensation plan. For each benchmark position, the selected market data reflects the average of the NCS Kentucky state reports. To remain consistent with the original plan, benchmark positions and data sources remain the same.

Market Model Benchmark Positions

Title	Total Points	NCS Code	NCS Title	National average	Region 3 average	KY State average	Model Input
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

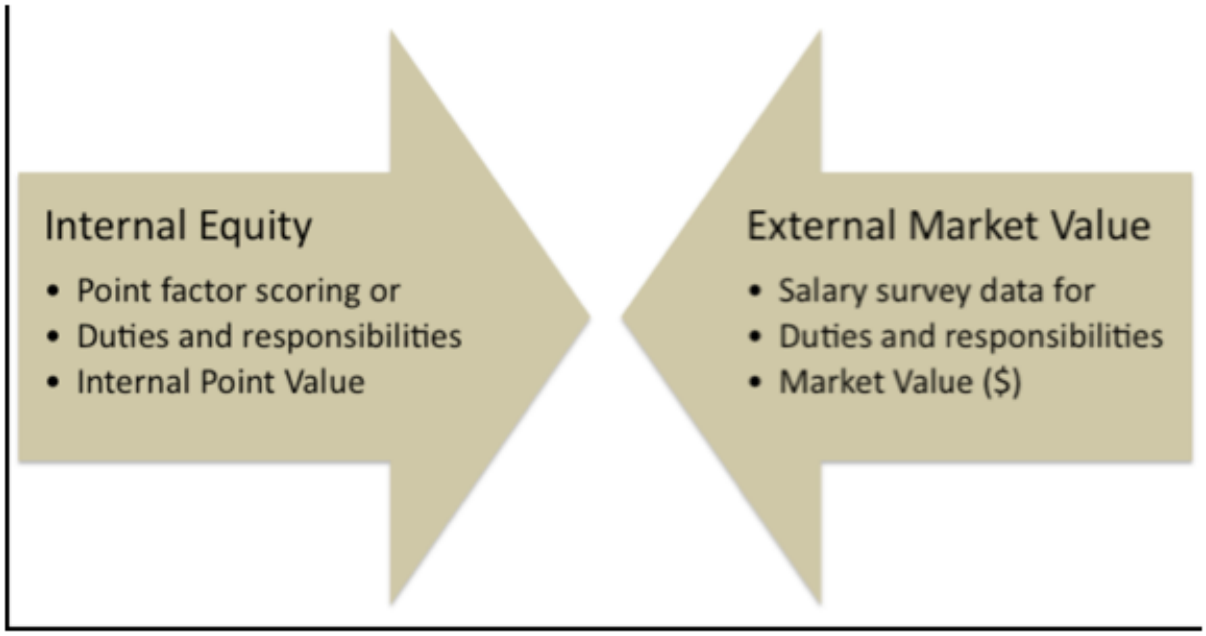
Updating the Market Model

Over the past year each of the market model inputs moved a varying amount due to the economics of labor supply and demand for that particular skillset.

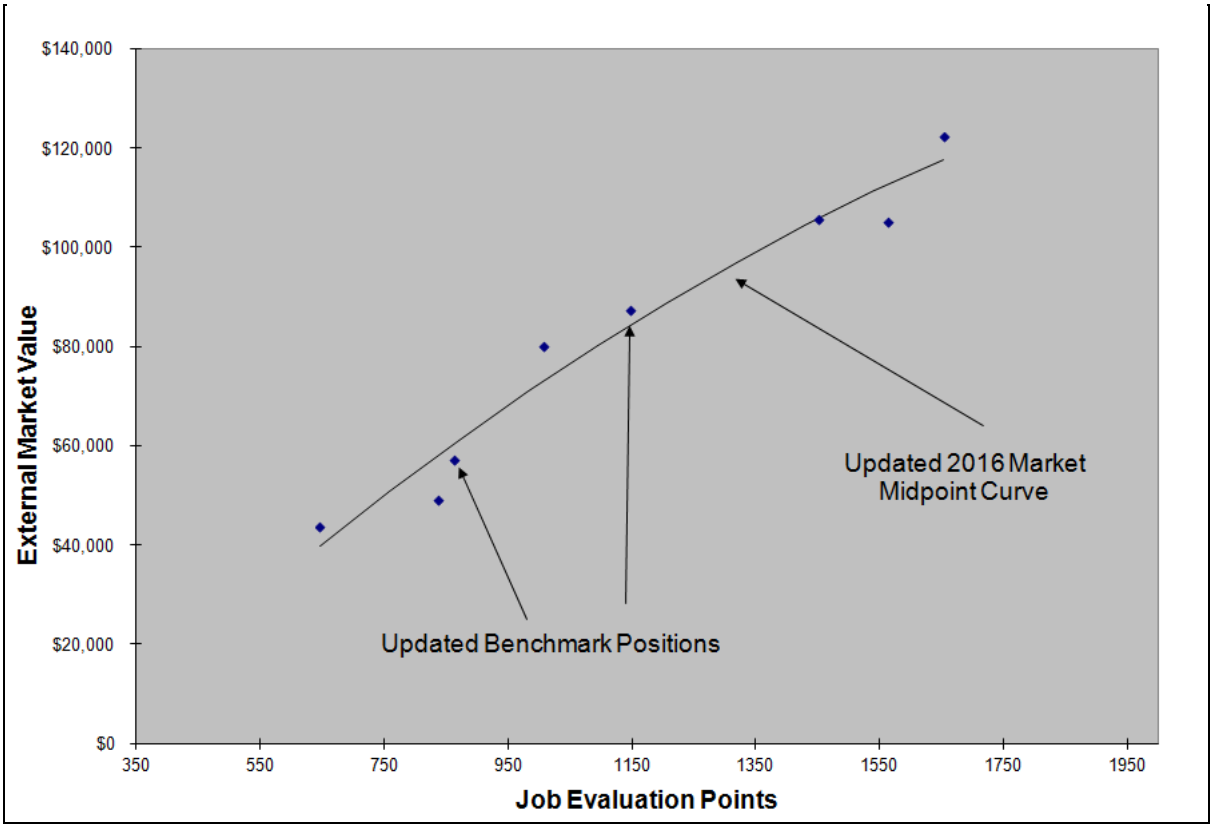
Benchmark Position Shifts

Title	2015 Model Input	2016 Model Input	2016 Change
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]

Each of these individual market movements is "averaged" in the market model through regression analysis, which compiles the individual changes into an overall updated salary curve.



Regression of Benchmark Position Point and Market Values



Market Model Regression Coefficients

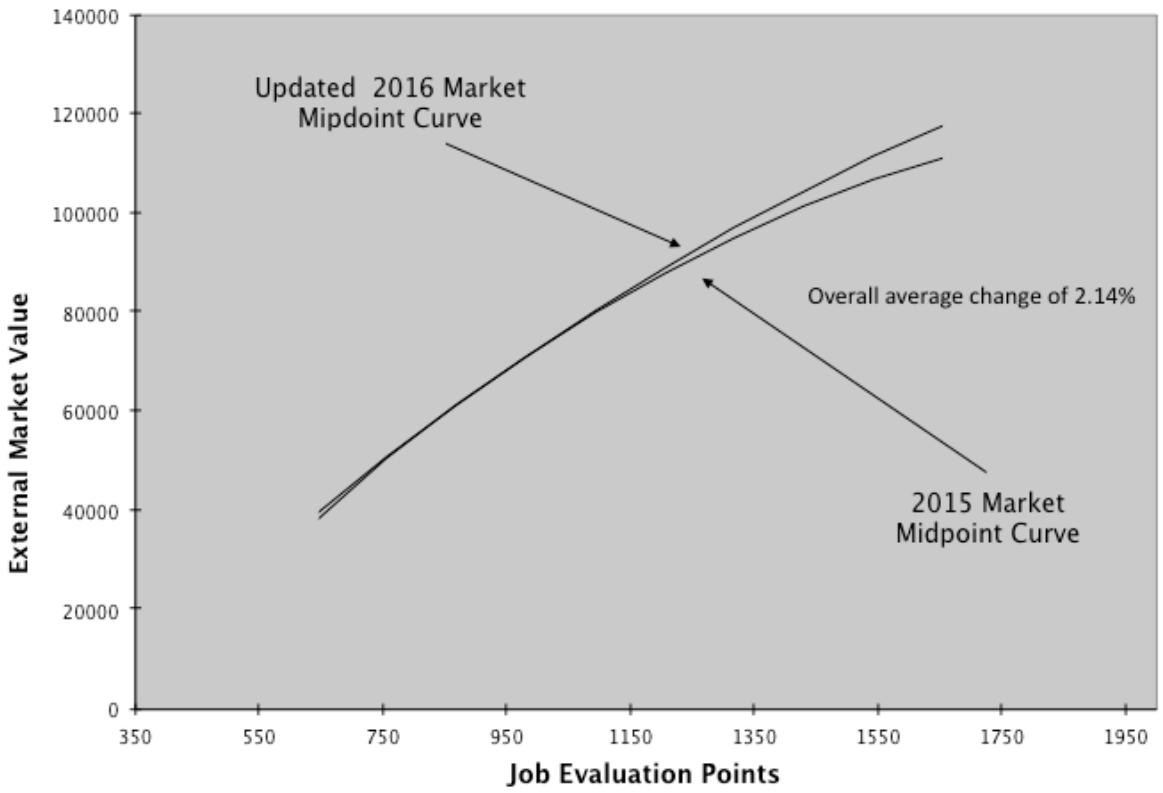
Determination Coeff:	0.95960198
Coeff. of Correlation:	0.97959276
Std. Error of Est:	6909.51684
Constant:	-34368.8094
1st Degree Coeff:	129.439142
2nd Degree Coeff:	-0.02267724

The results of the regression analysis provide the coefficients from which the updated market curve can be calculated. Compared to the current market model, the updated market curve shifted within a range of 0.29% to 5.61% per grade with an overall average change of 2.14%.

Updated 2016 Salary Ranges

GRADE	MIN	LWR THD	MP	UPR THD	MAX	SPREAD	2015	Change
						MIN-MAX	MP	
[redacted]								

2015-2016 Market Model Comparison

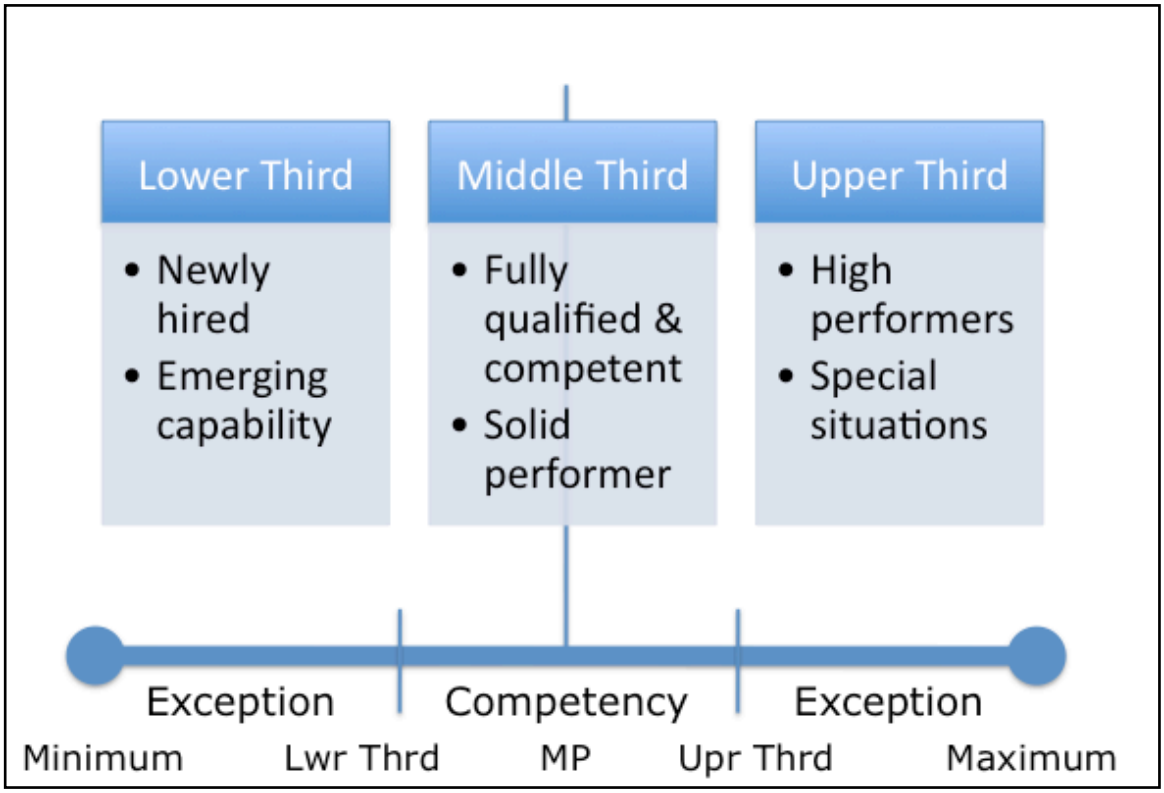


Salary Plan Administration

The movement in a particular salary grade does not require a particular lockstep movement in individual salaries for those in that particular grade. Individual salary movements should always be at the discretion of management based upon your plan criteria (performance, merit, annual "adjustments", etc.).

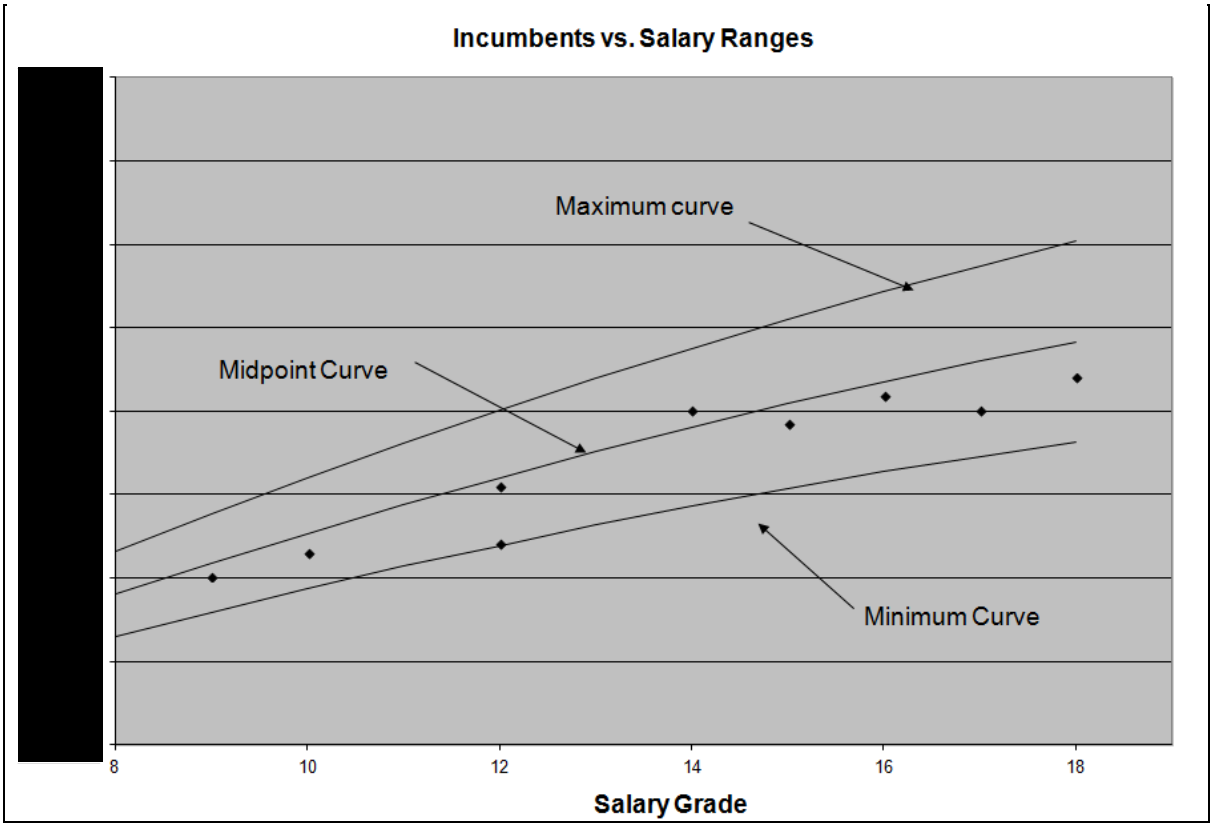
This plan is designed to be administered toward the midpoint. Typically, incumbents are brought into the salary range at the minimum level (or at an appropriate position commensurate with experience and abilities), and moved toward the middle third of the salary range (the region between the lower third and the upper third) which represents target market value. Generally, in a properly administered salary plan (assuming minimal employee turnover) about 80-90% of all employees will fall into the market value range, while only 5-10% would occupy the region between the minimum-lower third as well as the upper third-maximum area. In all cases, incumbent positioning within the salary range should reflect the individual's experience and performance on the job.

Salary Plan Administration Regions



Based on the current employee census, the overall average compa ratio is 0.94. Individual incumbent detail is located in the exhibit section and illustrates where incumbents are placed relative to their respective ranges.

Incumbent Current Salary vs. Updated Ranges
(Overall Average = 0.94)



Funding Salary Increases

Salary increase funding is a function of compensation philosophy and compensation plan design. We recommend that funding of the plan be done at a level sufficient to address the following three areas; economic, competency and performance.

Types of Salary Increases

Type	Description	Example	CVEC Funding Criteria
Economic	Changes in labor market values	The average hourly rate for a Journeyman Tech	The updated market curve shifted within a range of 0.29% to 5.61%

Type	Description	Example	CVEC Funding Criteria
		changed x.x% over the past 12 months	per grade with an overall average change of 2.14%.
Competency	Progression through salary range.	John started work at the minimum. After six months he progressed to 95% of the market midpoint rate	It would cost $54,078 (6.88%) to bring any employee below their respective range midpoint to the middle of their range.
Performance/ Merit	Pay for performance to recognize effort and capability	Suzy continues to handle the highest level of error free transactions in the department	CVEC pay for performance philosophy.

In most cases all three types of increases are rolled into a single increase amount. However, if the funding amount is lower than needed, it appears as an extremely long time (e.g. more than five years) needed for an employee to reach the target region of his/her respective grade (middle third area).

In addition, it is also important to consider what other companies have funded and anticipate spending in 2016 to derive a funding decision.

Monitoring Annual Trends

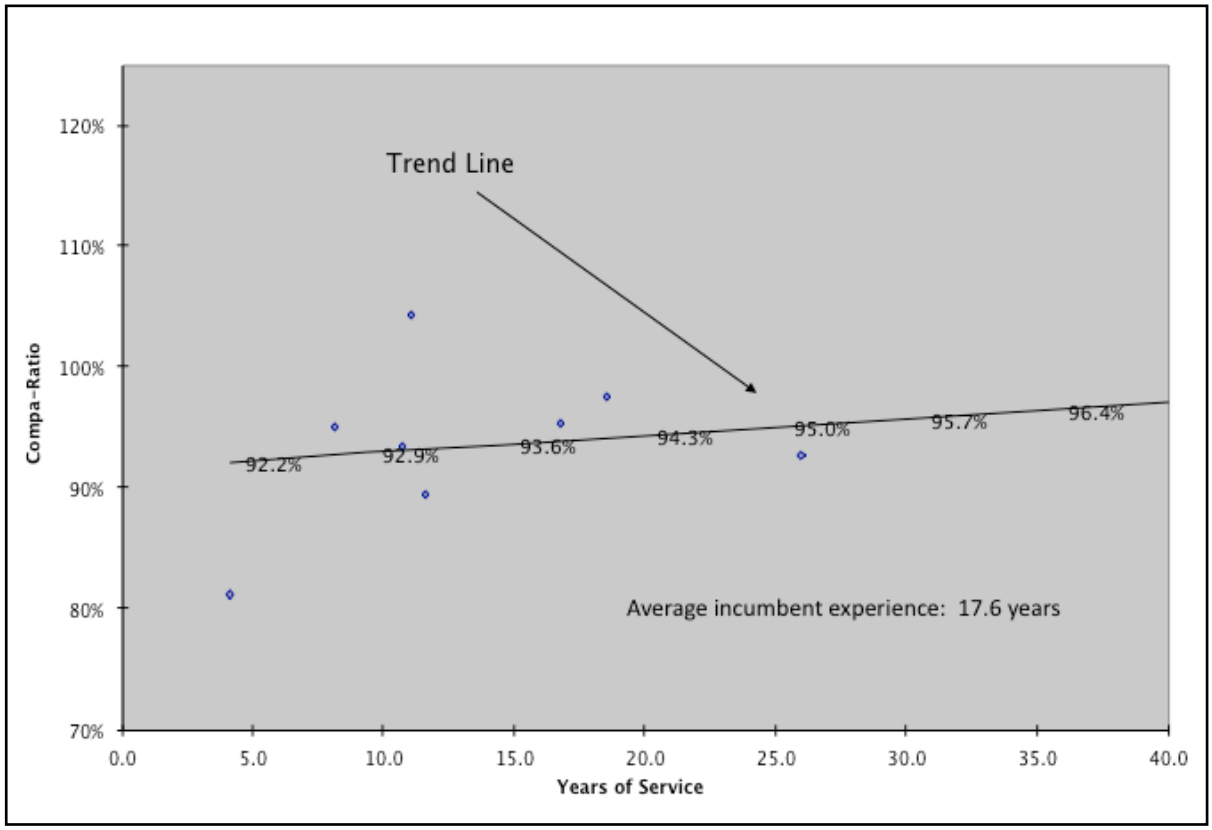
	Source	Annual Change
What rate has the utility industry paid into salaries over the past 12 months?	Employment Cost Index (ECI). Produced by the Bureau of Labor Statistics this economic indicator is a quarterly index that reports changes in wages and benefit costs. Data is provided by the Bureau of Labor Statistics (BLS) and is available by industry group and occupation. The data is compiled through separate surveys of non-farm businesses (about 4,500 sampled) and state and local government (about 1,000 sampled). This data is well respected by the Fed and is used to set monetary policy. For the 12-months ending March 2016 compensation (wage and salary) costs within the utility sector increased an average of	2.2%

	Source	Annual Change
	2.2%. (Viewable at http://www.bls.gov/ news.release/ eci.t09.htm)	
What rate have other cooperatives paid over the past year?	NRECA compensation index. Each November NRECA collects compensation information from over 800 electric cooperatives for the purposes of calculating pension premiums for the next year. This data is compiled into the National Compensation Survey that is released each March. The overall average change for the entire database (from the 2015 survey) is 2.92%.	2.92%
What rate do employers in general intend to fund in 2017?	In our continuous analysis of the major salary budget survey forecasts for 2017, we are seeing very consistent responses from US employers anticipating 2017 salary increase budgets to fall within a range between 2.9% and 3.5%.	2.9% to 3.5%

Funding Efficiency Analysis

A funding efficiency review can be achieved by regressing employee years of service with respective compa ratio. As of August, 2016, average employee service is 17.6 years and the relationship between compa ratio and service is illustrated in the following chart. The trend line is directly related to historical levels of funding and illustrates the rate at which individuals progress within their respective pay grades. Higher levels of funding increase the slope of the curve and reduce the years of service.

Compa Ratio/ Service Model



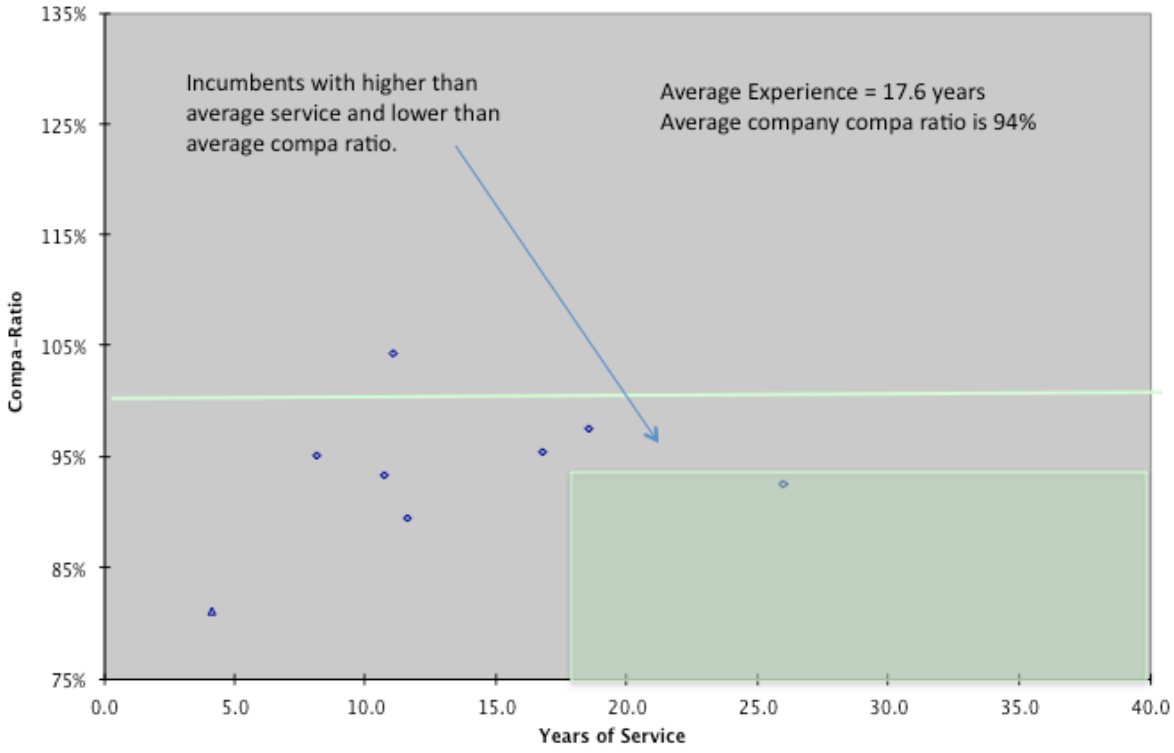
In the following chart the plan midpoint of 100% is indicated as well as a highlighted group of employees that have higher than average experience but lower than average compa ratio levels (0.94).

There is one individual (highlighted) that meets the criteria and represents a potential adverse impact group. This situation should be reviewed with scrutiny (especially at the next salary increase event) to ensure that the individual is appropriately placed within his respective salary ranges.

Position	Name	GR	C/R	Date of Hire	Service
					Years 8/1/16
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]			[redacted]	[redacted]
[redacted]	[redacted]			[redacted]	[redacted]
[redacted]	[redacted]			[redacted]	[redacted]
[redacted]	[redacted]			[redacted]	[redacted]

Position	Name	GR	C/R	Date of Hire	Service
					Years 8/1/16
[redacted]	[redacted]	[redacted]		[redacted]	[redacted]
[redacted]	[redacted]			[redacted]	[redacted]
[redacted]	[redacted]			[redacted]	[redacted]
[redacted]	[redacted]			[redacted]	[redacted]

Potential Adverse Impact Region



Market Variance Analysis

In the exhibits section I have put together a variance analysis where we compare the closest available comparator survey data (based on the NRECA job code assignment you forwarded) and evaluate how closely each data point is in "agreement" with the grade assignment. Each survey report provides a different market segment perspective.

Some position matches are excellent while others may only be similar (position descriptors attached); however, this analysis allows the plan to

be tested against the rate at which the NCS and/or ERI cites as being the closest comparable duties and responsibilities.

This analysis does not compel any particular grade shift but if a particular survey value is competitively important and is not reasonably close to the proposed MP, an adjustment may be warranted.

Each variance is calculated by dividing the survey data value by the Proposed Midpoint. In general, a variance of up to 10% is close enough to be considered comparable. Based on the available data points you may elect to adjust some positions. If so, it may be necessary to review other related positions and adjust them as well. Variances should be reviewed to ensure that they are within acceptable levels of the survey data. Bear in mind that the CVEC plan is designed to be competitive with the Kentucky state average.

Robert, I trust that this narrative provides all of the information that you require at this time. Thank you for the opportunity to be of service. Please contact me if I may be of further assistance.

Yours truly,

Winston L. Tan
Managing Principal

Cumberland Valley Electric Cooperative
Compensation Plan Update
Exhibits

August 2016

Intandem, LLC
Liberty Lake, WA 99019
www.IntandemConsultants.com

CVEC 2016 Salary Schedule

GR.	TITLE	MINIMUM	LOWER THIRD	MIDPOINT	UPPER THIRD	MAXIMUM
			Market Value Range			
[redacted]						

Incumbent Impact Analysis

Position	Name	GR	SALARY	C/R	MIN	LWR THD	MP	UPR THD	MAX
[redacted]									

Variance Analysis: Midpoint vs. NCS National Average

[redacted]						
[redacted]						

[redacted]

Variance Analysis: Midpoint vs. NCS Region III Average

Grade	CVEC Title	Updated Range Midpoint	Code	NCS Title	Region 3	Variance Data/MP
[redacted]						

Variance Analysis: Midpoint vs. NCS KY State Average

Grade	CVEC Title	Updated Range Midpoint	Code	NCS Title	KY State	Variance Data/MP
[redacted]						

Variance Analysis: Midpoint vs ERI KY State

Grade	CVEC Title	Updated Range Midpoint	ERI Title ($48m)	KY Mean	Variance Data/MP
[redacted]					

Grade	CVEC Title	Updated Range Midpoint	ERI Title ($48m)	KY Mean	Variance Data/MP
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]
[redacted]	[redacted]	[redacted]	[redacted]	[redacted]	[redacted]

NCS Job Descriptions

NCS Title	Descriptor
Accountant 1	Records financial transactions on subsidiary records/ledger accounts. Prepares reports / financial statements.
Automotive Mechanic 2	Performs minor automotive maintenance and equipment repair. No major overhauls or re-pairs.
Billing Supervisor	Directs member-consumer bill preparation, applies rate schedules and/or verifies calculations, applies discounts and penalties, payments and balances accounts, answers inquiries and com-plaints and adjusts bills as needed. Is responsible for employee supervision.
Customer Service Representative	Serves as primary contact in the provision of services, disconnects/connects, problem resolution, payment arrangements, general inquiries and account maintenance. May serve in call center.
District/Branch Manager	Manages the consumer-owned electric distribution system of a geographically defined area. Operations include: maintenance, service, consumer-member and public relations, marketing and consumer collections.
Information Technology/IT Supervisor	Manages the operation of information technology computer systems. Oversees computer program and system development. Evaluates user and system hardware and software needs. Develops long and short-term goals for the department. Installs and maintains communications systems. Supervises one or two employees.
Line Superintendent	Supervises activities required for constructing and maintaining power transmission and distribution systems. Assists engineering by designing construction layout. Supervises three or more line supervisors.

NCS Title	Descriptor
Lineman First Class/Journeyman Lineman	Performs diverse work erecting, repairing and operating distribution and transmission facilities. Works on energized lines, structures and equipment involving electricity distribution.
Supervisor/General Accounting 1	Keeps a complete and systematic set of subsidiary records and ledger accounts recording financial transactions and the financial status of the system. Prepares reports and financial statements. Supervises one or two employees.
Vice President/Manager/Director of Engineering	Oversees long and short-range system planning design, distribution inspection, transmission, substations and other facilities. This position typically requires a degree in Electrical Engineering.
VP/Manager/Dir. of Finance & Administration	Manages/controls the financial activities for consumer and general accounting, financial planning, banking, insurance, and taxes. Often develops the management information system as well as data processing, purchasing, and human resources. Is responsible for both financial and administrative activities.
VP/Manager/Director of Member Services	Manages and coordinates the activities of member education, community relations, member service, promotion of power use, and economic and community development. There are fewer than three employees in the department.
VP/Manager/Director of Operations	Plans, directs and supervises activities required for constructing and maintaining power trans-mission and distribution systems.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

15. Refer to Cumberland Valley's response to Staff's Second Request, Item 18.f.

a. Provide the negotiated union contract replacing the current one which expires August 31, 2016, when it becomes available.

Response:

The union contract is expected to be negotiated in September 2016 and Cumberland Valley agrees to provide the new union contract when it becomes available.

b. Provide all work papers supporting the negotiated annual wage and salary increases, including board minutes and documentation of negotiation meetings.

Response:

The union contract is expected to be negotiated in September 2016 and Cumberland Valley agrees to provide the requested information when it becomes available.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

16. Refer to Cumberland Valley's response to Staff's Second Request, Item 19.a. Explain fully the 0.125 percent factor for the FFB loans that Cumberland Valley did not include.

Response:

It was an oversight by Cumberland Valley Electric not to include the 0.125 percent factor for the FFB loans. FFB loan rates are computed as the Treasury's cost of money for debt plus the Note Section 9 interest. Per FFB loan documents, Note Section 9 interest is assessed on each FFB loan advance and shall be equal to one-eighth of one percent (0.125%) per annum of the unpaid principal balance. The Note Section 9 interest shall be computed in the same manner as accrued interest is computed and shall be due and payable at the same times as accrued interest is due and payable.

Cumberland Valley Electric, Inc.
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17. Refer to Cumberland Valley's response to Staff's Second Request in response to Item 19.c. Explain how or where the interest earned is accounted for and why it should not be an offset to annual interest expense.

Response:

Interest earned is recorded in Account 419, Interest Income. RUS defines this as "*Interest credit* means interest earned on balances in advance payment or cushion of credit accounts."

Interest expense is recorded in Account 427, Interest on Long Term Debt.

Per Rural Utility Services (RUS) Uniform System of Accounts, interest expense and interest income are accounted for separately.

Cumberland Valley Electric, Inc.
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Commission Staff's Third Request for Information

18. Refer to Cumberland Valley's response to Staff's Second Request, Item 19.d.

a. Explain the discrepancy in the response which lists only $17.7 million in loans refinanced and the amount of $22.6 million stated in the Application, Tolliver Testimony, pages 3-4 of 8.

Response:

During the test year, Cumberland Valley had two additional drawdowns from a previously approved loan and converted some existing debt from short-term debt to long-term debt totaling approximately $17.7 million in loans which is detailed in the response to Staff's Second Request Item 19 Page 5 of 9. Since the test year, Cumberland Valley has converted two additional existing loans that totaled approximately $5.9 million from variable rates to fixed rates. That total amount of fixed FFB debt that Cumberland Valley has is approximately $23.6 million. The $22.6 million referenced in the Application, Tolliver Testimony, pages 3-4 of 8 was in error.

b. Provide the case numbers that authorized the refinancing and/or execution of new long-term debt listed on page 5. If Cumberland Valley did not request Commission authorization for the financing, explain why authorization was not requested.

Cumberland Valley Electric, Inc.
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Response:

Cumberland Valley did not refinance and/or execute any new debt. There was no new indebtedness or assumption of new liability pursuant to KRS 278.300. Cumberland Valley executed its quarterly option to extend maturity of existing short-term FFB debt. There were also two additional drawdowns from a previously approved loan for Work Plan 2012-2015 approved in Case 2011-00442.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
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19. Refer to Cumberland Valley's response to Staff's Second Request, Item 19, page 7 of 9, and Item 27. Revised Exhibit S provided in response to Item 19 does not include the revised year-end customer adjustment shown in the response to Item 27, revised Exhibit 15. Provide a revised Exhibit S which includes the updated year-end customer adjustment. If the year-end customer adjustment is further revised as a result of responses to these requests, provide the revised year-end customer adjustment in revised Exhibit S.

Response:

The revised Exhibit S is attached to the response to Item No. 9 Pages 9 – 12.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

20. Refer to Cumberland Valley's response to Staff's Second Request, Item 20. Explain whether Cumberland Valley's retirement plans are defined benefit plans.

Response:

The Retirement and Security ("R&S") plan is a defined benefit plan but the 401(k) plans are not defined benefit plans.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

21. Refer to Cumberland Valley's response to Staff's Second Request, Item 23.c.

a. Explain when the credit for $588 was issued and used. Provide the details of its usage, i.e., director, date, location of class, and the topics covered in the class. If it was not used during the test year, would Cumberland Valley agree that it should be removed for ratemaking purposes?

Response:

The credit memo was issued on February 23, 2015 in the amount of $550.00 (which is net of an administration fee) and used on April 21, 2015. The credit memo was used for Roger Vanover's training at NRECA Summer School held June 5-11, 2015 in Hilton Head, South Carolina. Mr. Vanover attended the following classes: Risk Oversight – The Board's Role in Risk Management and Succession Planning: Developing the Purpose-Driven Organization. The credit memo was issued and used during the test year.

b. Provide the details of the transactions that resulted in the amount of $626.

Response:

This is for two director training classes: Risk Oversight – The Board's Role in Risk Management for $588.00 and Succession Planning: Developing the Purpose-Driven Organization for $588.00 and a credit memo that was issued on February 23, 2015 in the amount of $550.00.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

c. Confirm that the $455 registration fee was for Mr. Vanover. Explain why there do not appear to be any expenses associated with Mr. Vanover's attending the National Rural Electric Cooperative Association ("NRECA") annual meeting. Is Cumberland Valley aware of the Commission's practice of allowing only expenses for attendance at NRECA meetings for ratemaking purposes only by a cooperative's designated NRECA representative or designated alternate representative?

Response:

The $455 registration fee was for Chester Davis. Mr. Vanover did not attend this meeting so there are no expenses for him. Yes, we are aware that only the representative or alternate representative's expenses are allowed for ratemaking purposes. Mr. Davis is our NRECA representative.

d. Explain why this amount was not paid until July 2015 if the expense was incurred for a February 2015 meeting.

Response:

The registration was for the NRECA Regions 2 & 3 Meeting held October 27-30, 2015 in Biloxi, Mississippi.

Cumberland Valley Electric, Inc.
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Commission Staff's Third Request for Information

22. Refer to Cumberland Valley's response to Staff's Second Request, Item 24, and Exhibits 9 and 10 of the Application.

    a. Confirm that the amounts on Exhibit 10, lines 21-26 and line 28, are also shown on Exhibit 9, lines 42, 64, 83, 98, 114, 129, and 144.

Response:

This is a correct statement.

    b. If subpart a. is confirmed, explain whether Cumberland Valley agrees that these expenses should be removed from either Exhibit 9 or Exhibit 10.

Response:

Cumberland Valley agrees and believes that amounts on Exhibit 10, lines 21-26 and line 28 which total $3,570.83 should be removed.

Cumberland Valley Electric, Inc.
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Commission Staff's Third Request for Information

23. Refer to Cumberland Valley's response to Staff's Second Request, Item 26 and Exhibit 13 of the Application. Confirm that the amounts listed on page 3 of 3 of Exhibit 13 are correct and that the column for the months was incorrectly stated.

Response:

Confirmed.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

24. Refer to Cumberland Valley's response to Staff's Second Request, Item 27.

a. The kWh usage for the Schedule I Residential class does not include the kWh usage for the Marketing rate. State whether the kWh for the Marketing rate should have been included in the usage.

Response:

CVE agrees that the kWh and number of customers should be included in this adjustment. The exhibit has been revised to include a column for the Marketing rate.

b. The kWh usage for the Schedule II Small Commercial Power Single Phase does not reconcile with the kWh usage shown for this class in revised Exhibit J. Explain why the amounts do not reconcile.

Response:

The Exhibit has been revised.

c. If corrections are necessary as a result of responses to subparts a. and b. above, provide a revised Exhibit 15.

Cumberland Valley Electric, Inc.
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Commission Staff's Third Request for Information

Response:

Please find attached the revised Exhibit 15. The Exhibit S has been revised to reflect this revision.

Cumberland Valley Electric
Case No. 2016-00169
End of Test Year Customer Adjustment

	Sch I Residential	Sch I Marketing Rate	Sch I Prepaid	Sch II Small Commercial	Sch II Small Commercial	Sch III Schools & Churches	Sch IV Large Power	Sch IV-A Large Power Rate	Sch VI Outdoor Lights
November	22,015	103	39	1,331	138	48	3	82	11,057
December	22,013	101	46	1,336	138	48	3	81	11,059
January	21,988	104	73	1,341	138	48	1	85	11,065
February	22,018	106	92	1,330	137	48	1	82	11,058
March	21,974	103	98	1,330	136	48	1	82	11,026
April	21,914	89	112	1,330	138	48	1	83	11,019
May	21,809	59	139	1,329	137	48	1	82	11,023
June	21,779	14	159	1,331	136	48	1	83	11,040
July	21,786	13	181	1,330	135	48	1	84	11,059
August	21,802	14	202	1,329	138	49	2	83	11,074
September	21,767	20	235	1,327	141	48	1	81	11,082
October	21,790	62	242	1,326	140	48	1	79	11,095
November	21,766	89	267	1,328	140	48	1	79	11,090
Average	21,879	67	145	1,331	138	48	1	82	11,057
Increase	(113)	22	122	(3)	2	0	0	(3)	33
Normalized base revenue	28,053,474	37,815	170,141	1,500,641	837,356	1,270,330	1,143,449	6,811,729	1,364,320
kwh useage	300,860,320	737,631	1,734,061	14,488,863	7,393,144	15,867,403	16,450,200	90,899,192	11,317,722
Average per kwh	0.09324	0.05127	0.09812	0.10357	0.11326	0.08006	0.06951	0.07494	0.12055
Total billings	262,406	774	1,846	15,967	1,654	577	15	984	132,690
Average monthly kwh use	1,147	953	939	907	4,470	27,500	1,096,680	92,377	85
Increase in consumers, times average use, times average rate, times 12 months, equals additional revenues									
Increase in revenues	(144,968)	12,898	134,933	(3,383)	12,150	0	0	(249,210)	4,072
Increase in consumers, times average use, times average cost per kwh purchased, times 12 months, equals additional power cost									
Increase in power cost	(100,880)	16,325	89,234	(2,120)	6,961	0	0	(215,786)	2,192
Net increase	(44,088)	(3,427)	45,699	(1,264)	5,189	0	0	(33,424)	1,880
Adjustment	(29,433)								
Normalized Base power cost					31,279,093				
Kwh purchased					482,056,733				
Cost per kwh purchased					0.06489				

Cumberland Valley Electric, Inc.
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25. Refer to Cumberland Valley's response to Staff's Second Request, Item 28.b. Provide the test-year expense for dental insurance and long term disability.

Response:

Below is Cumberland Valley's dental insurance and long term disability expense for the test year.

Dental Insurance - $58,388.93

Long Term Disability - $38,071.42

Cumberland Valley Electric, Inc.
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26. Refer to Cumberland Valley's response to Staff's Second Request, Item 28.c. Explain why dental insurance and long-term disability are not listed in the allocation if all employee benefits are allocated.

Response:

This was an oversight only. Both the dental and long-term disability should have been listed.

Cumberland Valley Electric, Inc.
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27. Refer to Cumberland Valley's response to Staff's Second Request, Item 28.d. Given Cumberland Valley's financial condition, explain why employees do not contribute to health, life, and single dental insurance premiums.

Response:

Cumberland Valley wishes to attract and maintain a high quality workforce. Cumberland Valley employs engineers, accountants, IT professionals and linemen crucial to our core business. Salaries at Cumberland Valley tend to be on average lower than other cooperatives in our state. Benefits have been an incentive to maintain a competitive workforce.

Cumberland Valley Electric, Inc.
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28. Refer to Cumberland Valley's response to Staff's Second Request, Item 29.a. Explain the basis for Cumberland Valley's retaining unclaimed capital credits rather than having the unclaimed capital credits escheat to the Unclaimed Property Division of the Kentucky State Treasurer.

Response:

Cumberland Valley's retention of unclaimed capital credits is consistent with the provisions of KRS 272.291. That statute, which is permissive in nature, allows cooperative associations organized under KRS Chapter 279 to recover unclaimed patronage refunds and other book equities after a five (5) year period, assuming notice to the relevant member has been attempted and the amounts at issue have not been called for. KRS 272.291 also provides that "...the amounts involved may be placed in the income of the cooperative for the year in which such determination is made and redistributed to the patrons of that year."

While Cumberland Valley has not, to date, elected to perform as KRS 272.291 permits, it would appear that action by Cumberland Valley to "hav[e] the unclaimed capital credits escheat to the Unclaimed Property Division of the Kentucky State Treasurer" would be inconsistent with and antithetical to the provisions of KRS 272.291. Additionally, certain provisions of KRS Chapter 393 (the chapter that generally governs escheatment and abandonment of unclaimed property) evidence the fact that KRS 272.291 is controlling

Cumberland Valley Electric, Inc.
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with respect to this specific issue. (See, e.g., KRS 393.064 and KRS 393.080(2), each of which begin "Except as provided in KRS 272.291…").

Cumberland Valley Electric, Inc.
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29. Refer to Cumberland Valley's response to Staff's Second Request, Item 29.b.

a. If the capital credits that were paid in 2015 were for one-half of 1987, explain why "Prior Years" is considered to be 1958 through 2009.

Response:

There were no capital credits paid in 2015. There were capital credits paid in 2012. Exhibit 18 Page 1 of 3 of the application list only 6 years. The earliest of these years was 2010. Prior years would be all years prior to 2010. Cumberland Valley's records indicate that the first year capital credits were allocated was 1958; therefore, prior years would be 1958 thru 2009.

b. Confirm the amount shown on Exhibit 18 for Prior Years represents the capital credits actually paid during those years.

Response:

The amount shown in Exhibit 18 for Prior Years and Total came from the year end Form 7 Part I Patronage Capital. The cumulative amount shown on this section of the Form 7 Part I, Cumberland Valley believes to be understated as it does not balance to our general ledger or capital credit subsidiary. The general ledger and capital credit subsidiary continually stay in balance and reflect accurate numbers. The cumulative data for retirement amounts reflected in Part I of the year end Form 7 was backed into over the

Cumberland Valley Electric, Inc.
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years and does not reflect the accurate cumulative general retirement amount. The correct amount for cumulative capital credit general retirement is $3,762,217.35. The prior year's general retirement correct amount would be $3,163,194.35.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

30. Refer to Cumberland Valley's response to Staff's Second Request, Item 29.e.

a. Reconcile the amounts shown on page 3 of 3 of this response with the amount shown on Exhibit 18 of the Application.

Response:

See response to Item 29b.

b. Explain whether the amounts shown as "Unclaimed" on page 3 of 3 are recorded on Cumberland Valley's books. Provide the account in which they are recorded.

Response:

Yes, they are reflected in account 217.0 Capital Credits Unclaimed.

c. If unclaimed capital credit payments are not recorded on Cumberland Valley's books, explain Cumberland Valley's treatment of the payments.

Response:

Unclaimed capital credits are recorded in account 217.0-Capital Credits Unclaimed.

Cumberland Valley Electric, Inc.
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Commission Staff's Third Request for Information

31. Refer to Cumberland Valley's response to Staff's Second Request, Item 30.a. Provide the Excel file as requested.

Response:

Cumberland Valley Electric has included the requested Wage and Salary Survey Excel file as part of this filing.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

32. Refer to Cumberland Valley's response to Staff's Second Request, Item 30.c. Confirm that the CEO's position is not included in the survey, and explain why this position was excluded.

Response:

The CEO's position has its own separate survey. The survey done in 2015 is attached to this Item 32 as pages 2 - 3, and an updated CEO survey done in 2016 is attached to this Item 32 as pages 4 - 6.

INTANDEM LLC
ADVISORS TO MANAGEMENT

August 10, 2015

Mr. Robert Tolliver
Cumberland Valley Electric Cooperative
Gray, KY
Via email

Dear Mr. Tolliver:

The position of the Chief Executive Officer impacts the organization at every level, both internally and externally. His performance affects our success with the members, the public, and our work force. Our ability to attract and retain a key staff is directly related to this individual, his performance, and his compensation.

I reviewed data from the 2015 NRECA National Compensation Survey's (NCS) National, Region 3 and Kentucky statewide salary report, identifying systems of similar size and operating characteristics as Cumberland Valley Electric Cooperative (CVEC). The use and blending of national, regional and statewide reports will allow the benefit of local valuation as well as the stability of a larger national and regional dataset.

Executive compensation can be correlated to numerous factors; however, within the NCS compensation data is available according to utility plant assets, operating revenue and consumer size. The following chart illustrates the current operating categories from which survey data was collected.

Operating Statistic Criteria

System Operating Criteria	CVEC Current Statistics	NCS Survey Selection Criteria
Total utility plant	$99 million	$80-$120 million
Total operating revenues	$48 million	$40-$60 million
Consumers served	24,000	12,500-35,000

I calculated a weighted average for each of the geographic locations based on the above system criteria at both the average and third quartile levels (this is the region of the survey where we expect to find experienced and qualified incumbents). The results are presented in the following table:

21801 E Mullan Lane, Liberty Lake, WA 99019
Office: 404.369.5564 Cell: 509.720.8826 □ Winston.Tan@InTandemConsultants.com

2015 National Compensation Survey CEO Data

	Region III Values			National Values			Kentucky Statewide Values		
Criteria	Reports	Average	Third Quartile	Reports	Average	Third Quartile	Reports	Average	Third Quartile
Consumers Served 12,500-35,000	55	$165,373	$190,008	290	$188,561	$207,480	13	$161,170	$180,139
Total Utility Plant $80m - $120m	23	$165,145	$193,947	124	$181,554	$203,174	7	$180,430	$222,110
Operating Revenue $40m-$60m	28	$162,209	$180,480	117	$192,810	$206,000	8	$170,874	$180,139
Weighted Average		$164,488	$188,346		$187,861	$206,148		$168,758	$190,632

A grand average of all three reports at the "average" level was utilized to determine a middle range value. This value was indexed by a factor of 4.3% to account for changes in market value since the data for the NCS survey was collected as of October, 2014.

Grand Average Calculation

Geographical Area	Weighted Average
Region III	$164,488
National	$187,861
Indiana	$168,758
Grand Average	$173,702
Index @ 4.3%	$181,171

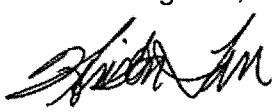
Proposed Salary Range

Lower	Middle	Upper
$144,937	$181,171	$217,406

Based on the middle range value the salary range parameters are calculated by creating a 20% differential. This spread allows for discretion and compensation based on CEO experience and performance, which are the key drivers of executive compensation. We generally find that incumbents migrate from the lower to the upper region of the range as they perform well and progress through their career.

I trust that you will find this information helpful. Please contact me if I may be of further assistance.

Warmest Regards,



Winston L. Tan
Principal, Human Resources & Rewards

INTANDEM LLC
ADVISORS TO MANAGEMENT

August 29, 2016

Mr. Robert Tolliver
Cumberland Valley Electric Cooperative
Gray, KY
Via email

Dear Mr. Tolliver:

The position of the Chief Executive Officer impacts the organization at every level, both internally and externally. His performance affects our success with the members, the public, and our work force. Our ability to attract and retain a key staff is directly related to this individual, his performance, and his compensation.

I reviewed data from the 2016 NRECA National Compensation Survey's (NCS) National, Region 3 and Kentucky statewide salary report, identifying systems of similar size and operating characteristics as Cumberland Valley Electric Cooperative (CVEC). The use and blending of national, regional and statewide reports will allow the benefit of local valuation as well as the stability of a larger national and regional dataset.

Executive compensation can be correlated to numerous factors; however, within the NCS, compensation data is segmented by system size criteria of utility plant assets, operating revenue and consumer size. The following chart illustrates the operating categories from which database reports were extracted.

Operating Statistic Criteria

Operating Category	CVEC 2015	NCS Report Criteria
Total utility plant	$101.1 million	$80-$120 million
Total operating revenues	$45.1 million	$40-$60 million
Consumers served	24,000	12,500-35,000

400 N Chief Garry Dr, Liberty Lake, WA 99019
Direct: 509.720.8826 ▯ www.InTandemConsultants.com

I calculated a weighted average for each of the geographic locations based on the above system criteria at both the average and third quartile levels (this is the region of the survey where we expect to find experienced and qualified incumbents). The results are presented in the following table:

2016 National Compensation Survey CEO Data

	Region III Report			National Report			Kentucky Statewide Report		
Criteria	Reports	Average	Third Quartile	Reports	Average	Third Quartile	Reports	Average	Third Quartile
Consumers Served 12,500-35,000	52	$166,759	$184,746	288	$195,343	$217,006	13	$157,308	$181,349
Total Utility Plant $80m - $120m	22	$172,653	$184,746	132	$187,226	$206,000	8	$175,919	$184,642
Operating Revenue $40m-$60m	26	$162,962	$181,349	124	$194,549	$213,699	7	$163,993	$184,642
Weighted Average		$167,068	$183,863		$193,192	$213,582		$164,297	$183,113

A grand average of all three reports at the "average" level was utilized to determine a middle range value. This value was indexed by a factor of 3.8%[1] to account for changes in market value since the data for the NCS survey was collected as of November, 2015.

Grand Average Calculation

Geographical Report	Weighted Average
Region III	$167,068
National	$193,192
Kentucky	$164,297
Grand Average	$174,853
Index @ 3.8%	$181,497

Proposed Salary Range

Lower	Middle	Upper
$145,198	$181,497	$217,796

Based on the middle range value the salary range parameters are calculated by creating a 20% differential. This spread allows for

[1] Overall average change for CEOs over the past survey year

discretion and compensation based on CEO experience and performance, which are the key drivers of executive compensation. We find that executives migrate from the lower to the upper region of the range as they perform well and progress through their career.

I trust that you will find this information helpful. Please contact me if I may be of further assistance.

Warmest Regards,

Winston L. Tan
Managing Principal

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

33. Refer to Cumberland Valley's response to Staff's Second Request, Item 30.d. Explain Cumberland Valley's rationale for selecting the Kentucky values for the model input values.

Response:

The Kentucky values were the most conservative and reflective of our sister cooperatives in the state of Kentucky. The values came from other Kentucky cooperative's employees doing similar jobs as Cumberland Valley Employees.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

34. Refer to Cumberland Valley's response to Staff's Second Request, Item 31. State whether 65 percent or 100 percent is the correct payroll overhead percentage.

Response:

The payroll overhead percentage of 65% is correct.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

35. Refer to Cumberland Valley's response to Staff's Second Request, Item 35.c. page 2 of 2, and Exhibit 13 of the Application, page 3 of 3. Explain why the amounts shown in the response and exhibit do not match. Provide revised schedules as necessary.

Response:

See corrected schedule provided below.

FAC & Environmental Surcharge Sales & Purchases				
	Sales		Purchased	
Month	Fuel Adjustment	Environmental Surcharge	Fuel Adjustment	Environmental Surcharge
December	(93,896)	433,383	(40,632)	497,956
January	(47,327)	574,007	(188,736)	476,284
February	(192,520)	502,248	(172,173)	491,511
March	(113,232)	350,914	(174,347)	309,221
April	(173,858)	246,850	(172,136)	196,683
May	(220,781)	211,941	(246,264)	266,978
June	(242,124)	317,574	(93,058)	425,853
July	(69,219)	466,435	(114,271)	457,113
August	(89,934)	430,735	(137,880)	364,156
September	(128,033)	334,548	(120,671)	331,163
October	(131,233)	362,226	(144,672)	325,488
November	(163,903)	417,428	(130,192)	411,075
Total	(1,666,060)	4,648,290	(1,735,032)	4,553,481

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

36. Refer to Cumberland Valley's response to Staff's Second Request, Item 41. Explain why Cumberland Valley does not have a written compensation policy, and whether it plans to develop a policy in the future.

Response:

Cumberland Valley intends to have all needed compensation policies in place in 2016 to fully implement, support and manage the newly created wage and salary compensation plan.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

37. Refer to Cumberland Valley's response to Staff's Second Request, Case_No_2016-00169_Exhibit _K.xlsx. On page 1 of 7 and page 5 of 7, interest on long -term debt is shown as $850,647 for the Adjusted Test Year. In response to Item 19.a of Staff's Second Request, the interest adjustment was increased by approximately $53,000 to produce a normalized test-year amount of interest on long-term debt of $903,629.

a. Confirm that the $903,629 amount is the correct amount.

Response:

It is confirmed that the correct interest expense on long term debt is $903,629.

b. Provide all revised exhibits to reflect the corrected interest rate adjustment, including the COSS, specifically Actual Test Year Expenses with Adjustments (page 6 of 40) and Increase for Each Rate Class (pages 38 and 39 of 40).

Response:

Revised exhibits are included in excel spread sheet format.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

38. Did Cumberland Valley experience any extraordinary storm damage during the test period? If so, provide the costs incurred and details of the storm damage.

Response:

Cumberland Valley did not experience any extraordinary storm damage during the test period.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

39. Provide a schedule of all bad debts or losses incurred during the test year.

Response:

Cumberland Valley writes-off bad debt accounts on a quarterly basis. The total for the test year was $177,635.59.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

40. Provide a copy of Board of Directors Meeting Minutes for the test year.

Response:

Cumberland Valley has provided the Board of Directors Meeting Minutes for the test year as pages 2 - 30 of this item.

REGULAR BOARD MEETING
December 11, 2014

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, December 11, 2014 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
  - Operating report
- Budget
- R/W and Construction Bids
- Christmas Bonus
- Conversion Plan
- Interest Rates
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Kevin Moses, seconded by Mr. Lansford Lay the minutes of the November 2014 meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Chester Davis, seconded by Mr. Kermit Creech the one hundred forty three (143) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of November.
: Right of Way Crew working Hwy 229 in Knox County.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.

BUDGET

The 2015 Budget was presented by Barbara Elliott of Cumberland Valley's staff and after the presentation a motion was made by Mr. Elbert Hampton, seconded by Mr. Roger Vanover to accept the budget for the new year, all directors were in favor.

BIDS FOR R/W AND CONSTRUCTION

Mrs. Elliott also discussed the Oct. and Nov. Operating Report, and then presented the Construction and R/W Bids for 2015-2016 years. Phillips Tree Experts and 5 C Construction was awarded the Contract Bids. Motions were made by Mr. Davis, seconded by Creech, with all directors in favor of the R/W Bids. Motions were made by Mr. Moses, seconded by Mr. Lay with all directors in favor of the Construction Bids.

CHRISTMAS BONUS

Mr. Hampton discussed awarding all employees with a $200.00 Christmas Bonus at the board Meeting, motion was made by Mr. Lansford Lay, seconded by Mr. Chester Davis with all directors in favor of the bonuses.

CONVERSION PLAN

Mr. Robert Tolliver presented a Board Resolution authorizing to create a section 125 premium conversion plan. Motion was made by Mr. Vanover, seconded by Mr. Lay with all directors in favor of the authorization.

INTEREST RATES

Mr. Hampton, Barbara and Robert all discussed interest rates on Cumberland Valley's notes going forward, and after the discussion the board ask to be updated in early 2015 on the rates being fixed or staying on the variable.

ATTORNEY

Mr. Hauser stated there was no change in the Grayson Case.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lansford Lay, the meeting was adjourned.

Vernon Shelley, President

Lansford Lay, Secretary-Treasurer

REGULAR BOARD MEETING
January 8, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, January 8, 2014 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
  - Operating report
- Cut-offs
- Right-offs
- Rate Case
- EKP Staff
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Lay, seconded by Mr. Creech the minutes of the December meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Davis, seconded by Mr. Elbert Hampton the one hundred thirty (130) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of December.

: Right of Way Crew working Hwy 11 in Knox County and one crew in Letcher County near the Pine Mountain Settlement School.

: Engineers Report from Neil Watkins and Hannah Garland.

: Meter readings and changes for the month.

: Mr. Hampton stated there was no operating report for December due to the holidays however they were expecting Cumberland Valley to lose money for the month.

CUTOFFS

Mr. Hampton advised the board that CVE had 650 delinquents and weather permitting they would be disconnecting them.

RIGHT OFFS

Mr. Hampton presented the write-offs in the amount of $27,225.81 at the meeting, motions were made by Mr. Creech and Mr. Elbert Hampton to accept the debt amount with all directors voting yes.

RATE CASE

Mr. Hampton discussed the pending rate case and stated the PSC had been called concerning their decision and CVE should know something in seven to ten days.

EKP STAFF

Tony Campbell along with two other of his staff members attended the board meeting to update CVE on activities at EKP and while doing so engaged in several different topics. The Board was very appreciative that they had come and thanked them for doing so.

ATTORNEY

Mr. Hauser stated there was no change in the Grayson Case.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lansford Lay, the meeting was adjourned.

Vernon Shelley, President

Lansford Lay, Secretary-Treasurer

REGULAR BOARD MEETING
February 12, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, February 12, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
  - Operating report
  - Cut offs
- Policy 111
- Rate Case
- Financial Forecast
- Bids
- Long Range Plan
- Annual Meeting
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Vanover, seconded by Mr. Creech the minutes of the January meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Davis, seconded by Mr. Elbert Hampton the one hundred thirty three (133) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of January.

: Right of Way Crew working near Knox Central High School in Knox County and one crew in Letcher County.

: Engineers Report from Neil Watkins and Hannah Garland.

: Meter readings and changes for the month.

: Mr. Hampton had Mrs. Elliott to review the December Operating Report.

POLICY 111

Mr. Hampton reviewed the new Policy on Credit Card Acceptance Handling needed to comply with the PCI-DSS and after reviewing, a motion was made by Mr. Moses, seconded by Mr. Vanover to adopt Policy 111 with all directors in agreement.

RATE CASE

Mr. Tolliver of Cumberland Valley Staff and Mr. Jim Adkins reviewed the recent rate case since the board had several questions concerning the recent case. After the interest rates were discussed with RUS and FFB the board decided to lock in 25% of outstanding loans on a fixed rate as of March 2015. Motion was made by Mr. Davis seconded by Mr. Elbert Hampton with all directors in favor to accept the interest rates while keeping a watch on the rates.

PSC has ordered Mr. Ted Hampton to hire someone to do a Study on wage and salaries of Cumberland Valley Electric since doing the rate case.

Mr. Hampton stated CVE would be filing another rate case in 2016 or 2017.

FINANCIAL FORECAST

Mr. Robert Tolliver discussed doing a Financial Forecast and Depreciation Study and after careful reviewing the directors authorized Mr. Tolliver to continue with the financial study and Depreciation Study.

BIDS

Bids were reviewed for three service trucks from Dutch Chevrolet, Leon Riley Ford, Alton Blakely and Falls Ford with the lowest bid being placed by Dutch Chevrolet. Motion was made by Mr. Davis, seconded by Mr. Lay with all directors in favor of awarding Dutch Chevrolet the lowest bid.

LONG RANGE/FOUR YEAR WORK PLAN

Mr. Hampton discussed a LDT Lighting, Long Range Plan and Four Year Work Plan, after the discussion a motion was made by Mr. Moses, seconded by Mr. Vanover to authorize Mr. Hampton to proceed with the plan with all directors in agreement.

ANNUAL MEETING

Mr. Hampton discussed the 2015 Annual Meeting with the board and it was decided to hold this years Annual Meeting at the Knox County Middle School on June 5, 2015. Motion was made by Mr. Lay, seconded by Mr. Creech with all directors in agreement on the date and place for the Annual Meeting.

ATTORNEY

Mr. Hauser had no report for the board at the meeting.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

REGULAR BOARD MEETINGS
MARCH 12, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, March 12, 2015 at 6:00 P.M.

The meeting was called to order by President Vernon Shelley and following directors were present:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis, Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Manager's Report
  - Safety Report
  - Right-of Way
  - Operating Report
- By-Laws
- Federated Insurance
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Lansford Lay, seconded by Mr. Kevin Moses of the February meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Kermit Creech, seconded by Mr. Elbert Hampton the one hundred thirteen (113) new paying membership fees were approved as written withal directors voting yes.

MANAGER'S REPORT

Mr. Ted Hampton discussed the following:

: No accidents for the month of February.

: Right of Way Crew is working in South Corbin, Whitley County.

: Engineers Report from Neil Watkins and Hannah Garland.

: Meter readings and changes for the month.

OPERATING REPORT

Ms. Barbara Elliott, Cumberland Valley, presented the January / February Operating Report to the Board of Directors.

INTEREST RATES

Mr. Robert Tolliver and Ms. Barbara Elliott both of Cumberland Valley, discussed interest rates on Cumberland Valley Electric's debt. Motion was made by Mr. Roger Vanover, seconded by Mr. Elbert Hampton to lock in current variable rates at the now low level. This would lock in thirty-two percent (32%) of Cumberland Valley Electric's Federal Financing Bank debt.

BY-LAW MODIFICATION

Motion was made by Mr. Roger Vanover, seconded by Mr. Kevin Moses, with all Board Members in favor, to change Section 5 of the By-Laws of Cumberland Valley Electric, Inc., from the ninety (90) day time period currently required, to a seventy –five (75) day time period for delegates to nominate directors prior to an election. See Attachment A.

FEDERATED INSURANCE

Motion was made by Mr. Elbert Hampton, seconded by Mr. Mr. Kevin Moses for Cumberland Valley Electric to continue their insurance coverage with Federated Insurance.

ATTORNEY

Mr. Hauser had reported on the Grayson Case.

ADJOURNMENT

There being no further business coming before the board at this time, motion was made by Mr. Lansford Lay, seconded by Mr. Elbert Hampton, the meeting was adjourned.

Vernon Shelley, President

Lansford Lay, Secretary-Treasurer

SPECIAL CALLED BOARD MEETING
March 18, 2015

The special called meeting of the Board of Directors of the Cumberland Valley Electric, Inc. was held at Gray, Knox County, and State of Kentucky on Wednesday, March 18, 2015 at 6:00 p.m.

Vernon Shelley, President
Roger Vanover, Vice President
Lansford Lay, Secretary-Treasurer
Elbert Hampton, Director
Chester Davis, Director
Kermit Creech
Kevin Moses

Comprising of the board of directors, Mr. Patrick Hauser, Attorney, was also present.

The following subjects were discussed:

1. KAEC
2. Annual Meeting
3. Directors Nominations

Mr. Vernon Shelley reported to the board on KAEC at the meeting.

Cumberland Valley's Annual Meeting date was set at the last board meeting for June 5, 2015 at the old Knox Central High School.

Nominations for directors with two directors term expiring the summer of 2015 was made at the meeting. Nominations for directors for the term of four (4) years expiring at the 2019 Annual Meeting was as follows:

Kevin Moses/ At Large
Kermit Creech/Harlan, Leslie and Letcher Counties

Nomination for Mr. Moses was Paul Baker, nominating for Mr. Creech was Mike Corey, seconded by Paul Baker, with the vote being unanimous.

Motion was made by Mr. Lansford Lay seconded by Mr. Roger Vanover with all directors voting yes to accept the nominations.

Nominations for Director's Report Attached:

Vernon Shelley, President

Lansford Lay, Secretary-Treasurer

REGULAR BOARD MEETING
April 14, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Tuesday, April 14, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
  - Operating report
  - Cut offs
  - Tax Return
  - Remodeling
- Policy 107
- Rate Case
- Bad Debts
- Inspection
- Video
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Lay, seconded by Mr. Creech the minutes of the March meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Davis, seconded by Mr. Vanover the one hundred twenty two (122) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of March, except minor truck accident on 229 Knox County.
: Right of Way Crew working near south Corbin and one crew in Letcher County.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.
: Operating Report for January and February.

: Remodeling in the KSP office and the sub office in Cumberland.
: 2014 Tax Return, Client: KY57-990 prepared by CPA Alan Zumstein.

POLICY 107

Mr. Hampton reviewed Policy 107 on the Succession Management for Cumberland Valley Electric in addressing the retirement of the General Manager and also to provide a plan for management leadership in the event that a General Manager is temporarily unable to act as the CEO.

RATE CASE

Mr. Hampton discussed the PSC's order on CVE's recent rate case and advised the need to employ Jim Adkins and NRECA to do an evaluation of CVE's salary employee wages and a depreciation study. Motion was made by Mr. Creech, seconded by Mr. Moses with all director voting yes on the employment of Jim Adkins.

BAD DEBTS

Mr. Hampton presented the write offs for October, November and December to the board in the amount of $ 22,716.15. Motion was made by Mr. Elbert Hampton, seconded by Mr. Creech to accept the bad debt write offs with all directors voting yes.

INSPECTION

Mr. Hampton advised that the inspection on CVE's electrical system was almost finished.

VIDEO

Mr. Rich Prewitt was present at the meeting and showed a video titled People at the end of the Line, in which shows the crippling effect on the coal industry due to EPA regulations and the loss of coal mining jobs.

ATTORNEY

Mr. Hauser reviewed James River Coal's bankruptcy case and also reported on the Grayson RECC vs EKP Case.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

REGULAR BOARD MEETING
May 14, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Tuesday, April 14, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
  - Operating Report
  - Pine Mt. Sub Station
  - Poles
  - Annual Meeting
- Auditor
- Sales Tax
- EKP
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Elbert Hampton, seconded by Mr. Davis the minutes of the April meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Elbert Hampton, seconded by Mr. Davis the one hundred thirty seven (137) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of April.
: Right of Way Crew working in Letcher County and Whitley County.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.
: Operating Report for March and April.
: Pine Mountain Sub Station being out of service now.
: Poles on Highway US 421 and KY 221 have all been changed out.

: Annual Meeting Insert to appear in KY Living Magazine.

AUDITOR

Mr. Hampton advise the board that Jim Adkins was unable to work for CVE due to health reasons and had recommended Winston Tan to work on the wage and salary audit for Cumberland Valley. Motion was made by Kevin Moses seconded by Roger Vanover to hire Mr. Tan with all directors voting yes.

SALES TAX

Mr. Hampton advised that all the coop's had reached an agreement on the Kentucky Department of Revenues Sales Tax. .

EKP

Elbert Hampton has been nominated again as EKP's Board Member at EKPs Annual Meeting for the next year. Motion was made by Chester Davis, seconded by Kermit Creech to accept EKP's nomination of Elbert with all directors in agreement.

Elbert Hampton advised the board that EKP had purchased a power plant in Oldham County at a savings of over a billion dollars.

ATTORNEY

Mr. Hauser reviewed James River Coal's bankruptcy case and also reported on the Grayson RECC vs EKP Case and after reviewing the Grayson case a motion was made by Roger Vanover, seconded by Kevin Moses to authorize Mr. Mark David Goss to take care of any legal matters involving CVE with the case.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

SPECIAL BOARD MEETING
(Annual Meeting)
June 5, 2015

In June a special called meeting was held for the purpose of electing officers for the consumer year.

The meeting was called to order by attorney, Mr. Pat Hauser, with all directors being present.

Motion was made by Mr. Roger Vanover, seconded by Mr. Kevin Moses, to elect Mr. Vernon Shelley, as Chairman of the Board of Directors.

Motion was made by Mr. Kermit Creech, seconded by Mr. Kevin Moses, to elect Mr. Lansford Lay, as Secretary & Treasurer, Process Agent & Delegate to East Kentucky Power.

Motion was made by Mr. Lansford Lay, seconded by Mr. Elbert Hampton, to elect Mr. Roger Vanover, as Vice Chairman.

Motion was made by Roger Vanover, seconded by Mr. Lansford Lay, to elect Mr. Chester Davis, as Delegate to NRECA National & Regional Meetings.

Motion was made by Mr. Chester Davis, seconded by Mr. Elbert Hampton, to elect Mr. Vernon Shelley, as director to KAEC Board of Directors.

Motion was made by Mr. Roger Vanover, seconded by Lansford Lay, to elect Mr. Elbert Hampton, as director of E.K.P. Board of Directors.

Respectfully Submitted,

Vernon Shelley, President

Lansford Lay, Secretary-Treasurer

ANNUAL MEMBERSHIP MEETING
JUNE 5, 2015

The Annual Membership Meeting of the Cumberland Valley Electric, Inc. was held on Friday, June 5, 2015 at 6:30 p.m. pursuant to printed notices stating the place, day and hour of the meeting as provided for by in accordance with the by-laws of the Cooperative, and all members of the Board of Directors were present with Attorney, Pat Hauser.

The Board of Directors being composed of the following members:

Vernon Shelley	Elbert Hampton
Roger Vanover	Chester Davis
Kermit Creech	Kevin Moses

Lansford Lay

This year's meeting was opened up by the Barbourville High School Boy Scout Color Guard Post 529. Presentation and singing of the National Anthem by Brian Freeman and Assurance.
Kermit Creech, CVE, board of director led the crowd in invocation.

Mr. Ted Hampton, Manager, welcome the 329 members to the 2015 Annual Membership Meeting and read the official notice of the meeting of stating the date, place and hour.
Mr. Hampton called for a motion of the reading of the minutes and a motion was made by Mr. Mike Corey, seconded by Clotus Hinkle to suspend the reading of the minutes. All consumers voted yes.

Mr. Ted Hampton, Mr. Pat Hauser, Attorney, after checking the official registration determined a quorum was present.

Mr. Pat Hauser presented a Nominating Committee report to Cumberland Valley members and after presentation a motion was made by Mr. Mike Corey, seconded by Mr. Colan Harrell to accept the nominations for the following directors, with all voting yes. The two director's term will expire in 2019.

Mr. Kevin Moses, at Large
Mr. Kermit Creech, Harlan, Leslie and Letcher Counties

Mr. Ted Hampton opened the business meeting by introducing his guests and recognition of Cumberland Valley Electric's employees and board members and gave a business report to the consumers present at the meeting. Mr. Hampton also addressed the crowd on Cyber Security and no growth for Cumberland Valley due to the coal situation.

Mr. Rich Prewitt of Cumberland Valley Staff presented nine scholarship to recipients of local high schools.

KAEC's Roby Foree was the meeting's MC and KAEC CEO Chris Perry discussed the importance of serving members, and his personal pride in having and continuing into his new role as head of the statewide association. Mr. Perry also discussed the importance of reliable,

affordable electricity for all cooperative members, and urged the crowd to keep informed on legislative issues that may affect their service by reading their *Kentucky Living* magazine.

Mike McNally, EKP representative addressed the crowd on EPA and water regulations and the effect from both to the members of our Coop's.

Mike Freeman and Assurance performed for a large crowd, a magic show, Caricaturist Denny Whalen was also present. There were hot dogs and cokes for the CVE members. Prizes consisted of bicycles, weed eater, other prizes with the grand prize being a used car won by Mr. Perry Broughton.

Motion was made by Mrs. Mike Cory to adjourn the meeting.

Respectfully submitted,

Vernon Shelley, President

Lansford Lay, Secretary-Treasurer

REGULAR BOARD MEETING
JUNE 11. 2015

The regular meeting for the Board of Directors of the Cumberland Valley Electric, Inc. was held at Gray, Knox County, in the State of Kentucky on Thursday, June 11.2015 at 6:00 p.m.

Vernon Shelley, President
Roger Vanover, Vice-President
Lansford Lay, Secretary-Treasurer
Kevin Moses, Director
Chester Davis, Director
Kermit Creech, Director
Elbert Hampton, Director

Comprising of the entire Board of Directors, Pat Hauser, Attorney, was also present.

The following topics were discussed:

1. Minutes
2. Connects
3. Managers Report
   a. Safety Report
   b. Right of Way
   c. Operating Report
   d. Line Loss
4. Delinquents
5. Oak Point Partners
6. James River Coal Bankruptcy
7. United Stated Department of Agriculture
8. Other Business
9. Adjournment

MINUTES

Upon motion made by Mr. Lansford Lay, seconded by Mr. Kevin Moses, the minutes of the May, 2015 board meeting were approved, with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Chester Davis, seconded by Mr. Kermit Creech, one hundred forty-seven (147) new paying membership fees were approved as written with all directors voting yes.

SAFETY

Mr. Ted Hampton advised the Board of Directors that there were no accidents reported in the last thirty (30) days.

RIGHT OF WAY

Mr. Ted Hampton advised the Board of Directors that the Bush Hog crew is working in the Goldbug area near Williamsburg, Whitley County. The Right-of-Way crew is working in Letcher and McCreary Counties.

OPERATING REPORT

Mr. Ted Hampton presented to the Board of Directors the May Operating Report stating revenue in a negative amount of approximately two hundred thousand dollars ($200,000.00).

LINE LOSS

Mr. Ted Hampton reviewed line loss report with meter change and meter readings reported.

DELINQUENTS

Mr. Ted Hampton informed the Board there were two-hundred thirty nine (239) delinquent accounts disconnected in the month of May, with one hundred seventy (170) accounts reconnected

OAK POINT PARTNERS

Mr. Ted Hampton and Mr. Pat Hauser, Attorney for Cumberland Valley Electric, reviewed a letter from Oak Point Partners, Northbrook, IL, requesting information on Capital Credits gained from the purchase of Straight Creek Coal Resources Company. Mr. Tolliver and Mr. Hauser are to prepare a response to said letter.

JAMES RIVER COAL BANKRUPTCY

Mr. Ted Hampton and Mr. Pat Hauser, Attorney for Cumberland Valley Electric, reviewed the status of James River Coal Bankruptcy with the Board and advised them that Hon. Miles Apple, Bankruptcy Attorney, is assisting Mr. Hauser along with Ms. Messer of Cumberland Valley Electric Staff, in preparing and filing the necessary responses to bankruptcy documentation.

RURAL UTILITIES LOAN INTEREST RATES

Mr. Ted Hampton reviewed with the Board of Directors the current interest rates offered by the USDA (United States Department of Agriculture) Rural Development and advised the Board that a decision would need to be made in the near future regarding Cumberland Valley Electric's loans in order to take advantage of the low rates now proposed.

OTHER BUSINESS

A list of checks was presented to the board for review. Motion was made to approve said checks by Mr. Chester Davis, seconded by Mr. Lansford Lay.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Chester Davis, second by Mr. Kevin Moses, the meeting was adjourned.

Vernon Shelley, President

Lansford Lay, Secretary-Treasurer

REGULAR BOARD MEETING
July 9, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, July 9, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President — Elbert Hampton, Director
Roger Vanover, Vice President — Kermit Creech, Director
Lansford Lay, Secretary-Treasurer (absent) — Kevin Moses, Director (absent)
Mr. Lay and Mr. Moses were present by Conference Call
Chester Davis-Director — Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
  - Operating Report
  - Outages
- Cyber Security Policies
- LED Lighting
- Write Offs
- Interest Rates
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Chester Davis, seconded by Mr. Kermit Creech the minutes of the June meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Elbert Hampton, seconded by Mr. Roger Vanover the one hundred thirty two (132) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of June.
: Right of Way Crew working Corn Creek in Whitley County, spray crew in Bell County.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.
: Operating Report was discussed by Barbara Elliott.
: Outages due to a lot of rain and wind in the last two weeks.
: Workplace Security, providing a safe, secure and non-threatening work environment for Cumberland Valley Electric's employees.

CYBER SECURITY POLICIES

Six new IT Policies were presented to the board by Mr. Jonathan Grove of Cumberland Valley's Staff, after the presentation a motion was made by Mr. Chester Davis, seconded by Mr. Roger Vanover with all directors in favor of the new policies.

Mr. Grove stated that 15 more new policies will be presented to the board in the next six months. These Cyber Security Policies are a requirement by The Federal Government and PSC regulations.

Policies attached:

Compliance Requirements	Password Policy	Outsourced Information Processing
Malware Prevention	Business Continuity and Disaster Recovery	

LED LIGHTING

Mr. Hampton discussed a LED Lighting tariff being sent to the PSC in hopefulness of getting approval to install LED lighting instead of using the mercury vapor and sodium.

Write Offs and KRTA

Robert Tolliver and Barbara Elliot reviewed the CFC Kentucky KRTA Report with the board. The write-offs were discussed also and a motion was made by Mr. Kermit Creech, seconded by Mr. Kevin Moses to accept the write-offs in the amount of $69,626.92, with all directors voting yes.

OPERATING REPORT

Barbara Elliott of Cumberland Valley's Staff discussed the June Operating Report stating we lost a lot of money due to low KW hours. Barbara also discussed Cumberland Valley's interest rates with the board and it was decided to leave the loans at the present rate rather than switching and reviewing them in the near future.

ATTORNEY

Mr. Hauser reviewed James River Coal's bankruptcy case and the settlement amount of $9000.00.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

REGULAR BOARD MEETING
August 13, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, August 13, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
  - Truck Bids in September
- Salary Study
- Operating Report
- Policies
- Depreciation Study
- Audit
- EKP
- Attorney
- Adjournment

MINUTES

Upon motion made by Mr. Kevin Moses, seconded by Mr. Lansford Lay the minutes of the July meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Mr. Chester Davis, seconded by Mr. Kermit Creech the one hundred seventy (170) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of July.
: Right of Way Crew working Letcher County and Whitley County in the Rockhold Area.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.
: Truck bids on old trucks to be reviewed at the September Board Meeting

SALARY STUDY

Robert Tolliver of CVE's staff was present at the meeting and advised the board that Winston Tan had been employed to do a salary study for all Salary employees.
Robert advised the board that they needed to draw money down from RUS to pay the August Power Bill.
Robert also passed out additional policies to approve at the September Board Meeting on Cyber Security, Back Up and Recovery.

DEPRECIATION STUDY

A Depreciation Study was discussed at the board meeting and afterward a motion was made by Kermit Creech, seconded by Lansford Lay to employ WDS Consulting LLC in the amount of $20,000 to do the Study. All directors were in agreement.

OPERATING REPORT

Barbara Elliott of Cumberland Valley's Staff along with Robert Tolliver discussed the June and July Operating Report and advised they would be needing to look at interest rates in September.

AUDIT

Alan Zumstein reported on the last audit that was prepared for CVE. Motion was made by Chester Davis, seconded by Elbert Hampton to accept Alan's report. All directors were in favor.

EKP

Elbert Hampton advised East Kentucky Power had substantial expenditures going forward with EPA Regulation to be in compliance in which would result in a rate increase.

ATTORNEY

Pat Hauser reported on a Bankruptcy Case with Alpha Natural Resources in which he and Miles Apple would keep the board advised as the cases move forward.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Mr. Elbert Hampton, seconded by Mr. Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

REGULAR BOARD MEETING
September 11, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, September 10, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
- Operating Report
- Alternate Power Source
- Truck Bids
- Attorney
- Adjournment

MINUTES

Upon motion made by Lansford Lay, seconded by Elbert Hampton the minutes of the August meeting were approved as mailed with all directors voting yes.

NEW CONNECTS

Upon motion made by Chester Davis, seconded by Kermit Creech the one hundred sixty one (161) new paying membership fees were approved as written with all directors voting yes.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of August.
: Right of Way Crew working Letcher, Whitley and Harlan Counties.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.
: Operating Report for the month of August stating a small amount of profit.
: Interest Rates that will be looked at again in November.
: Alan Zumstein's Depreciation Study to be presented in a rough draft in about two weeks.

ALTERNATE POWER SOURCE

Mr. Hampton presented a memorandum regarding alternate power source in which was entered into an agreement with a motion by Chester Davis, seconded by Lansford Lay with all directors voting yes.

TRUCK BIDS

Truck bids were presented to the board and the following were awarded trucks as follows:

Brent Sowders	truck # 30	$3,260.00
Joe Gallagher	truck # 33	$3,750.00
John Mcvey	truck # 28	$3,152.00
Elmer Wells	truck # 29	$2,979.63

Motion made by Kermit Creech, seconded by Elbert Hampton with all directors in agreement to accept the bids.

ATTORNEY

Pat Hauser reported on a Fiber Optic System for the state of Kentucky and CVE's system and stated the revised contract had been sent back for updating.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Elbert Hampton, seconded by Lansford Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

REGULAR BOARD MEETING
October 8, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, October 8, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
- Operating Report
- Four Year Work Plan
- Write-offs
- Policy's
- Attorney
- Adjournment

MINUTES

Upon motion made by Lansford Lay, seconded by Elbert Hampton the minutes of the September meeting were approved as mailed with all directors voting in favor.

NEW CONNECTS

Upon motion made by Chester Davis, seconded by Kermit Creech the one hundred sixty five (165) new paying membership fees were approved as written with all directors voting in favor.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: CVE's bucket trucks accident with substantial damage and trucks being repaired in TN.
: Right of Way Crew working Goldbug, in Whitley Co. and Kingdom Come in Letcher Co.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.
: Operating Report for the month of September.
: Alan Zumstein's Depreciation Study being presented in November.
: Preliminary contract for a pole attachment agreement for Southeast Kentucky.

4 YEAR WORK PLAN

Mr. Hampton discussed a 4 year work plan with the board and after discussion a motion was made by Chester Davis, seconded by Elbert Hampton to employ Patterson @ Dewar, an Engineering Firm to work on the plan with all directors voting in favor.

WRITE-OFFS

Mr. Hampton discussed the write-offs and afterwards a motion was made by Chester Davis, seconded by Kermit Creech to accept the write-offs in the amount of $53,787.52 with all directors voting in favor.

POLICY'S

New policies were approved at the meeting with a motion from Kermit Creech, seconded by Kevin Moses with all directors in favor. Policies will be placed in the policy book.

The new policies are as follows:

Information & Cyber Security Policy
Backup and Recover
Documentation Procedures
System Acceptance and Configuration
Third Party Access
User Account Management

ATTORNEY

Pat Hauser reported on the Straight Creek Resources Bankruptcy Case and stated that CVE had a $25,000 bond with the Coal Company, he also reported that the bonding company was slow in reacting and if we had not received payment by October 19 he would file suit against the company in Knox Circuit Court.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Elbert Hampton, seconded by Lansford Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

REGULAR BOARD MEETING
November 12, 2015

The regular meeting of the Board of Directors of Cumberland Valley Electric, Inc. was held at Gray, Knox County, Kentucky on Thursday, November 12, 2015 at 6:00 p.m.

Board Members and Attorney in attendance were:

Vernon Shelley, President	Elbert Hampton, Director
Roger Vanover, Vice President	Kermit Creech, Director
Lansford Lay, Secretary-Treasurer	Kevin Moses, Director
Chester Davis-Director	Pat Hauser, Attorney

The following topics were discussed:

- Minutes
- Connects
- Managers' Report
  - Safety Report
  - Right of Way
- Operating Report
- Christmas Bonus
- Internal Audit
- Stolen Generator
- Solar Power Generator
- Attorney
- Adjournment

MINUTES

Upon motion made by Lansford Lay, seconded by Elbert Hampton the minutes of the October meeting were approved as mailed with all directors voting in favor.

NEW CONNECTS

Upon motion made by Kevin Moses, seconded by Roger Vanover the one hundred forty six (146) new paying membership fees were approved as written with all directors voting in favor.

MANAGER'S REPORT

Mr. Hampton discussed the following:

: No accidents for the month of October.
: Right of Way Crew working Letcher County and Leslie County.
: Engineers Report from Neil Watkins and Hannah Garland.
: Meter readings and changes for the month.
: Preliminary Operating Report for the month of October suspecting a loss of $100, 000.00.
: Alan Zumstein and Jim Adkins to start working on a rate increase for CV in mid-December.
: Cumberland Valley changing over Jellico Substation to 25 KV on November 16.
: CVE sending completed Depreciation Study to the PSC and RUS on December 16.

CHRISTMAS BONUS

Mr. Hampton discussed a Christmas Bonus for all of CVE employees. Motion was made by Roger Vanover, seconded by Chester Davis to award a bonus in the amount of $200.00. All directors were in favor.

Cumberland Valley will have a Christmas Dinner for all employees and their families on December 4 at the Corbin Tech Center.

INTERNAL AUDIT

Mr. Hampton reported on the Internal Audit that Robert Prevatte has just completed for CVE and advised the board to review it and ask for any thoughts or suggestions on the report at the December Board Meeting.

STOLEN GENERATOR

Mr. Hampton reported that a generator was taken from one of EKP's communication control sites in the Slope Hollow area of Harlan County, off of KY 179, they are asking for any tips to be reported to the KSP.

SOLAR POWER GENERATOR

East Kentucky Power is doing a study on a 5 megawatts Solar Powered Generator Unit at the Smith Site in Clark County that will take 1-1 ½ years to complete. When it is completed and employees have been trained they will look to install a unit at CVE.

ATTORNEY

Pat Hauser reported on two bankruptcy cases in Harlan County and advised one was protected by a bond of $25,000 and that we had taken a loss on a the 2nd mine because the bond was not large enough to cover it.

ADJOURNMENT

There being no further business before the board at this time a motion was made by Elbert Hampton, seconded by Lansford Lay, the meeting was adjourned.

Lansford Lay, Secretary-Treasurer

Vernon Shelley, President

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

41. Refer to Cumberland Valley's response to the Attorney General's Initial Request for Information ("AG's First Request"), Item 3.

a. In the minutes provided in the response, one of the topics is labeled "New Connects". Explain fully the information that is provided under this heading.

Response:

"New Connects" are individuals or entities that have paid a membership fee for service during that particular month.

b. The title and information provided would seem to indicate that Cumberland Valley's customer base is growing, yet revenues are in decline. Explain this discrepancy.

Response:

Using "New Connects" from the Board Meeting Minutes is not a good barometer when looking at customer base growth and decline. The "New Connects" number is only accounting for new memberships added during the month. It is not accounting for any services that where disconnected during that same month. A more accurate way of determining the growth or decline in customer base would be to look at monthly accounts billed.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

42. Refer to Cumberland Valley's response to the AG's First Request, Item 3, page 7 of 21. Explain why Jackson Cumberland Energy Incorporated was dissolved, its function, and how it benefited Cumberland Valley.

Response:

Jackson Cumberland Energy Incorporated was created to use shared services for efficiency if needed. There was never any activity in this corporation and it never benefited Cumberland Valley; therefore, is was dissolved.

Cumberland Valley Electric, Inc.
Case No. 2016-00169
Commission Staff's Third Request for Information

43. Refer to Cumberland Valley's response to the AG's First Request, Item 39. Provide the table on page 2 of 2 in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

Response:

The request Excel spreadsheet is enclosed as part of this filing.