

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF CUMBERLAND)	
VALLEY ELECTRIC, INC. FOR A GENERAL ADJUSTMENT)	CASE NO.
OF RATES PURSUANT TO STREAMLINED PROCEDURE PILOT)	2020-00264
PROGRAM ESTABLISHED IN CASE NO. 2018-00407)	

**CUMBERLAND VALLEY ELECTRIC INC.'S
RESPONSE TO ATTORNEY GENERAL'S DATA REQUESTS**

Filed: November 9, 2020

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

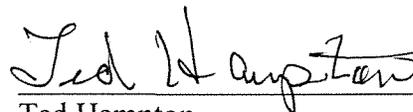
In the Matter of:

THE ELECTRONIC APPLICATION OF)
CUMBERLAND VALLEY ELECTRIC, INC.)
FOR A GENERAL ADJUSTMENT OF) Case No. 2020-00264
RATES PURSUANT TO STREAMLINED)
PROCEDURE PILOT PROGRAM)
ESTABLISHED IN CASE NO. 2018-00407)

VERIFICATION OF TED HAMPTON

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF KNOX)

Ted Hampton, President and Chief Executive Officer of Cumberland Valley Electric, Inc., being duly sworn, states that he has supervised the preparation of certain responses to data requests in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.


Ted Hampton

The foregoing Verification was signed, acknowledged and sworn to before me this 5th day of November, 2020, by Ted Hampton.



Notary Commission Number: 616281

Commission expiration: 2-13-23

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1. Refer to the Application, Page 1, in which Cumberland Electric states that it provides electric power to approximately 23,682 members in the Kentucky counties of Bell, Clay, Harlan, Knox, Laurel, Leslie, Letcher, McCreary, and Whitley.
 - a. Provide a detailed account of the economic issues that the above-referenced counties were suffering from before the COVID-19 pandemic.
 - b. Provide a detailed account of the economic situation that the above-referenced counties are battling during the COVID-19 pandemic.
 - c. Based upon the most recent United States Census information, the poverty rates for Cumberland Electric's service area are as follows: Bell County – 31.3%, Clay County – 38.2%, Harlan County – 33.4%, Knox County – 31.9%, Laurel County – 20.6%, Leslie County – 30.8%, Letcher County – 31.3%, McCreary County – 33.7%, Whitley County – 25.7%.

Confirm that Cumberland Electric is aware of the extreme poverty that exists in its service territory.
 - d. Explain in detail whether Cumberland Electric is experiencing a higher amount of uncollectible bills/account since the COVID-19 pandemic.
 - e. Taking into account the economic issues that were present in Cumberland Electric's service area before the COVID-19 pandemic, and the exacerbated economic issues that the COVID-19 pandemic has caused in the counties that Cumberland Electric serves, explain how Cumberland Electric's customers will be able to afford an increase in electric rates.

Response:

- a) As stated in the Attorney General's question in AG 1-1 c., the federal poverty rates for the nine counties comprising Cumberland Valley's service territory are among the highest in the United States. The average poverty rate for the counties comprising the service territory is 30.7%. The surest way to reverse high poverty rates is through robust local and regional economic development leading to enhanced employment opportunities for those looking and able to work. For generations our service territory has relied almost exclusively on coal mining and timber harvesting to sustain its economy. For many decades these industries provided employment for our members and maintained a sufficient tax base to insure decent roads, schools and other necessary infrastructure. However, in hindsight, most everyone agrees that there was a lack of foresight and planning to develop alternate economic opportunities when the coal and timber resources were exhausted. While several county governments in our service territory are trying to develop alternate economies by attracting outside industry, competition with other areas of the state and region is intense. Many of these competitors are located in areas whose geography and basic infrastructure are more developed and appealing and there are already other businesses and industries in place that complement the business of the target employer. In summary, before the COVID-19 pandemic the economy of the counties of our service territory were flat with almost no

growth and the prospects for a hasty and enduring systemic economic improvement were uncertain at best.

- b) Please refer to response to AG 1-1 a. above. The weeks-long shutdown of schools and businesses in the service industry has only exacerbated the situation. The few manufacturing and commercial businesses in our service territory have been required to reduce their hours of operation not only because of government requirements but also because of supply chain disruptions. Several retail stores have waited months for delivery of inventory and parts, and restaurants cannot receive delivery of necessary meats, vegetables and other essential items. There are numerous other examples of the economic disruption which COVID-19 has caused in our service territory.
- c) Cumberland Valley Electric is certainly aware of the extreme poverty in our service territory and is committed to assisting our customers whenever and wherever possible. The best evidence of this awareness is our decades-long history of low rates and reliable service. Cumberland Valley's current rates rank among the lowest of all electric utilities in Kentucky and indeed the United States. Cumberland Valley's corporate philosophy of addressing the needs of its members who live below the national poverty level starts with the President/CEO, Ted Hampton, who has always encouraged Cumberland Valley's employees to

keep the best interest of our members as the Cooperative's top priority. CVE leads the Commonwealth in CARES rebates with more than 40 members being served. These incentives of up to \$2,000 per home are for energy efficiency improvements and go to our most economically disadvantaged members. We partner with the local Community Action Agencies with this program. This allows them to significantly stretch the value of the projects at these homes. We consistently have high consumer approval scores and have built a great level of confidence with the vast majority of our members. We always strive to do what is fair and never try to do for one member what we can't do for all. We constantly and consistently focus on member needs and try to work within our communities to raise the quality of life across our service territory. Daily we work with local, national, and regional entities to bring best practices to our service territory, hopefully impacting our members for generations to come.

- d) Cumberland Valley Electric has experienced a higher amount of uncollectible bills/accounts since the Kentucky Public Service Commission issued an order on March 16, 2020 in Case No. 2020-00085 temporarily ceasing disconnections. See the charts below for the average monthly amount of arrears for the years 2017, 2018, 2019, and actual monthly amounts for March through October of 2020.

Year	Average Monthly Arrears
2017	\$330,786.40
2018	\$391,038.06
2019	\$437,646.27
Average	\$386,490.24

Year	Actual	
2020	Monthly Arrears	Note
March	\$ 534,450.62	March 16th PSC Issued order in Case No. 2020-00085 to cease disconnections
April	\$ 541,286.68	
May	\$ 523,990.81	
June	\$ 532,547.82	
July	\$ 503,808.09	
August	\$ 727,666.79	
September	\$ 787,733.32	
October	\$ 656,435.91	
AVERAGE	\$ 600,990.01	

The amounts above for the year 2020 include prepay account negative balances. As of September 28, 2020 Cumberland Valley had 1,064 total prepay accounts with 455 having negative balances totaling \$162,932.17. Prepay accounts would normally never have a negative balance without disconnection. The charts above show an increase in the average arrears of \$214,499.77 or 64% since the cease disconnection order in March. Some members just stopped paying anything on their bill, even the ones with no loss of income.

- e) Any rate increase, whether implemented during “normal” times or a pandemic, can be challenging for some customers, especially low income customers.

However, in the current case, Cumberland Valley only requests a 2.25% rate increase by increasing its monthly residential customer charge by \$5.00, from \$12.00 to \$17.00, and contemporaneously reducing its residential energy charge by \$0.00138 per kWh. The request is meant to more accurately capture the true cost of providing service to its customers. The alternative is no rate increase which would quickly result in a degradation of Cumberland Valley's financial condition, customer service and reliability. Cumberland Valley takes seriously the Commission's mandate that distribution cooperatives should not allow their financial condition to suffer by artificially delaying rate adjustments; but, instead, should seek more frequent but modest adjustments to prevent its customers from being subjected to unreasonable rate shock.

Witnesses: Robert Tolliver and John Wolfram

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2. Refer to the Application, page 2. Cumberland Electric asserts that its existing rates went into effect on February 6, 2017, and since that time Cumberland Electric's costs have increased at a greater rate than its energy sales and revenue despite management supervision to minimize cost escalation.
 - a. Provide a list of all pro forma adjustments, the monetary amount of each adjustment, and a description of why each adjustment is being requested.
 - b. Explain in detail why costs have increased more than energy sales.
 - c. Explain in detail and provide examples of how management has attempted to minimize cost escalation.
 - d. Explain why Cumberland Electric is requesting to achieve a Times Interest Earned Ratio ("TIER") of 1.91, and an Operating Times Interest Earned Ratio ("OTIER") of 1.66.
 - e. Provide the TIER and OTIER that are required by all loan contract terms.
 - f. If Cumberland Electric is requesting a TIER and OTIER that is higher than the loan contract requirements, explain why it is making such request.
 - g. Confirm that Cumberland Electric's TIER and OTIER for the historical test period in 2019 was 2.93 and 1.28 respectively, as indicated in the Application, Exhibit 31. If this is not confirmed, provide the TIER and OTIER for 2019.
 - h. Provide Cumberland Electric's TIER and OTIER for January 1, 2020 – the present day.
 - i. Explain why Cumberland Electric is seeking to increase the monthly residential customer charge from \$12.00 to \$17.00, which is an approximate increase of 42%.
 - j. Did Cumberland Electric contemplate implementing the proposed higher customer charge in two phases instead of 42% increase at one time?

Response:

- a) Refer to the Direct Testimony of John Wolfram, pages 10-16 and Exhibit JW-2, page 2.
- b) Refer to Cumberland Valley's response to Commission Staff's First Request for Information question 2a. This response highlights the various factors contributing to Cumberland Valley's increased costs in 2016.
- c) Refer to the Direct Testimony of Robert Tolliver, pages 7–11 in Cumberland Valley's Application, that outlines various cost-containment measures that Cumberland Valley has employed since its last rate case in 2016. Further detail is provided on cost-containment measures in Cumberland Valley's response to Commission Staff's First Request for Information question 2b.
- d) Refer to the Direct Testimony of John Wolfram, pages 9-10.
- e) Refer to Cumberland Valley's response to Commission Staff's First Request for Information question 3.

Witnesses: Robert Tolliver and John Wolfram

- f) The loan covenants establish minimum requirements for financial metrics. Cumberland Valley Electric considers it prudent to establish rates that permit the achievement of financial metrics above these minimums, and the Commission has supported this view in every distribution cooperative rate case of which Cumberland Valley Electric is aware.
- g) Cumberland Valley confirms that its TIER and OTIER for the historical test period in 2019 were 2.93 and 1.28 respectively.
- h) The table below shows the TIER and OTIER by month for the year to date 2020.

Month (2020)	TIER	OTIER
January	2.13	2.08
February	2.61	2.39
March	2.54	2.31
April	1.62	1.37
May	1.05	0.82
June	0.61	0.34
July	0.60	0.35
August	0.83	0.32

- i) Please see the Direct Testimony of John Wolfram, pages 27-30.
- j) No.

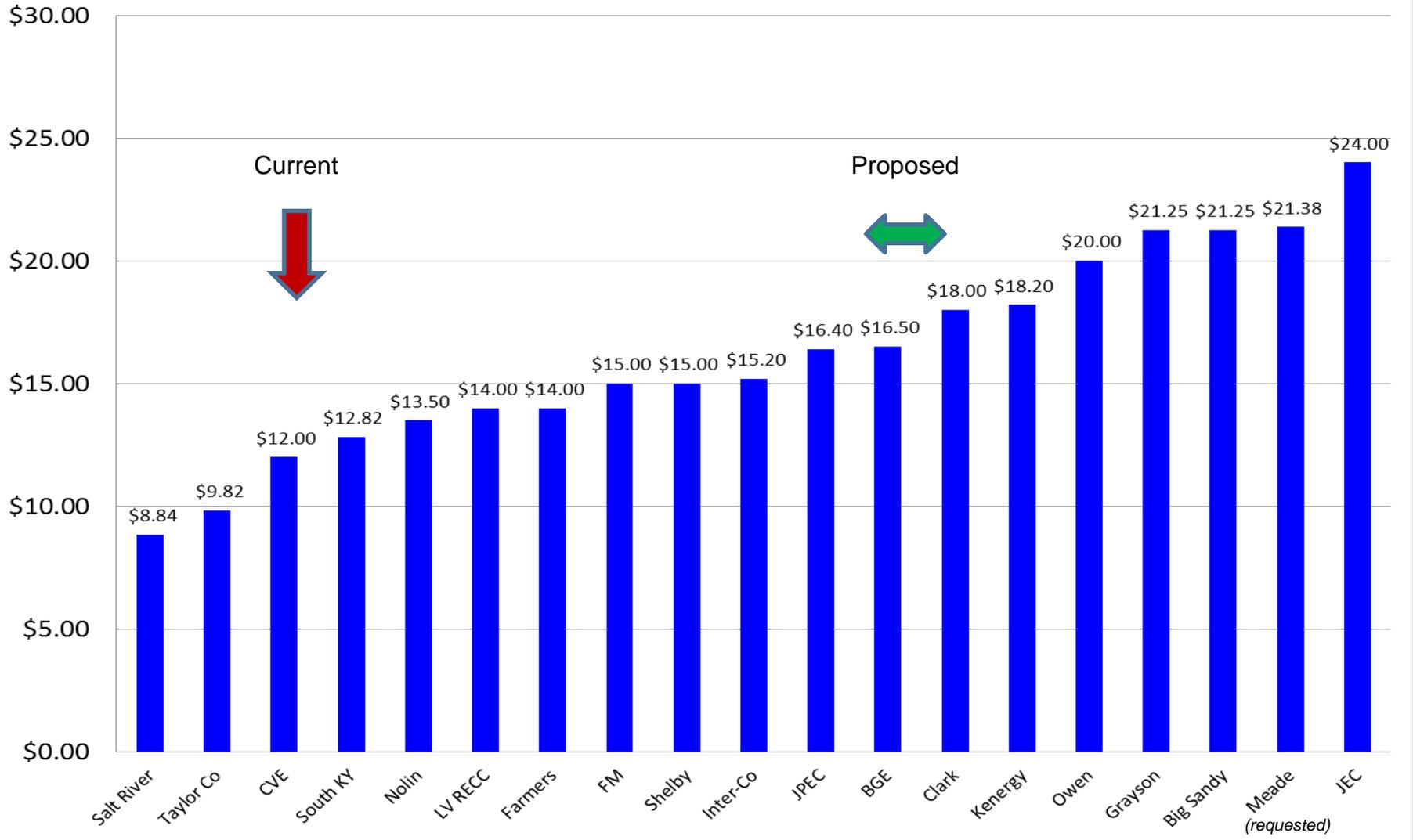
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3. Refer to the Application, page 4.
 - a. Cumberland Electric states that its existing retail rates do not provide sufficient revenue to ensure the requisite financial strength going forward.
 - i. Explain the criteria Cumberland Electric uses to determine if the retail rates provide sufficient revenue.
 - ii. Explain the criteria Cumberland Electric uses to determine if it has the requisite financial strength.
 - b. Cumberland Electric avers that its goal is to keep rates as low as possible for its members. Provide a list of all electric utilities in Kentucky, with the corresponding monthly residential customer charge, residential volumetric charge, average bill, and rank the utilities from lowest to highest average bill.

Response:

- a) Cumberland Valley Electric uses TIER, OTIER, its budget, and other metrics required in its loan covenants to assess financial well-being. Refer to response to Commission Staff's First Request for Information Item 3.
- b) Cumberland Valley did not compile all the requested information during the development of this case. The relevant information that Cumberland Valley Electric did compile, from publicly-available data on the Commission's website, is on page 2 of this response.

KY CO-OPs - Monthly Fixed Charges



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4. Refer to the Application, page 5. Cumberland Electric asserts that it is requesting the rate case expense to be allowed recovery in the rates, and amortized over a three-year period.
 - a. Provide the total rate case expense that has been accrued thus far.
 - b. Provide a breakdown of the total rate case expense that has been accrued thus far by category.
 - c. Provide the estimated total rate case expense.
 - d. Provide a breakdown of the estimated total rate case expense. Consider this a continuing request.

Response:

- a) Refer to Cumberland Valley's response to Commission Staff's First Request for Information question 26.
- b) See response to part a above.
- c) See response to part a above.
- d) See response to part a above.

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5. Refer to the Application, Exhibit 1.
- a. Cumberland Electric states that there have been increased expenses in most areas of its operations. Identify all increased expenses with an explanation regarding the same.
 - b. Cumberland Valley asserts that many of the increased expenses have been offset by changing employee benefits, including health, dental, 401(k), and retiree health benefits. Explain the offsets in detail.
 - c. Cumberland Electric also states that it has attained cost reductions and efficiencies through the implementation of the new Advanced Metering Infrastructure (“AMI”) System and office communication systems. Provide a detailed description of each cost reduction and efficiency alluded to in the above-referenced statement.

Response:

- a) Cumberland Valley has provided a breakdown of increased categories when comparing 2016 to 2019 in response to Commission Staff’s First Request for Information question 2a.
- b) After the Commission’s final order in the 2016 rate case, management began making changes to employee benefits and retiree benefits in order to reduce costs. These cost reductions are referred to in the Direct Testimony of Ted Hampton, page 4 of Cumberland Valley’s Application. Listed on page 3 of this response is the approximate yearly savings achieved by Cumberland Valley.

- c) Refer to Cumberland Valley's response to Commission Staff's First Request for Information question 2a. This response details the many cost reductions and efficiencies gained by the implementation of its new AMI system. Cumberland Valley has also provided the list of projected benefits from its Application in PSC Case No. 2018-00056 on page 4 and 5 of this response.

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Cumberland Valley's Cost Reductions from Changes in Employee and Retiree Benefits

Benefits	2017	2018	2019	YTD Oct. 2020	Total
Employee Health Insurance	\$17,650.78	\$47,824.53	\$60,792.23	\$65,616.79	\$191,884.33
Employee Dental Insurance	\$18,846.72	\$19,223.52	\$20,298.14	\$17,140.80	\$75,509.18
Salaried Employees 401(k) Contribution	\$0.00	\$26,126.69	\$31,988.70	\$36,397.70	\$94,513.09
Retiree Health Insurance	\$0.00	\$0.00	\$46,819.32	\$50,819.32	\$97,638.64
Total Cost Reductions	\$36,497.50	\$93,174.74	\$159,898.39	\$169,974.61	\$459,545.24

Projected Benefits for Applicant and Its Members

Rate Structure: Every meter will be capable of supporting Time-of-Use rates, Net Metering, Critical Peak Pricing, and Real Time Pricing.

Member Access: Cumberland Valley's members will be able to log-in to NISC's Smart Hub to access their consumption data in real time via a web portal. Giving the members access to hourly usage data will allow members to make more informed decisions on energy usage.

Pre-Pay Metering: Members who are on Pre-Pay and let their balance run out will experience significantly faster reconnect times once they add money to their account. Currently using Landis and Gyr's TS2 system remote reconnect can take several hours, however with Silver Spring's solution reconnects can occur as quickly as 30 seconds.

Member Billing and Usage Questions: Real time data will allow Cumberland Valley's Member Service Representatives ("MSR") to better help answer billing or usage concerns and improve customer service. For example, MSR's can advise members on what time during the day their usage increased. This information empowers the member to adjust their usage and conserve energy.

Outage Reporting: Silver Spring's solution will improve outage response times by locating the cause of an outage faster. It will also verify whether all members have been restored when a repair is completed. This allows Cumberland Valley to identify "nested" outages before crews leave the area.

Cost-Savings Benefits: Silver Spring's solution will eliminate the need for manual reads for service connections and disconnections. Alerts for detection of tampering and unauthorized access to meters will be generated which will reduce the opportunity for energy theft.

Voltage Data: Having access to voltage information at the meter level will allow Cumberland Valley to identify trouble areas, such as low voltage or overloaded transformers on the system. This will greatly enhance Cumberland Valley's ability to address potential issues on our system before outages or customer complaints occur. Cumberland Valley also believes that better voltage information will have the potential to reduce line loss.

Distribution Automation: Silver Spring's will give Cumberland Valley the ability to communicate with various distribution equipment such as regulators, reclosers and fault indicators.

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6. Refer to the Application, Exhibit 7, the Testimony of Ted Hampton, President and Chief Executive Officer ("Hampton Testimony"), page 2.
 - a. Mr. Hampton states that he has been the President and CEO of Cumberland Electric since 1964. Provide a detailed response discussing whether Mr. Hampton has plans to retire at any point in the future, and if so, explain whether anyone is currently being trained to assume the role of President and CEO.
 - b. Provide the names, positions, salaries, and date of hire for all employees of Cumberland Electric who are related to Mr. Hampton.
 - c. Provide the names of all members of the Cumberland Electric Board of Directors who are related to Mr. Hampton.
 - d. Explain whether there have been any violations of the 2017 Amended Nepotism Policy, which removed the provision that allowed a Board Resolution to make exceptions to the Nepotism policy upon recommendation of the CEO.

Response:

- a) Mr. Hampton currently has no plans for retirement. If for some reason a replacement would be needed Cumberland Valley has several senior staff members that could assume the duties.
- b) Refer to page 2 of this response.
- c) Elbert R. Hampton
- d) There have been no violations of the 2017 Amended Nepotism Policy.

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Name	Position	2019 Salary	Date of Hire
William J. Hampton	Superintendent	\$ [REDACTED]	June 7, 1965
Karen Hampton	Bookkeeper	\$ [REDACTED]	June 11, 1968
Stephen Hampton	Assistant Superintendent	\$ [REDACTED]	November 1, 1999

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7. Refer to the Hampton Testimony, page 4, wherein he states that stagnant customer and load growth is directly related to the poor economy in the service territory.
 - a. Provide the customer and load growth for the years 2015-present day.
 - b. Explain in detail whether Cumberland Electric is concerned that increasing electricity prices will make it even more difficult to attract much needed businesses and jobs to its service area.

Response:

- a) The table below details Cumberland Valley's total member count and annual total kWh sales from 2015 – 2019. Also, provided is the total member count as of October 31, 2020 and the year to date total kWh sales. Due to the COVID-19 State of Emergency order Cumberland Valley has been unable to disconnect accounts for non-payment since March 16, 2020. This has contributed to a sizeable increase in our total member count; Cumberland Valley expects once it starts disconnecting accounts again the total member count will decrease back to levels consistent with 2019. Based on current year-to-date information Cumberland Valley expects 2020 to be another year of declining sales.

Year	Member Count	Total kWh Sales
2015	23,596	452,150,592
2016	23,672	440,476,362
2017	23,630	413,246,369
2018	23,648	448,922,152
2019	23,682	424,777,329
Oct-20	23,967	324,863,138

- b) Cumberland Valley Electric is and has always been concerned about creating and maintaining jobs in Eastern Kentucky. Cumberland Valley Electric actively participates in many economic development initiatives in our service area. Cumberland Valley has historically had some of the lowest rates among cooperatives in the state of Kentucky. Cumberland Valley currently has the 3rd lowest residential customer charge of all cooperatives in Kentucky. Cumberland Valley Electric's average residential customer currently pays less than the average residential Kentucky Utilities customer, and will continue to pay less even if this increase is approved.

Cumberland Valley Electric is asking for a 3.11% increase to the residential class. We are not proposing any increase on the business or commercial classes. Cumberland Valley Electric believes any business wishing to locate in our service area will find our utility rates very competitive.

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8. Refer to the Hampton Testimony, page 5. Mr. Hampton asserts that when comparing 2010's energy sales to 2019, Cumberland Electric has experienced a 14% decline in residential sales and a 36% decline in commercial and industrial sales that resulted in a 22% overall decline in total energy sales.
- a. Explain in detail whether Cumberland Electric cooperates and/or works on economic development projects with other local entities.
 - b. Due to the large volume of decreasing sales, has Cumberland Electric discussed merger with any other rural electric cooperative corporation ("RECC")? If not, explain why not.

Response:

- a) Cumberland Valley steadfastly believes in the importance of cooperating and working with municipal and county governments on economic development projects in our service territory. In fact, Cumberland Valley has an experienced staff member, Rich Prewitt, working on such projects at all times. His title is Director of Member Services and Economic Development. While we try to help in all counties in our service territory, we have a greater presence in some more than others simply by virtue of the willingness of local officials to accept our input. We have Cumberland Valley Electric employees representing our members and the Cooperative in numerous civic and service organizations. Through participation in these entities, we have interacted on economic development matters with Senator Mitch McConnell, Congressman Hal Rogers, and AG Commissioner Ryan Quarles. Other visitors include former

Governor Matt Bevin, State Representative Jim Stewart, Regina Huff, Rocky Adkins, Rick Nelson, the President of the National Rural Electric Cooperative Association, and Kentucky's Attorney General, Daniel Cameron, visited our Chamber of Commerce meeting and visited with many of our business leaders. We recently met with Hilda Legg and Lonnie Lawson on how we could help with the rural broadband issue. We have also hosted familiarity tours with several companies and members of the state economic development team. We have also helped with Job Fairs, Career Days at the local schools, and Reality Stores. We have made several presentations to civic groups on the Cooperative Business Model. Cumberland Valley Electric employees actively volunteer, or have recently volunteered in some capacity, with the Knox County Industrial Development Authority, the Harlan County Economic Development Authority, the Whitley County Economic Development Authority, and the East Kentucky Power Economic Development Committee. We are also involved with the Knox County Chamber of Commerce, the Southeast Kentucky Chamber of Commerce, Tri-County Leadership, Tri-City Tourism, Whitley County Tourism, Kentucky Association of Economic Development, SOAR, CEDIK, Kiwanis, and Leadership Kentucky. We have a representative on the EKPC Board, the KEC Board, and the statewide working group on pole attachments. We have a representative on the statewide pollinator group looking for ways to enhance habitat for Monarch

Butterflies and bees along our right of ways. We have representatives on the Whitley County Cooperative Extension Board. We were instrumental recently in the City of Corbin being approved for a \$15 Million Build Grant. We recently won the Governor's Beautify the Bluegrass Award. Cumberland Valley's abiding desire is to participate in anything that will improve the economy across our service territory, and we will volunteer to serve and carry more than our load to help our members not just survive, but flourish.

In recent years we have worked to help provide incentives as large as \$12,000 to change old lighting to modern, energy-efficient LED lighting in numerous businesses across our service territory. These businesses were paid these incentives based upon the reduction of kilowatts used inside their business resulting in lower electric bills per month for life. Some of these businesses included Kingdom Come State Park in Harlan County, Laurel Lake Camping Resort in Whitley County, Cumberland Falls State Park in Whitley County, Jackson WWS in Knox County, Northern Contours in Knox County, Johnny Wheels in Whitley County, Cumberland Valley Electric in Knox County, Kitts Forestry in Harlan County, and Bell County Board of Education in Bell County.

In summary, Cumberland Valley takes economic development very seriously and our participation and successes with the above organizations demonstrates our

continued dedication to economic advancement in our service territory wherever possible.

- b) The issue of merger exploration was addressed in Cumberland Valley's 2016 rate case.¹ It was determined that merger with another adjacent distribution cooperative was not feasible for a variety of reasons, including system integration difficulties and a lack of economic and operational efficiencies. Cumberland Valley determined that its best future course was to employ a robust cost containment philosophy which has served it well the past four years and has resulted in the postponement of a rate increase during that time with only a modest increase requested in the current case.

¹ Case No. 2016-00169, *In the Matter of: Cumberland Valley Electric, Inc. for General Adjustment of Rates.*

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9. Refer to the Hampton Testimony, page 6. Mr. Hampton states that the \$4.7 million dollar AMI system project is still ongoing and is in the final stages with completion and full implementation expected in December 2020.
- a. Explain how Cumberland Electric is recovering the cost of the AMI. Ensure to explain whether all of the AMI costs have previously been included in Cumberland Electric's rates, and if not, identify the monetary amounts associated with the AMI that are included in the pending rate request.
 - b. Has Cumberland Electric included any savings in the pending case associated with the AMI project? If so, identify the amount of savings and where it is included in the pending rate case.
 - c. Explain in detail whether the AMI project has allowed Cumberland Electric to reduce the number of meter readers on staff. If so, identify the correlating amount of savings and where it is included in the pending rate case.

Response:

- a) In the final order in Case No. 2018-00056, the Commission ordered Cumberland Valley to depreciate the new AMI system over a 15-year period. Therefore, Cumberland Valley will be recovering the cost in its future rates. AMI systems installed by Cumberland Valley in the past were also depreciated over the anticipated useful life of the system.

Cumberland Valley began installing network equipment for the new AMI system in February 2019. In the test year of 2019, expenses attributable to the new AMI system totaled approximately \$75,000. This cost includes depreciation and other AMI related expenses.

- b) In March 2019 Cumberland Valley had one of its servicemen retire. Due to the expected efficiencies with the new AMI system, the decision was made to not replace this individual. Cumberland Valley then redrew and expanded the remaining servicemen's territories. The amount of savings by not replacing this serviceman equates to an estimated savings of \$100,000 annually, this savings is ongoing as Cumberland Valley has no plans on filling this position.

Refer to Wolfram Testimony Exhibit JW-2, these exhibits show the pro forma adjustments Cumberland Valley made in its initial Application. These pro forma adjustments factor in the reduction in expenses due to the retirement of the serviceman mentioned above. Specifically see Reference Schedule 1.09, 1.10, 1.13 and 1.15. Also refer to Cumberland Valley's response to Question 2b in the Commission Staff's First Request for Information. That response includes further details on the efficiencies and benefits Cumberland Valley expects as we complete the installation of our new AMI system.

- c) See Cumberland Valley's response to question 9b from the Attorney General's First Request for Information. Cumberland Valley will analyze any future serviceman position that becomes vacant to see if further reductions can be achieved without impacting the reliability and safety of electric service to our members.

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10. Refer to the Hampton Testimony, pages 6-7. Mr. Hampton states that by formal Resolution the Board of Directors directed the management to seek the rate relief requested in this case. Did any member of the Board of Directors vote not to proceed with the pending rate case? If so, provide the number of members that voted no, and the rationale for doing so.

Response:

Cumberland Valley's Board of Directors voted unanimously to proceed with the pending rate case.

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11. Refer to the Application, Exhibit 8, the Direct Testimony of Robert D. Toliver, Office Manager ("Tolliver Testimony"), page 5.
 - a. Mr. Tolliver asserts that as of December 31, 2019, residential load accounted for approximately 72% of Cumberland Electric's total energy usage and represented approximately 75% of total revenue from energy sales. Based on this information, it appears that the residential class is paying more than its fair share of electricity costs. Explain how the residential class is not paying their fair share.
 - b. Cumberland Electric states that as of December 31, 2019, commercial load accounted for approximately 28% of Cumberland Electric's total energy usage but only represented approximately 25% of revenue from energy sales. Based on this information, explain how the commercial customers are paying their fair share of electricity costs.
 - c. Explain why Cumberland Electric did not provide information for industrial customers in the above-referenced statement. If Cumberland Electric is combining commercial and industrial customers, then separately provide the approximate percentage of total energy used and the approximate percentage of revenue contributed to energy sales as of December 31, 2019, for commercial customers and industrial customers.

Response:

- a) The comparative proportions of revenue and energy usage for a rate class is not indicative of whether that rate class is paying its fair share. The appropriate method for assessing this is to perform a cost of service study and compare the rate of return on rate base for each class to the rate of return on rate base for the entire system. Please see the Direct Testimony of John Wolfram, pages 23-25 and Exhibit JW-3, page 1 of 2.

- b) See the response to part a.

- c) The data in part b for commercial and industrial customers is combined. The individual class data is provided in Exhibit JW-3, page 1 of 2 of Cumberland Valley's Application.

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12. Refer to the Tolliver Testimony, page 6, in which Mr. Tolliver states that there has been a 14% decline in residential kWh sales, including a loss of 251 residential members. Mr. Tolliver further states that there has been a 36% decline in commercial and industrial sales, and Cumberland Electric is expecting more decline. Mr. Tolliver further conveys that over the past ten years Cumberland Electric has seen a significant downward trajectory of revenues and margins from load reductions caused by the collapse of the coal industry and population loss in the service territory. Refer also to the Hampton Testimony, page 6, in which he asserts that Cumberland Electric currently staffs 49 full-time employees, which is down from a recent high of 55 full-time employees. Mr. Hampton further states that moving forward management will continue to evaluate any opportunities to gain efficiencies and reduce cost in regards to its staffing levels.
- a. Explain in detail what opportunities there are to gain efficiencies and reduce cost in regards to Cumberland Electric's staffing levels.
 - b. Explain in detail whether Cumberland Electric has analyzed the required staffing levels that are necessary due to the continued decline in customer base and electricity usage. Provide all analyses of the same. If no analysis has been performed, explain in detail why not.
 - c. Specify the most recent year that Cumberland Electric had 55 full-time employees.
 - d. Provide the number of full-time employees that Cumberland Electric had for each year between 2010-2020.

Response:

- a) There have been two recent opportunities to gain efficiencies and reduce costs in regards to staffing levels at Cumberland Valley. The first opportunity occurred in March 2019 when one of our servicemen retired. After careful consideration the decision was made to redraw and expand the remaining servicemen's territories and not hire someone to fill that vacant position.

Cumberland Valley was able to do this because of the increased capabilities and efficiencies offered by our new AMI system. The second opportunity occurred in October of 2020 when one of the CSR's in the Gray office retired. After the retirement, Cumberland Valley has determined it can divide up that employee's responsibilities among existing employees without sacrificing the quality of the service offered to our members. Both of these examples highlight the steps Cumberland Valley has taken to align staffing levels with the financial realities of our service territories while balancing our directive to provide safe and reliable electrical service.

- b) As mentioned in Cumberland Valley's application, Direct Testimony of Ted Hampton, pages 5-6, management will continue to analyze any future vacancies for opportunities to reduce staff and weigh the benefit of doing so while maintaining the same quality of service. Even in a declining sales environment Cumberland Valley must maintain essentially the same miles of lines, poles, transformers and related equipment. Reality necessitates a certain level of staffing in order to meet our directive of providing safe, reliable and affordable electrical service.

- c) 2011 was the most recent year that Cumberland Valley employed 55 full-time employees.

- d) The table below details the number of full-time employees that Cumberland Valley has employed for the years 2010 to 2020.

Year	Full Time Employees
2010	55
2011	55
2012	52
2013	51
2014	51
2015	49
2016	47
2017	49
2018	49
2019	47
Nov. 1, 2020	46

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13. Refer to the Tolliver Testimony, page 6. Mr. Tolliver states that there has been some growth in Commercial 50kVa or less revenue class, adding 165 since 2010.
- a. Specify if the above-mentioned 165 is the number of kWhs added since 2010.
 - b. Identify how many customers are in the 50kVa or less revenue class.
 - c. Discuss what has contributed to the growth of the Commercial 50kVa revenue class.
 - d. Provide the approximate percentage of total energy used and the approximate percentage of revenue contributed to energy sales as of December 31, 2019, for the Commercial 50kVa class.

Response:

- a) The number 165 is the number of customers/accounts added since 2010. It is not a reference to kWh.
- b) There are 1,552 customers/accounts in the 50kVa or less revenue class as of October 2020.
- c) The types of accounts that make up this revenue class are churches, utilities, cable/internet companies, clinics and medical facilities, schools, dollar stores, storage facilities, marinas, campgrounds, markets, railroad accounts, and many small businesses. The factors that have contributed to the increased number of

accounts in this revenue class is debatable. Analyzing the accounts it seems that cable/internet and media providers make up the greatest number of accounts.

- d) The Commercial 50kVa or less revenue class contributes 6.7% or 28,555,387 kWh to 2019 sales. This class also contributed 7.7% or \$3,192,989 to electric revenue for 2019.

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14. Refer to the Tolliver Testimony, pages 7-8. Mr. Tolliver stated that in Case No. 2016-00169, the Commission was concerned with Cumberland Electric's salaried employees historically receiving pay raises virtually identical to raises received by its union employees. Mr. Tolliver further asserted that the Commission required future rate applications to include a formal study that provides local wage and benefit information for the geographic area where Cumberland Electric operates and must include state data where available. Additionally, any wage increases for salaried employees would be based on evaluation and performance standards. Mr. Tolliver states that Cumberland Electric developed a plan that meets these standards. Mr. Tolliver also states that salaried employees' wage increases are no longer given in lock step with union employees that are based upon reasonable evaluation and performance metrics.
- a. Provide a copy of the formal study providing local wage and benefit information for the geographic area where Cumberland Electric operates.
 - b. Provide the average raise that Cumberland Electric has provided to its salaried employees for the years 2010-2020.
 - c. Provide the average raise that Cumberland Electric has provided to its non-salaried employees for the years 2010-2020.
 - d. Has Cumberland Electric already decided what average raise will be given to salaried and non-salaried employees for 2021? If so, provide the average raise.
 - e. Provide the written policy/plan referenced above concerning salaried employees wage increases.
 - f. Provide the evaluation and performance metrics utilized by Cumberland Electric.
 - g. For each salaried employee, provide the salary, raise, bonus, award, vehicle allowance, and employee position title for 2015 – the present day.

Response:

- a) Refer Cumberland Valley Electric's response to Commission Staff's First Request for Information question 5a.
- b) Refer to page 3 of this response.
- c) Refer to page 4 of this response
- d) Any increase for salaried employees is based on the Wage and Salary plan that is updated annually. Any adjustments to salaries would most likely occur in September of 2021 and would not be known at this time.

Per the current union contract, the non-salaried employees will receive a 2 ½% raise effective September 1, 2021.
- e) Refer to page 5 of this response.
- f) See pages 6 – 23 of this response.
- g) See pages 24 – 29 of this response.

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<u>Year</u>	<u>Average Salaried Raise</u>	
2010	5.95%	
2011	3.50%	
2012	3.00%	
2013	3.83%	
2014	3.50%	
2015	3.41%	
2016	0.00%	No wage increase for salaried employees.
2017	8.51%	Wage and salary plan implemented.
2018	2.22%	
2019	3.18%	
2020	<u>2.00%</u>	
Total	39.10%	
Average	3.55%	

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<u>Year</u>	<u>Average Non-salaried Raise</u>
2010	2.00%
2011	3.50%
2012	3.00%
2013	3.00%
2014	3.50%
2015	3.50%
2016	1.00%
2017	1.50%
2018	1.50%
2019	2.50%
2020	<u>2.50%</u>
Total	27.50%
Average	2.50%

ATTACHMENT FILED UNDER
SEAL PURSUANT TO A
MOTION FOR CONFIDENTIAL
TREATMENT

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15. Refer to the Tolliver Testimony, page 8, in which Mr. Tolliver asserts that in Cumberland Electric's Case No. 2016-00169, the Commission found it excessive and not reasonable for Cumberland Electric to contribute to both a defined-benefit pension plan as well as a 401(k) for salaried employees. Mr. Tolliver states that Cumberland Electric reduced employer contributions to 401k for salaried employees from 5% to 2%, effective March 1, 2018. Mr. Tolliver further states that all employer contributions to 401k for salaried employees ceased as of June 1, 2020.
- a. Explain why Cumberland Electric did not comply with the Commission's February 6, 2017 final Order requiring Cumberland Electric to stop contribution to both a defined-benefit pension plan as well as a 401(k) for salaried employees until June 1, 2020.
 - b. Explain whether Cumberland Electric's intention to file the pending rate case is what precipitated the June 1, 2020 compliance with the February 6, 2017 final Order. If not, provide the reasoning for the extremely delayed full compliance.
 - c. Is Cumberland Electric requesting the contributions made to the salaried employees' 401(k) after February 6, 2017, to be included in rates? If so, provide the corresponding monetary amount that represents the contributions to the salaried employees' 401(k) after February 6, 2017.
 - d. If the answer to (c) is in the affirmative, explain whether Cumberland Electric will voluntarily request removal of this amount due to not being in compliance with the Commission's February 6, 2017 final Order.
 - e. Explain why Cumberland Electric did not attempt to even partially comply with the Commission's February 6, 2017 final Order, until March 1, 2018.
 - f. Explain whether Cumberland Electric is still contributing to a defined-benefit pension plan for all employees.
 - g. Further, explain whether Cumberland Electric has considered making changes to retirement options offered to new employees, as many companies and governmental entities have implemented since the Great Recession. If so, provide details of the same.

Response:

- a) The Commission's final Order on February 6, 2017 did not order Cumberland Valley to stop contributing to both a defined-benefit pension plan as well as a 401(k) for salaried employees. The Commission stated it would only allow Cumberland Valley to recover the costs of the more expensive defined benefit plan.

The exact language from the final Order was:

“The Commission believes all employees should have a retirement benefit, but finds it excessive and not reasonable that Cumberland Valley continues to contribute to both a defined-benefit pension plan as well as a 401 (k) plan for salaried employees. The Commission will allow Cumberland Valley to recover only the costs of the more expensive defined benefit plan for the salaried employees and the 401(k) plan for union employees. Accordingly the Commission will remove for ratemaking purposes Cumberland Valley's test-year 401 (k) contributions for salaried employees.”

In efforts to reduce cost, Cumberland Valley began the process to eliminate 401(k) contributions for salaried employees. In March 2018, the contribution rate was reduced from 5% to 2%. In June 2020, the company contribution was eliminated altogether for salaried employees. Cumberland Valley took a

reasonable and systematic approach to the elimination of the 401(k) benefit in order to allow its employees to adjust accordingly.

- b) The decision to eliminate the 2% contribution to 401(k) for salaried employees was made independent of the intention to file a rate case with the Commission. The main driving force behind the elimination of the 401(k) contribution was cost reduction through gradualism. Cumberland Valley's rationale for reducing and then eliminating the 401(k) contribution in two stages is outline in the response to the Attorney General's First Request for Information question 15a.
- c) No. Refer to Wolfram Testimony Exhibit JW-2 Reference Schedule 1.09 which details the pro forma adjustments made for Cumberland Valley's 401(k) and Retirement Plan. This schedule removes all 401(k) contributions for salaried employees for rate making purposes. This is explained in greater detail in Cumberland Valley's response to Commission Staff's First Request for Information question 5b.
- d) Not applicable.

- e) See Cumberland Valley's response to Attorney General's First Request for Information question 15a.

- f) Cumberland Valley does not contribute to a defined-benefit pension plan for all employees. Cumberland Valley does contribute to a defined-benefit pension plan for its 10 salaried employees.

- g) Cumberland Valley is aware of the trend of moving away from offering a defined-benefit pension plan. Currently no change has been made to the retirement offerings to new employees; however, management will continue to weigh this option against the desire to attract highly educated and talented employees.

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16. Refer to the Tolliver Testimony, page 9. Mr. Tolliver states that as of the 2016 rate case, Cumberland Electric paid 100% of the monthly premiums for health insurance for salaried employees, their spouses, and dependents. Additionally, it paid 100% of supplemental Medicare insurance premiums for retirees and their spouses. Cumberland Electric also paid 100% of the monthly premiums for dental insurance for its salaried employees and 50% of a family member's portion. It also paid 100% of the monthly premiums for life insurance for its salaried employees. Mr. Tolliver states that in the final Order from Case No. 2016-00169, the Commission expressed concern that Cumberland Electric's salaried employees were not contributing to these benefits in a manner consistent with the majority of other local, state and national employers, which require employee contributions to benefits. Mr. Tolliver states that very soon following the conclusion of the 2016 rate case, Cumberland Electric imposed a change in how the benefit premiums were paid and required that its salaried employees begin contributing reasonable sums toward their benefit premiums.
- a. Identify the specific date that Cumberland Electric began requiring salaried employees to contribute toward benefit premiums.
 - b. Identify the specific date that Cumberland Electric began requiring its non-salaried employees to contribute towards benefit premiums.
 - c. Explain in detail how Cumberland Electric formulated the amounts that its salaried employees would contribute towards the benefit premiums. Ensure to include whether Cumberland Electric reviewed specific national, state or local data.
 - d. Explain in detail how Cumberland Electric formulated the amounts that its non-salaried employees would contribute towards the benefit premiums. Ensure to include whether Cumberland Electric reviewed specific national, state, or local data.
 - e. Cumberland Electric's current contribution rates as cited by the National Bureau of Labor Statistics. Explain in detail whether Cumberland Electric intends to increase its employee contribution rates to benefit premiums to the National Bureau of Labor Statistics' average contribution rates. If not, explain why not.

- f. Explain whether Cumberland Electric is still paying 100% of the supplemental Medicare insurance premiums for retirees and their spouses. If so, explain why no changes were made. If not, provide the percentage amount of the insurance premiums that Cumberland Electric is paying for the retirees and their spouses.

Response:

- a) Salaried employees began contributing toward medical premiums effective April 1, 2017. Employee contributions for dental premiums for spouse/family coverage began prior to 2003. Effective April 1, 2017, the contributions for all dental premiums increased to 40% including employee only coverage.
- b) Medical premium contributions by non-salaried employees began September 1, 2017. Dental contribution of 50% for spouse/family began prior to 2003.
- c) A variety of contribution amounts and phase-in options were provided to Cumberland Valley's Board of Directors (Board) for health and dental premiums for salaried employees. After review, the Board selected a phase-in option for health premium contributions and dental premiums were increased to 40%. Both became effective April 1, 2017. The Board is aware of the national data for benefit premiums.

- d) The non-salaried employee contributions are agreed upon during union negotiations. Cumberland Valley is aware of the national data for benefit premiums.

- e) Cumberland Valley is certainly aware of the National Bureau of Labor Statistics (BLS) contribution rates. However, for the foreseeable future we intend to continue the current percentage of required employee contributions put in place following the 2016 rate case in an effort to retain current employees and attract future qualified employees. The Commission has never mandated that a distribution cooperative's contribution rates must exactly conform to the BLS contribution rates, only that there should be some reasonable employee contribution required. The Commission recognizes that each utility is unique and has its own discreet factors and variables to consider in developing its contribution rates, and that a one-size-fits-all approach is neither reasonable nor required. However, going forward Cumberland Valley will continue to monitor and evaluate the level of employee contributions and will make any adjustments that are required.

- f) Cumberland Valley Electric currently pays 100% of the supplemental Medicare premiums for retirees and their spouses. Employees retiring with 30 years or more of service qualify for this benefit. These retirees have given many years of service to Cumberland Valley Electric, and this is one benefit that helps retain dedicated and quality employees. For these reasons no changes have been made to retiree

contributions to this benefit. However, cost savings were achieved from changes to retirees' health insurance. Refer to response to Attorney General's First Request for Information question 5b.

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17. Refer to the Tolliver Testimony, pages 10-11.
- a. Explain why Cumberland Electric did not implement a policy to curtail the health, dental, accidental death and disability, and life insurance packages for the Board of Directors until April 1, 2020.
 - b. Mr. Tolliver asserts that after December 31, 2022, the Board of Directs will no longer receive health, dental, accidental death and disability, and life insurance.
 - i. Explain whether Cumberland Electric is requesting these costs to be included in the electric rates, and if so, explain why these costs should not be removed for ratemaking purposes.
 - ii. What salary and/or other benefits does Cumberland Electric intend to provide to the Board of Directors as of January 1, 2023.
 - c. Provide a detailed explanation of all salary and benefits that Cumberland Electric provided to the members of the Board of Directors during the years 2010-2020. Ensure to provide the specific salary amounts, and specific details regarding all benefit packages including but not limited to health, dental, accidental death and disability, and life insurance.
 - d. Provide the total amount of Cumberland Electric Board of Directors' fees for the test year.
 - e. Provide a breakdown of the total amount of the Cumberland Electric Board of Director's fees for the test year.

Response:

- a) As stated in Mr. Tolliver's testimony the issue of cutting health and other benefits to current and former Directors which had been promised, had been in place for years and upon which each detrimentally relied was a very difficult one to address. Because of age and pre-existing medical conditions several current and former

Directors could neither easily nor quickly find substitute health insurance coverage. This exercise required much study and the development of reasonable and equitable options was difficult. Rather than addressing Directors' benefits on a piecemeal basis the Board tackled the reformation of three separate Board policies on the subject resulting in a new "Insurance and Other Benefits and Payments for Directors" Policy which employs a three-year phased approach culminating in all Cooperative-provided health, dental, accidental death and disability and life insurance ceasing as of March 31, 2023.² While the advantages of hindsight allow those not part of the process to question the timing of this action, Cumberland Valley's Board of Directors took the matter very seriously and crafted a result that reduces the Cooperative's costs while also acting compassionately toward current and former senior Directors who deserved not to be left in an untenable position regarding health insurance coverage.

- b(i) Cumberland Valley Electric is not requesting these costs to be included in electric rates; the amounts are removed from test year expenses for ratemaking purposes. See Exhibit JW-2, Reference Schedule 1.08.

² In his testimony on the subject, Mr. Tolliver states, at page 11, line 5, that after December 31, 2022, all Cooperative-provided health, dental, accidental death and disability and life insurance will cease. The December 31, 2022 date is erroneous and should be March 31, 2023, to allow for a full three-year phased approach to elimination of these benefits.

- b(ii) The date of December 31, 2022 listed in Cumberland Valley Electric's Application, Tolliver testimony, Page 11, Line 5 is incorrect. The date when all Director Benefits will cease should be March 31, 2023. After March 31, 2023 there will be no benefits provided to Directors. Director's monthly Board fee, currently \$1,000, will be the only compensation.
- c) See pages 5-15 of this response for the specific data and cost information relating to Board fees and all Board related benefits for the years 2010 through 2020. See Cumberland Valley Electric's response to question 20 in Commission Staff's First Request for Information to Cumberland Valley Electric, Inc. to view updated policy on Directors insurance and other benefits. All Director and retired Director benefits such as health, dental, life and AD&D will cease on March 31, 2023.
- d) The total amount of Cumberland Valley's Board of Directors' fees for the test year 2019 is \$51,300.00. This includes monthly board fees, meeting fees and stipends.
- e) The table below provides a breakdown by director of the Board of Directors' fees for the test year 2019. The stipends listed below were discontinued on March 31, 2020. See Cumberland Valley's response to Commission Staff's First Request for Information question 20 for the policy detailing this change.

Director	Monthly Board Fee	Meeting Fee	Stipend	Director Total
Vernon Shelley	\$6,000.00	\$0.00	\$12,000.00	\$18,000.00
Elbert Hampton	\$6,000.00	\$0.00	\$6,000.00	\$12,000.00
Lansford Lay	\$6,000.00	\$300.00	\$0.00	\$6,300.00
Kevin Moses	\$6,000.00	\$900.00	\$0.00	\$6,900.00
James Lewis	\$6,000.00	\$2,100.00	\$0.00	\$8,100.00
Total	\$30,000.00	\$3,300.00	\$18,000.00	\$51,300.00

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2010)

<u>NAME AND TITLE</u>	<u>SALARY/FEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$ 12,700.00	\$ 10,848.36	\$ 994.08	\$ 1,225.56	\$ 197.16	\$ 3.24	\$ 25,968.40
ROGER VANOVER, DIRECTOR	\$ 9,500.00	\$ 15,043.44	\$ 994.08	\$ 1,225.56	\$ 438.00	\$ 7.20	\$ 27,208.28
VERNON SHELLEY, DIRECTOR	\$ 7,600.00	\$ 10,848.36	\$ 994.08	\$ 1,225.56	\$ 438.00	\$ 7.20	\$ 21,113.20
ELBERT HAMPTON, DIRECTOR	\$ 7,600.00	\$ 10,848.36	\$ 994.08	\$ 1,225.56	\$ 402.96	\$ 7.20	\$ 21,078.16
LANSFORD LAY, DIRECTOR	\$ 6,700.00	\$ 15,043.44	\$ 994.08	\$ 1,225.56	\$ 438.00	\$ 7.20	\$ 24,408.28
KERMIT CREECH, DIRECTOR	\$ 3,100.00	\$ 1,808.06	\$ 165.68	\$ 510.65	\$ 182.50	\$ 3.00	\$ 5,769.89
KEVIN MOSES, DIRECTOR	\$ 3,100.00	\$ 2,507.24	\$ 165.68	\$ 510.65	\$ 182.50	\$ 3.00	\$ 6,469.07

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2011)

<u>NAME AND TITLE</u>	<u>SALARY/FEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$ 12,000.00	\$ 11,395.20	\$ 1,038.72	\$ 1,254.60	\$ 224.16	\$ 3.24	\$ 25,915.92
ROGER VANOVER, DIRECTOR	\$ 8,300.00	\$ 15,800.04	\$ 1,038.72	\$ 1,254.60	\$ 498.00	\$ 7.20	\$ 26,898.56
VERNON SHELLEY, DIRECTOR	\$ 9,900.00	\$ 11,395.20	\$ 1,038.72	\$ 1,254.60	\$ 458.16	\$ 7.20	\$ 24,053.88
ELBERT HAMPTON, DIRECTOR	\$ 9,300.00	-	-	\$ 421.44	\$ 423.36	\$ 7.20	\$ 10,152.00
LANSFORD LAY, DIRECTOR	\$ 7,500.00	\$ 15,800.04	\$ 1,038.72	\$ 1,254.60	\$ 498.00	\$ 7.20	\$ 26,098.56
KERMIT CREECH, DIRECTOR	\$ 7,500.00	-	-	\$ 421.44	\$ 498.00	\$ 7.20	\$ 8,426.64
KEVIN MOSES, DIRECTOR	\$ 9,600.00	\$ 15,800.04	\$ 1,038.72	\$ 1,254.60	\$ 498.00	\$ 7.20	\$ 28,198.56

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2012)

<u>NAME AND TITLE</u>	<u>SALARY/FEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$ 11,500.00	\$ 11,351.88	\$ 1,082.64	\$ 1,276.08	\$ 212.88	\$ 22.68	\$ 25,446.16
ROGER VANOVER, DIRECTOR	\$ 8,500.00	\$ 15,756.72	\$ 1,082.64	\$ 1,276.08	\$ 473.16	\$ 50.40	\$ 27,139.00
VERNON SHELLEY, DIRECTOR	\$ 7,600.00	\$ 11,351.88	\$ 1,082.64	\$ 1,276.08	\$ 402.12	\$ 50.40	\$ 21,763.12
ELBERT HAMPTON, DIRECTOR	\$ 7,000.00	-	-	\$ 428.40	\$ 369.00	\$ 50.40	\$ 7,847.80
LANSFORD LAY, DIRECTOR	\$ 7,000.00	\$ 15,756.72	\$ 1,082.64	\$ 1,276.08	\$ 473.16	\$ 50.40	\$ 25,639.00
KERMIT CREECH, DIRECTOR	\$ 9,400.00	-	-	\$ 428.40	\$ 473.16	\$ 50.40	\$ 10,351.96
KEVIN MOSES, DIRECTOR	\$ 8,800.00	\$ 15,756.72	\$ 1,082.64	\$ 1,276.08	\$ 473.16	\$ 50.40	\$ 27,439.00

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2013)

<u>NAME AND TITLE</u>	<u>SALARY/FEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$21,300.00	\$931.44	\$0.00	\$1,368.84	\$215.16	\$17.64	\$ 23,833.08
ROGER VANOVER, DIRECTOR	\$9,700.00	\$12,772.46	\$1,357.46	\$1,368.84	\$478.20	\$50.40	\$ 25,727.36
VERNON SHELLEY, DIRECTOR	\$19,500.00	\$931.44	\$0.00	\$1,368.84	\$372.96	\$50.40	\$ 22,223.64
ELBERT HAMPTON, DIRECTOR	\$14,000.00	\$0.00	\$0.00	\$459.12	\$344.28	\$44.52	\$ 14,847.92
LANSFORD LAY, DIRECTOR	\$7,000.00	\$12,772.46	\$1,357.46	\$1,368.84	\$478.20	\$50.40	\$ 23,027.36
KERMIT CREECH, DIRECTOR	\$15,500.00	\$0.00	\$0.00	\$459.12	\$478.20	\$50.40	\$ 16,487.72
KEVIN MOSES, DIRECTOR	\$10,000.00	\$12,772.46	\$1,357.46	\$1,368.84	\$478.20	\$50.40	\$ 26,027.36

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2014)

<u>NAME AND TITLE</u>	<u>SALARY/FEEs</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$23,500.00	\$0.00	\$0.00	\$1,390.92	\$217.44	\$15.12	\$25,123.48
ROGER VANOVER, DIRECTOR	\$8,800.00	\$14,853.35	\$1,249.23	\$1,390.92	\$483.36	\$50.40	\$26,827.26
VERNON SHELLEY, DIRECTOR	\$19,000.00	\$0.00	\$0.00	\$1,390.92	\$348.00	\$50.40	\$20,789.32
ELBERT HAMPTON, DIRECTOR	\$13,000.00	\$0.00	\$0.00	\$470.04	\$323.76	\$32.76	\$13,826.56
LANSFORD LAY, DIRECTOR	\$7,000.00	\$14,853.35	\$1,249.23	\$1,390.92	\$483.36	\$50.40	\$25,027.26
KERMIT CREECH, DIRECTOR	\$13,900.00	\$0.00	\$0.00	\$470.04	\$444.60	\$50.40	\$14,865.04
KEVIN MOSES, DIRECTOR	\$7,800.00	\$14,853.35	\$1,249.23	\$1,390.92	\$483.36	\$50.40	\$25,827.26

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2015)

<u>NAME AND TITLE</u>	<u>SALARY/FEEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$23,800.00	\$0.00	\$0.00	\$1,347.60	\$218.52	\$15.12	\$25,381.24
ROGER VANOVER, DIRECTOR	\$8,800.00	\$11,243.00	\$1,174.53	\$1,347.60	\$485.76	\$50.40	\$23,101.29
VERNON SHELLEY, DIRECTOR	\$19,000.00	\$0.00	\$0.00	\$1,347.60	\$325.44	\$32.76	\$20,705.80
ELBERT HAMPTON, DIRECTOR	\$13,000.00	\$0.00	\$0.00	\$0.00	\$301.08	\$32.76	\$13,333.84
LANSFORD LAY, DIRECTOR	\$7,000.00	\$15,647.84	\$1,174.53	\$1,347.60	\$485.76	\$50.40	\$25,706.13
KERMIT CREECH, DIRECTOR	\$13,000.00	\$0.00	\$0.00	\$0.00	\$412.80	\$50.40	\$13,463.20
KEVIN MOSES, DIRECTOR	\$6,600.00	\$15,647.84	\$1,174.53	\$1,347.60	\$485.76	\$50.40	\$25,306.13

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2016)

<u>NAME AND TITLE</u>	<u>SALARY/FEEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$23,300.00	\$0.00	\$0.00	\$1,347.60	\$216.36	\$15.12	\$24,879.08
ROGER VANOVER, DIRECTOR	\$8,900.00	\$11,795.76	\$1,042.22	\$1,347.60	\$480.96	\$50.40	\$23,616.94
VERNON SHELLEY, DIRECTOR	\$18,500.00	\$0.00	\$0.00	\$1,347.60	\$298.20	\$32.76	\$20,178.56
ELBERT HAMPTON, DIRECTOR	\$13,100.00	\$0.00	\$0.00	\$0.00	\$274.08	\$32.76	\$13,406.84
LANSFORD LAY, DIRECTOR	\$6,500.00	\$16,420.92	\$1,042.22	\$1,347.60	\$480.96	\$50.40	\$25,842.10
KERMIT CREECH, DIRECTOR	\$12,500.00	\$0.00	\$0.00	\$0.00	\$375.12	\$50.40	\$12,925.52
KEVIN MOSES, DIRECTOR	\$6,300.00	\$16,420.92	\$1,042.22	\$1,347.60	\$480.96	\$50.40	\$25,642.10

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2017)

<u>NAME AND TITLE</u>	<u>SALARY/FEEs</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
CHESTER DAVIS, DIRECTOR	\$3,000.00	\$0.00	\$0.00	\$336.90	\$53.52	\$3.78	\$3,394.20
ROGER VANOVER, DIRECTOR	\$5,300.00	\$12,655.35	\$1,169.88	\$1,347.60	\$475.80	\$50.40	\$20,999.03
VERNON SHELLEY, DIRECTOR	\$18,500.00	\$0.00	\$0.00	\$1,347.60	\$271.20	\$32.76	\$20,151.56
ELBERT HAMPTON, DIRECTOR	\$12,500.00	\$0.00	\$0.00	\$0.00	\$247.44	\$32.76	\$12,780.20
LANSFORD LAY, DIRECTOR	\$6,500.00	\$17,623.09	\$1,169.88	\$1,347.60	\$475.80	\$50.40	\$27,166.77
KERMIT CREECH, DIRECTOR	\$12,500.00	\$0.00	\$0.00	\$0.00	\$342.60	\$45.99	\$12,888.59
KEVIN MOSES, DIRECTOR	\$6,600.00	\$14,539.65	\$1,169.88	\$1,347.60	\$475.80	\$50.40	\$24,183.33

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2018)

<u>NAME AND TITLE</u>	<u>SALARY/FEEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
VERNON SHELLEY, DIRECTOR	\$18,000.00	\$0.00	\$0.00	\$1,347.60	\$276.12	\$32.76	\$19,656.48
ELBERT HAMPTON, DIRECTOR	\$12,000.00	\$0.00	\$0.00	\$0.00	\$252.00	\$32.76	\$12,284.76
LANSFORD LAY, DIRECTOR	\$6,000.00	\$16,184.76	\$1,374.60	\$1,347.60	\$484.56	\$50.40	\$25,441.92
KEVIN MOSES, DIRECTOR	\$6,600.00	\$11,559.60	\$1,374.60	\$1,347.60	\$484.56	\$50.40	\$21,416.76
JAMES LEWIS, DIRECTOR	\$1,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,500.00
KERMIT CREECH, DIRECTOR	\$6,000.00	\$0.00	\$0.00	\$0.00	\$174.42	\$16.38	\$6,190.80

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2019)

<u>NAME AND TITLE</u>	<u>SALARY/FEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
VERNON SHELLEY, DIRECTOR	\$18,000.00	\$0.00	\$0.00	\$1,415.04	\$290.04	\$32.76	\$19,737.84
ELBERT HAMPTON, DIRECTOR	\$12,000.00	\$0.00	\$0.00	\$0.00	\$264.60	\$32.76	\$12,297.36
LANSFORD LAY, DIRECTOR	\$6,300.00	\$16,962.48	\$1,595.80	\$1,415.04	\$508.80	\$50.40	\$26,832.52
KEVIN MOSES, DIRECTOR	\$6,900.00	\$12,106.08	\$1,595.80	\$1,415.04	\$508.80	\$50.40	\$22,576.12
JAMES LEWIS, DIRECTOR	\$8,100.00	\$0.00	\$0.00	\$1,297.12	\$466.40	\$46.20	\$9,909.72

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Cumberland Valley Electric's Board of Directors Fees & Benefits (2020)

<u>NAME AND TITLE</u>	<u>SALARY/FEEES</u>	<u>HEALTH INS</u>	<u>ADMIN FOR INS</u>	<u>DENTAL INS</u>	<u>LIFE INS</u>	<u>AD&D INS</u>	<u>TOTAL</u>
VERNON SHELLEY, DIRECTOR	\$11,500.00	\$0.00	\$0.00	\$353.76	\$84.66	\$10.51	\$11,948.93
ELBERT HAMPTON, DIRECTOR	\$10,000.00	\$0.00	\$0.00	\$0.00	\$179.53	\$24.43	\$10,203.96
LANSFORD LAY, DIRECTOR	\$8,800.00	\$13,260.22	\$1,215.84	\$1,055.37	\$356.73	\$37.59	\$24,725.75
KEVIN MOSES, DIRECTOR	\$9,100.00	\$9,457.10	\$1,215.84	\$1,055.37	\$345.27	\$37.59	\$21,211.17
JAMES LEWIS, DIRECTOR	\$8,500.00	\$0.00	\$0.00	\$1,055.37	\$345.27	\$37.59	\$9,938.23

Note: Above information is January 2020 through October 2020

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18. Refer to the Tolliver Testimony, page 13, Mr. Tolliver states that a collective bargaining agreement exists between Cumberland Electric and its hourly employees, which expires on August 31, 2022. Provide a copy of the referenced agreement.

Response:

See response by Cumberland Valley Electric to Commission Staff's First Request for Information to Cumberland Valley Electric, Inc. in Case No. 2020-00264 question 8.

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19. Refer to the Direct Testimony of John Wolfram, Principal, Catalyst Consulting LLC (“Wolfram Testimony”), page 26. Mr. Wolfram states that even though the cost of service study indicates a negative rate of return for both the Residential TOD class and the Inclining Block class, Cumberland Electric is not proposing an increase in rates to those classes because it would be considered de minimus. Explain why it matters that an increase in rates to those classes would be de minimus, if Cumberland Electric is attempting to obtain positive rate of returns in all classes.

Response:

Cumberland Valley Electric is interested in achieving positive rates of return for all rate classes, but that is not the cooperative's only goal, nor is it a goal that must be attained all at once. Among other things, the cooperative also considers member satisfaction. In this case, the cooperative is taking steps to improve overall returns, and is proposing the minimum number of rate revisions necessary to achieve the target revenue requirement, but is not taking all steps to move all rate classes to full cost-based rates. The Residential TOD and Inclining Block classes only account for 0.04 percent of Cumberland Valley Electric's total annual revenue, so Cumberland Valley Electric opted to forgo revisions to those classes for now, in the interest of member satisfaction and in light of the ratemaking principle of gradualism.

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20. Refer to the Wolfram Testimony, page 29, Table 6, which indicates that the Residential Time of Day class has a negative 3.78% rate of return, while the Inclining Block class has a negative 5.54% rate of return. Regardless of whether any increase would be de minimus, explain in detail why Cumberland Electric is not proposing to increase these two classes to have positive rates of return.

Response:

Refer to Cumberland Valley's response to Attorney General's First Request for Information question 19.

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21. Refer to the Application, Exhibit 26.
- a. This exhibit reflects that as of September 1, 2019, the President and CEO had an annualized salary of \$188,335.20. Explain whether this includes any benefits amounts, or if it is only reflective of his yearly salary.
 - b. Explain in detail why the President and CEO receives vehicle compensation, and whether it is common for other RECCs to provide vehicle compensation.
 - c. Explain why the President and CEO was awarded a 2% raise in 2019.
 - d. Explain why the President and CEO received a bonus of \$200 in 2017.
 - e. For the President and CEO, provide the salary, raise, bonus, award, and vehicle allowance for 2015-2020.

Response:

- a) The amount of \$188,335.20 is annualized salary for the test year and does not include any benefit amounts.
- b) Cumberland Valley would like to clarify the term vehicle compensation on Exhibit 26 of the Application. Vehicle compensation refers to the IRS taxable amount for personal use of a company vehicle. Any personal use of a company vehicle would be calculated as a taxable benefit and is reported as such. Cumberland Valley doesn't have any information on how other Cooperatives in the state handle vehicle compensation.

- c) Cumberland Valley's President and CEO was granted a 2% salary increase in 2019. This was the first salary increase the Board of Directors had granted the CEO since 2015. In making its determination to grant the CEO a small salary increase of 2% the Board of Directors reviewed Cumberland Valley's wage and salary plan. The wage and salary plan showed that the CEO was falling below the mid-point and a 2% salary increase was appropriate, especially given the many years of dedicated service Mr. Hampton has given to the Cooperative. Cumberland Valley's CEO was still below the midpoint of the salary range even after the 2% adjustment. Refer to Cumberland Valley's response to Commission Staff's First Request for Information question 5a for details on the wage and salary plan.
- d) In December of 2017, the Board of Directors granted all the employees of Cumberland Valley a \$200 Christmas bonus. In certain years the Board of Directors will grant a Christmas bonus in December as a gesture of appreciation for all the hard work and dedication our employees have shown in satisfying our directive to provide safe, reliable and affordable electrical service to our members. In many of those years when the Board of Directors granted all of Cumberland Valley employees a bonus, the CEO has declined to accept the bonus.

- e) Cumberland Valley has provided the requested information regarding the President and CEO's compensation for 2015-2020 on page 4 of this response. The vehicle compensation for 2020 will be calculated at year end and therefore cannot be provided at this time.

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Employee	Title	Effective Date	Annualized Salary	Raise Percentage	Bonus	Award	Vehicle Compensation
1226	PRESIDENT/CEO	9/1/2020	\$ 192,101.98	2%	\$ -	\$ -	\$ -
		9/1/2019	\$ 188,335.20	2%	\$ -	\$ -	\$ 741.14
		9/1/2018	\$ 184,642.32	0%	\$ -	\$ -	\$ 860.81
		9/1/2017	\$ 184,642.32	0%	\$ 200.00	\$ -	\$ 981.04
		9/1/2016	\$ 184,642.32	0%	\$ 200.00	\$ -	\$ 1,039.78
		9/1/2015	\$ 184,642.32	2.50%	\$ 200.00	\$ -	\$ 1,247.15

Note: Amounts reflect information t.hru October 31, 2020 (Vehicle Compensation is calculated at end of the year)