

April 4, 2025

Via Electronic Filing System

Ms. Linda C. Bridwell, P.E.
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RE: *Electronic Application of Cumberland Valley Electric, Inc. for General Adjustment of Rates Pursuant to 807 KAR 5:0078 – Case No. 2024-00388*

Dear Ms. Bridwell:

Cumberland Valley Electric, Inc. (“CVE”) received an Order from the Commission in the above-styled case. The Commission’s April 4, 2025 Order noted the following deficiencies:

Pursuant to 807 KAR 5:078 Section 1(3), a “general rate adjustment” is defined as an adjustment in rates received pursuant to an application filed pursuant to 807 KAR 5:001, Section 16. Pursuant to 807 KAR 5:078 Section 1(4) a “base rate adjustment” mean a general rate adjustment or an adjustment in rates received pursuant to an application filed pursuant to Section 2 of this administrative regulation.”

Additionally, administrative regulation 807 KAR 5:078 addresses expenses that should be excluded from ratemaking. Section 6 provides: Exclusions for Ratemaking Purposes. The following shall be excluded for ratemaking purposes and from the pro forma test year income statement and supporting documentation included in an application made pursuant to Section 2 of this administrative regulation: (1) the contribution made for the least generous plans for employer retirement contributions for employees participating in multiple benefit packages.

Cumberland Valley believes that it provided the information required in 807 KAR 5:078 in its application filed in this proceeding on March 24, 2025. Particularly, CVE believes the information regarding the deficiency for 807 KAR 5:078 Section 6(1) was provided in the testimony of Mr. John Wolfram, Exhibit 30 to the Application. Specifically on page 9 lines 11 through 16 of the Mr. Wolfram's direct testimony states as follows:

CVE has made adjustments which remove revenues and expenses that addressed in other rate mechanisms, are ordinarily excluded from rates, or are nonrecurring on a prospective basis, consistent with standard Commission practices, ***or are to be excluded pursuant to the Streamlined Regulation.*** The pro forma adjustments are included in Exhibit JW-2.

However, CVE is providing the following information in an attempt to provide additional detail and cure the stated deficiencies:

- CVE had its last rate adjustment in Case No. 2020-00264, *Electronic Application of Cumberland Valley Electric, Inc. for a General Adjustment of Rates Pursuant to Streamlined Pilot Program Established in Case No. 2018-00407*. Those rates went into effect in March 2021. However, as the Commission stated in its Order, this was a streamlined rate proceeding. CVE did not seek a general adjustment of rates in this proceeding because it believed the amount of revenue increase that could be requested in a streamlined proceeding would be sufficient for CVE's operation of the cooperative and would enable CVE to offer safe and reliable service to its members. CVE did not believe that the increased cost and time it would take to complete a general rate proceeding and have rates implemented would benefit the cooperative or its members. A streamlined proceeding allows CVE to have a decision by the Commission in a much shorter timeframe and also allows CVE to save the cost of legal and consultant fees for multiple rounds of data requests, preparation for a hearing and attendance and participation at a hearing. It also reduces the burden on both CVE and Commission Staff. Furthermore, CVE has been able to meet its debt covenants but the numbers are beginning to trend in the wrong direction and CVE thought it would be prudent to file for a streamlined proceeding now (consistent with the Commission's expressed desire for smaller, more frequent rate adjustments) and did not need to file for a general adjustment of rates now, or in the past ten years. In addition, at the time CVE began preparing this streamlined application, CVE was not aware that its large customer would provide notice of termination of service so that lost revenue was not originally removed from the test year. Since the notice of termination was received, CVE has entered into contracts with another large customer that CVE anticipates will supplement a portion of that lost revenue. However, the contracts were just approved by the Commission to be effective April 1, 2025, and the service was just energized on April 4, 2025. CVE does not have any usage data for this large customer yet and because that usage could vary from that of the terminated service, CVE is not yet able to propose a known and measurable change to its revenue

requirement. Therefore, no pro forma adjustment that meets the known and measurable standard could be made at this juncture.

- 807 KAR 5:078 lists certain items that should be excluded from ratemaking. The Commission found that CVE either did not remove the required expense contained in Section 6(1) pertaining to retirement benefits or did not explain why such removal was not necessary. The Commission's Order states: "Cumberland Valley Electric failed to provide any statement or supporting documentation in its application that it complied with Section 6(1) or that it does not have employees participating in multiple benefit packages." CVE did not need to exclude amounts contributed for employees participating in multiple benefit packages because it does not contribute to multiple retirement benefit packages for any employee. CVE believes that the statement quoted above from Mr. Wolfram's testimony was sufficient documentation to show that all items that are required to be excluded from ratemaking pursuant to the streamlined regulation have been removed if required. If a pro forma adjustment was not made, that statement should be sufficient to show that it was not included in the test year expenses and therefore no pro forma adjustment was required.

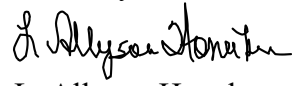
In addition to this letter to cure the deficiency, CVE is filing a motion for a deviation from the requirement contained in 807 KAR 5:078 Section 2(8) which requires the application to be based on a historical test year that coincides with the cooperative's most recent annual report on file with the Commission. As the Commission's April 4, 2025 Order pointed out, annual reports were due to be filed by March 31, 2025. The Commission's Order stated: "Given that annual reports are due to be filed with the Commission on March 31st of each calendar year, the Commission cautions Cumberland Valley Electric regarding delays in addressing the matter. If the application is not accepted for filing prior to March 31, 2025, the application will need to be refiled using a new historical test year or provide evidence that Cumberland Valley Electric has been granted an extension." On March 28, 2025, CVE filed its gross reports that were required to be filed, and requested an extension for filing its 2024 Annual Report since CVE had not received an Order in this proceeding either accepting the application for filing or finding the application deficient. On April 4, 2025, CVE received an email, prior to the Commission's Order being entered, that it should request a deviation in this proceeding instead of requesting an extension to file its annual report. CVE filed its annual report on April 4, 2025 after receiving that email. Therefore, CVE's application is based upon its 2023 annual report and not the newly filed 2024 annual report. CVE believes that a deviation is appropriate in this case since it did request an extension to file its annual report and filed the annual report on the same day that it is filing information it believes will cure the deficiencies noted in the Commission's Order.

Please accept this letter as CVE's response to the Commission's April 4, 2025 deficiency Order. If you have any questions, please do not hesitate to contact me.

This is to certify that the electronic filing was made on April 4, 2025, and there are no parties the Commission has excused from electronic filing procedures. Pursuant to the Commission's July 22, 2022 Order in Case No. 2020-00085, no paper copies of filings will be made.

April 4, 2025
Response to Deficiency

Sincerely,

A handwritten signature in black ink, appearing to read "L. Allyson Honaker". The signature is fluid and cursive, with the first letters of the first and last names being capitalized and prominent.

L. Allyson Honaker

Enclosure