

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

<b>ELECTRONIC APPLICATION OF</b>	)	
<b>CUMBERLAND VALLEY ELECTRIC,</b>	)	<b>Case No. 2024-00388</b>
<b>INC. FOR A RATE ADJUSTMENT</b>	)	
<b>PURSUANT TO 807 KAR 5:078</b>	)	

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**ATTORNEY GENERAL’S COMMENTS**

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The intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), submits the following comments to the Public Service Commission (“Commission”) in the above-styled matter.

**STATEMENT OF THE CASE**

Cumberland Valley Electric, Inc. (“Cumberland Electric”), is a non-for-profit, member-owned rural electric distribution cooperative organized under KRS 279, and distributes retail electric power to approximately 24,300 member customers in Kentucky counties of Bell, Clay, Harlan, Knox, Laurel, Leslie, Letcher, McCreary, and Whitley.<sup>1</sup> Cumberland Electric is a utility subject to the rates and service jurisdiction of this Commission.

On March 24, 2025, Cumberland Electric filed an application for an adjustment in rates pursuant to the streamlined procedure pilot program. The Commission issued Deficiency Orders to Cumberland Electric on April 4, 2025, to which the Company filed response. The Commission issued an Order on April 30, 2025, which deemed the

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<sup>1</sup> Application, paragraph 1.

application filed as of the date of the order. The Commission granted intervention of the Attorney General by Order on January 30, 2025.

In the Application, Cumberland Electric utilized a test year ending on December 31, 2023, which was based upon the then most recent annual report filed with the Commission.<sup>2</sup> Cumberland Electric requests an increase in revenue totaling \$2,248,438 or 3.99%<sup>3</sup>, to achieve an Operating Times Interest Earned Ratio (“OTIER”) of 1.54.<sup>4</sup> Cumberland Electric also requests an increase in the residential monthly customer charge from \$17.62 to \$25.00, while contemporaneously decreasing its residential energy charge by .00186 per kWh.<sup>5</sup> Additionally, Cumberland Electric requests changes to its other rate classes.<sup>6</sup> Pursuant to the streamlined procedure pilot program, only one round of discovery was conducted, with Cumberland Electric providing responses to the Attorney General’s and Commission Staff’s discovery requests on May 29, 2025. Following the submission of these comments, the case will be stand submitted for a decision on the record on June 13, 2025.

#### **A. Revenue Requirement**

Cumberland Electric identified a deficiency amount of \$2,790,581 in the test year.<sup>7</sup> Despite this, Cumberland has only requested a revenue increase of \$2,248,438, for an increase of 3.99% and OTIER of 1.54.<sup>8</sup> The Attorney General commends Cumberland

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<sup>2</sup> Application, paragraph 9.

<sup>3</sup> Application, paragraph 3.

<sup>4</sup> Direct Testimony of John Wolfram (“Wolfram Testimony”), at 7.

<sup>5</sup> Wolfram Testimony at 23.

<sup>6</sup> Direct Testimony of Robert Tolliver at 5.

<sup>7</sup> Wolfram Testimony at 6.

<sup>8</sup> *Id* at 7.

Electric for limiting its requested revenue increase to 3.99%, when it could have arguably requested an increase of 4.95% by seeking the full amount of the revenue deficiency. Given the high poverty levels in Cumberland Electric's service territory, a significant increase in rates potentially could create a devastating burden on the population.<sup>9</sup>

### **B. Miscellaneous Adjustments to Revenue Requirement**

Based on responses to the sole data request allowed in the streamlined process, the Attorney General identified the following issues which he would have followed up on if he had the opportunity to ask further questions.

In Response to AG DR 1-7, Cumberland Electric disclosed executive salary information. The Commission should ensure that executive salaries are reasonable and similar to other cooperatives throughout the Commonwealth. The Commission should rely on its data and studies it has available to it to track executive compensation for cooperative distribution utilities in the Commonwealth. The Commission should consider all data available to it on this subject to determine whether those costs are just and reasonable.

In Response to AG DR 1-8, and AG DR 1-9, Cumberland Electric disclosed information pertaining to the wages and benefits to salaried and non-salaried employees respectfully. The Commission should ensure that the benefits and pay are reasonable and

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<sup>9</sup><https://www.census.gov/quickfacts/fact/table/laurelcountykentucky,knoxcountykentucky,harlancountykentucky,claycountykentucky,bellcountykentucky,US/IPE120223>;  
<https://www.census.gov/quickfacts/fact/table/whitleycountykentucky,mccrearycountykentucky,letchercountykentucky,lesliecountykentucky,US/IPE120223>,

Poverty Rates for Cumberland Electric's Service Area are as follows: Bell County: 28.9%, Clay County - 37.2%, Harlan County - 29.7%, Knox County 35.0%, Laurel County - 21.8%, Leslie County - 26.7%, Letcher County - 23.8%, McCreary County - 35.9%, Whitley County -26.9%; Average - 29.54%

similar to other cooperatives throughout the Commonwealth. The Commission should consider all data available to it on this subject to determine whether those costs are just and reasonable.

In Response to AG DR 1-13(a), Cumberland Electric states that Board Members received \$1,000 per month as a Board Fee. The Commission should ensure that this amount is reasonable and in-line with other similarly situated utilities.

In Response to AG DR 1-29 and Staff DR 1-5(b), Cumberland Electric advised that the \$4.9 million grant received as part of the U.S. Department of Energy's Office of Clean Energy 0 will not be directly used for the cost of service for its right-of-way annual mileage targets. Instead, Cumberland Electric advised that the grant's funds will be used for enhanced reliability improvements in specific circuits. The Commission should ensure that these funds have been credited appropriately such that ratepayers receive the benefit of these funds.

### **C. Customer Charge**

Cumberland Electric proposes to increase its fixed residential charge by more than 41.9%, from \$17.62 per month to \$25.00.<sup>10</sup> The Attorney General has concerns regarding this sudden and severe increase in the fixed customer charge. As stated previously, the counties in the Cumberland Electric's service territory have a significantly large poverty rate, with the total average being 29.54%. A significant and sudden increase to the residential customer charge could greatly hinder the ability of residential customers,

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<sup>10</sup> Wolfram Testimony at 23

many of which suffer already from financial hardship, to manage their monthly electric bills. The Commission has already relied upon the principle of gradualism in ratemaking, which mitigates the financial impact of rate increases in customers.<sup>11</sup> The Attorney General respectfully requests that the Commission continue to rely upon the principle of gradualism when awarding any increase to the monthly customer charge.

## **Conclusion**

The Attorney General requests that the Commission approve the proposed revenue increase filed by Cumberland Electric, unless the Commission Staff identifies any necessary adjustments. If the Commission Staff identifies any such adjustments, the revenue requirement should be approved only after making those adjustments. The Attorney General requests that rates should be approved which allow for the necessary revenue increase with adjustments made to limit the increase to the fixed customer charge.

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<sup>11</sup> Case No. 2014-00396, *In the Matter of Application of Kentucky Power Company for: (1) A General Adjustment of its Rates for Electric Service; (2) An Order Approving its 2014 Environmental Compliance Plan; (2) An Order Approving its Tariffs and Riders; and (4) An Order Granting All Other Required Approvals and Relief*, (Ky. PSC June 22, 2014) (“the Commission has long employed the principle of gradualism”); See also Case No. 2000-00080, *In the Matter of: The Application of Louisville Gas & Electric Company to Adjust its Gas Rates and to Increase its Charges for Disconnecting Service, Reconnecting Service and Returned Checks* (Ky. PSC Sept. 27, 2000) (“the Commission is adhering to the rate-making concepts of continuity and gradualism in order to lessen the impact of these increases on the customers that incur these charges.”)

Respectfully submitted,

RUSSELL COLEMAN  
ATTORNEY GENERAL



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*Certificate of Service and Filing*

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that, on June 9, 2025 an electronic copy of the foregoing was served via the Commission's electronic filing system.

this 9<sup>th</sup> day of June, 2025.

A handwritten signature in blue ink, appearing to read "Thomas John" followed by a stylized flourish.

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Assistant Attorney General