

LAW OFFICES  
W. PATRICK HAUSER, P.S.C.  
200 KNOX STREET

P.O. Box 1900  
BARBOURVILLE, KENTUCKY 40906

Telephone: (606) 546-3811  
Telefax: (606) 546-3050  
E-MAIL phauser@barbourville.com

January 12, 2009

**HAND DELIVERED**

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40602

**RECEIVED**

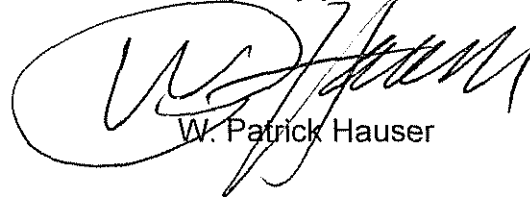
JAN 12 2009  
PUBLIC SERVICE  
COMMISSION

Re: Cumberland Valley Electric, Inc.  
PSC Case No. 2008-00413

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above referenced case an original and five copies of the responses of Cumberland Valley Electric, Inc. to the Commission Staff's Initial Data Request, dated December 19, 2008.

Very truly yours,



W. Patrick Hauser

WPH/dd

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF CUMBERLAND VALLEY	)	
ELECTRIC, INC. TO PASS-THROUGH AN	)	CASE NO.
INCREASE OF ITS WHOLESALE POWER	)	2008-00413
SUPPLIER PURSUANT TO KRS 278.455(2)	)	

CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

James C. Lamb, Jr., being duly sworn, states that he has supervised the preparation of the responses of Cumberland Valley Electric, Inc. to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, 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.

James C. Lamb, Jr.

Subscribed and sworn before me on this 12<sup>th</sup> day of January, 2009.

Peggy S. Giffen  
 Notary Public

My Commission expires:

December 8, 2009

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF CUMBERLAND VALLEY	)	
ELECTRIC, INC. TO PASS-THROUGH AN	)	CASE NO.
INCREASE OF ITS WHOLESALE POWER	)	2008-00413
SUPPLIER PURSUANT TO KRS 278.455(2)	)	

CERTIFICATE

STATE OF KENTUCKY )  
 )  
 COUNTY OF CLARK )

Ann F. Wood, being duly sworn, states that she has supervised the preparation of the responses of Cumberland Valley Electric, Inc. to the Public Service Commission Staff Initial Data Request in the above-referenced case dated December 19, 2008, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Ann F. Wood

Subscribed and sworn before me on this 9<sup>th</sup> day of January, 2009.

Beggy S. Duffin  
 Notary Public

My Commission expires:

December 8, 2009

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

**In the Matter of:**

<b>APPLICATION OF CUMBERLAND VALLEY</b>	)	
<b>ELECTRIC, INC. TO PASS-THROUGH AN</b>	)	<b>CASE NO.</b>
<b>INCREASE OF ITS WHOLESALE POWER</b>	)	<b>2008-00413</b>
<b>SUPPLIER PURSUANT TO KRS 278.455(2)</b>	)	

**RESPONSES TO COMMISSION STAFF'S INITIAL DATA REQUEST  
TO CUMBERLAND VALLEY ELECTRIC, INC.  
DATED DECEMBER 19, 2008**



**CUMBERLAND VALLEY ELECTRIC, INC.**  
**PSC CASE NO. 2008-00413**  
**INITIAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08**

**REQUEST 1**

**RESPONSIBLE PERSON:** Ann F. Wood

**COMPANY:** Cumberland Valley Electric, Inc.

**Request 1.** Provide the workpapers, spreadsheets, etc. which show the calculation of the increase, by individual wholesale rate schedule, in Cumberland Valley's cost of power from East Kentucky Power Cooperative, Inc. that Cumberland Valley is proposing to flow through to its customers. Include a brief narrative description of the data being provided.

**Response 1.** Please see page 2 of this response. EKPC multiplied the projected wholesale billing units for all members for the test year by the EKPC existing rates to determine revenue before the rate increase. The revenue increase was then proportioned to EKPC rate classes in order to develop proposed rates. After the proposed wholesale rates were developed, the new rates were applied to the same projected billing units proportionally among all rate classes. These rates were then applied to the projected wholesale billing units of each member system, in order to determine their proportionate share of EKPC's revenue requirements.

Please note that the wholesale increase of \$3,012,840 on page 2 of this response is slightly higher than the retail increase of \$3,011,327 in the pass-through filing dated October 31, 2008 (Exhibit 3, Page 1 of 6).

EKPC  
Cumberland Valley  
Rate E  
Option 2

Description	Billing Units	Current Rate		Calculated Billings
		Rate	Rate	
Metering Point Charge All Customers	216	\$ 125.00	\$	27,000.00
Substation charges				
Substation 1,000 - 2,999 kVa	-	\$ 944.00	\$	-
Substation 3,000 - 7,499 kVa	24	\$ 2,373.00	\$	56,952.00
Substation 7,500 - 14,999 kVa	180	\$ 2,855.00	\$	513,900.00
Substation > 15,000 kVa	12	\$ 4,605.00	\$	55,260.00
	216		\$	626,112.00

Description	Billing Units	Pro Rata		Calculated Billings
		Rate	Rate	
All Customers	216	\$ 136.00	\$	29,808.00
Substation 1,000 - 2,999 kVa	-	\$ 1,041.00	\$	-
Substation 3,000 - 7,499 kVa	24	\$ 2,617.00	\$	62,808.00
Substation 7,500 - 14,999 kVa	160	\$ 3,149.00	\$	566,820.00
Substation > 15,000 kVa	12	\$ 5,079.00	\$	60,948.00
	216		\$	690,576.00

Description	Billing Units	Rate	Calculated Billings
Demand Charge All Kw	1,261,943	\$ 5.22	\$ 6,587,342.46
Energy Charge			
On-Peak (April - July)	95,043,486	\$ 0.042470	\$ 4,036,496.85
Off-Peak (April - July)	72,108,802	\$ 0.034904	\$ 2,516,885.63
On-Peak (Aug - March)	195,845,853	\$ 0.042470	\$ 8,317,573.38
Off-Peak (Aug - March)	203,765,737	\$ 0.034904	\$ 7,112,239.28
	566,763,878	\$	21,983,195.14
	566,763,878		

Description	Billing Units	Rate	Calculated Billings
All Kw	1,261,943	\$ 5.76	\$ 7,268,791.68
On-Peak	290,889,339	\$0.046844	\$ 13,626,420.20
Off-Peak	275,874,539	\$0.038499	\$ 10,620,893.88
	566,763,878		\$ 24,247,314.07

Total Base Rates	\$	29,223,649.60
FAC	\$	0.007604
ES	13.62%	\$ 4,567,238.47
<b>Total Billings</b>	<b>\$</b>	<b>38,100,560.60</b>

Total Base Rates	\$32,236,489.75
FAC	\$ 4,309,672.53
ES	\$ 4,567,238.47
<b>Total Billings</b>	<b>\$41,113,400.75</b>
Increase/(Decrease)	\$ 3,012,840.16
Percent Change	7.91%





**CUMBERLAND VALLEY ELECTRIC, INC.**  
**PSC CASE NO. 2008-00413**  
**INITIAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08**  
**REQUEST 2**

**RESPONSIBLE PERSON:**            *Ann F. Wood*

**COMPANY:**                        **Cumberland Valley Electric, Inc.**

**Request 2.**                        Refer to Exhibit 1 of the application, page 6 of 8, and Exhibit 5, page 2 of 2. The demand charge for Schedule V is shown as \$5.97. However, the demand charge is shown as \$5.98 in Exhibit 2. Explain the discrepancy.

**Response 2.**                        In the original Exhibit 5, there was a typographical error. The Demand charge for Schedule V should be \$5.97. Attached are revised copies of Exhibits 2 and 5 of the application.

**EXHIBIT 2  
Page 1 of 1  
Revised**

The present and proposed rates structures of Cumberland Valley Electric, Inc are listed below:

<u>Rate Class</u>	<u>Present</u>	<u>Proposed</u>
<b>Sch I: Residential, Schools &amp; Churches</b>		
Customer charge per month	\$5.13	\$5.53
All kWh	\$0.07261	\$0.07833
Off-peak marketing rate	\$0.04357	\$0.04700
<b>Sch II: Small Commercial &amp; Small Power</b>		
Single phase customer charge per month	\$5.13	\$5.53
Single phase energy charge – First 3,000 kWh	\$0.08116	\$0.08756
Single phase energy charge – Over 3,000 kWh	\$0.07544	\$0.08138
Three phase customer charge per month	\$5.13	\$5.53
Three phase demand charge per kW	\$3.78	\$4.08
Three phase energy charge – First 3,000 kWh	\$0.08116	\$0.08756
Three phase energy charge – Over 3,000 kWh	\$0.07544	\$0.08138
<b>Sch III: All Three Phase Schools &amp; Churches</b>		
All kWh	\$0.06682	\$0.07209
<b>Sch IV: Large Power – Industrial</b>		
Demand charge per kW	\$5.86	\$6.32
All energy per kWh	\$0.04127	\$0.04452
<b>Sch IV-A: Lrg Pwr Rate 50 kW to 2,500 kW</b>		
Demand charge per kW	\$3.78	\$4.08
Energy charge per kWh	\$0.05039	\$0.05436
<b>Sch V: 1,000 to 2,500 kW</b>		
Consumer charge	\$549.33	\$592.62
Demand charge per kW - Contract	\$5.53	\$5.97
Demand charge per kW – Excess	\$8.03	\$8.66
Energy charge per kWh	\$0.04647	\$0.05013
<b>Sch V-A: Large Power – Industrial</b>		
Consumer charge	\$1,097.63	\$1,184.12
Demand charge per kW - Contract	\$5.53	\$5.97
Demand charge per kW – Excess	\$8.03	\$8.66
Energy charge per kWh	\$0.03994	\$0.04309
<b>Sch VI: Outdoor Lighting – Security Lights (rate per month)</b>		
Mercury Vapor Lamps		
175 watt	\$7.11	\$7.67
400 watt	\$10.01	\$10.80
Other Lamps (rate per month)		
100 watt Open Bottom	\$7.12	\$7.68
100 watt Colonial Flood	\$8.07	\$8.71
100 watt Directional Flood	\$8.70	\$9.39
400 watt Directional Flood	\$13.70	\$14.78
400 watt Cobra Head	\$13.70	\$14.78

**NOTICE OF PROPOSED RATE CHANGE**

In accordance with the requirements of the Public Service Commission of the Commonwealth of Kentucky as set forth in 807 KAR 5:007, Section 3, of the Rules and Regulations of the Public Service Commission, notice is hereby given to the member consumers of Cumberland Valley Electric, Inc. of a proposed rate adjustment. An Application for Approval of Adjustment to Rates will be filed with the Public Service Commission on October 31, 2008, Case No. 2008-00413. The rates are being revised to reflect a change in wholesale rates pursuant to KRS 278.455(2). This adjustment will result in a general rate increase to the member-consumers of Cumberland Valley Electric, Inc. The amount and percent of increase by rate class are listed below

<u>Rate Class</u>	<u>Increase</u>	<u>Percent</u>
Sch I: Residential, Schools & Churches	\$1,956,329	6.96%
Sch I: H-1 Marketing Rate	\$4,071	6.77%
Sch II: C-1 Small Commercial	\$89,959	6.98%
Sch II: C-2 Small Commercial	\$70,673	7.03%
Sch III: All Three Phase Schools & Churches	\$87,738	6.88%
Sch IV: Large Power – Industrial	\$206,935	6.77%
Sch IV-A: Lrg Pwr Rate 50 kW to 2,500 kW	\$511,469	6.83%
Sch VI: Outdoor Lighting – Security Lights	\$84,154	7.43%

The effects of the proposed rates on the average monthly bill by rate class are listed below:

<u>Rate Class</u>	<u>\$ Increase</u>	<u>Percent</u>
Sch I: Residential, Schools & Churches	\$7.29	6.96%
Sch I: H-1 Marketing Rate	\$6.96	6.77%
Sch II: C-1 Small Commercial	\$6.20	6.98%
Sch II: C-2 Small Commercial	\$41.65	7.03%
Sch III: All Three Phase Schools & Churches	\$200.77	6.88%
Sch IV: Large Power – Industrial	\$8,622.28	6.77%
Sch IV-A: Lrg Pwr Rate 50 kW to 2,500 kW	\$522.44	6.83%
Sch VI: Outdoor Lighting – Security Lights	\$0.65	7.43%

The present and proposed rates structures of Cumberland Valley Electric, Inc are listed below:

<b>Rate Class</b>	<b>Present</b>	<b>Proposed</b>
<b>Sch I: Residential, Schools &amp; Churches</b>		
Customer charge per month	\$5.13	\$5.53
All kWh	\$0.07261	\$0.07833
Off-peak marketing rates	\$0.04357	\$0.04700

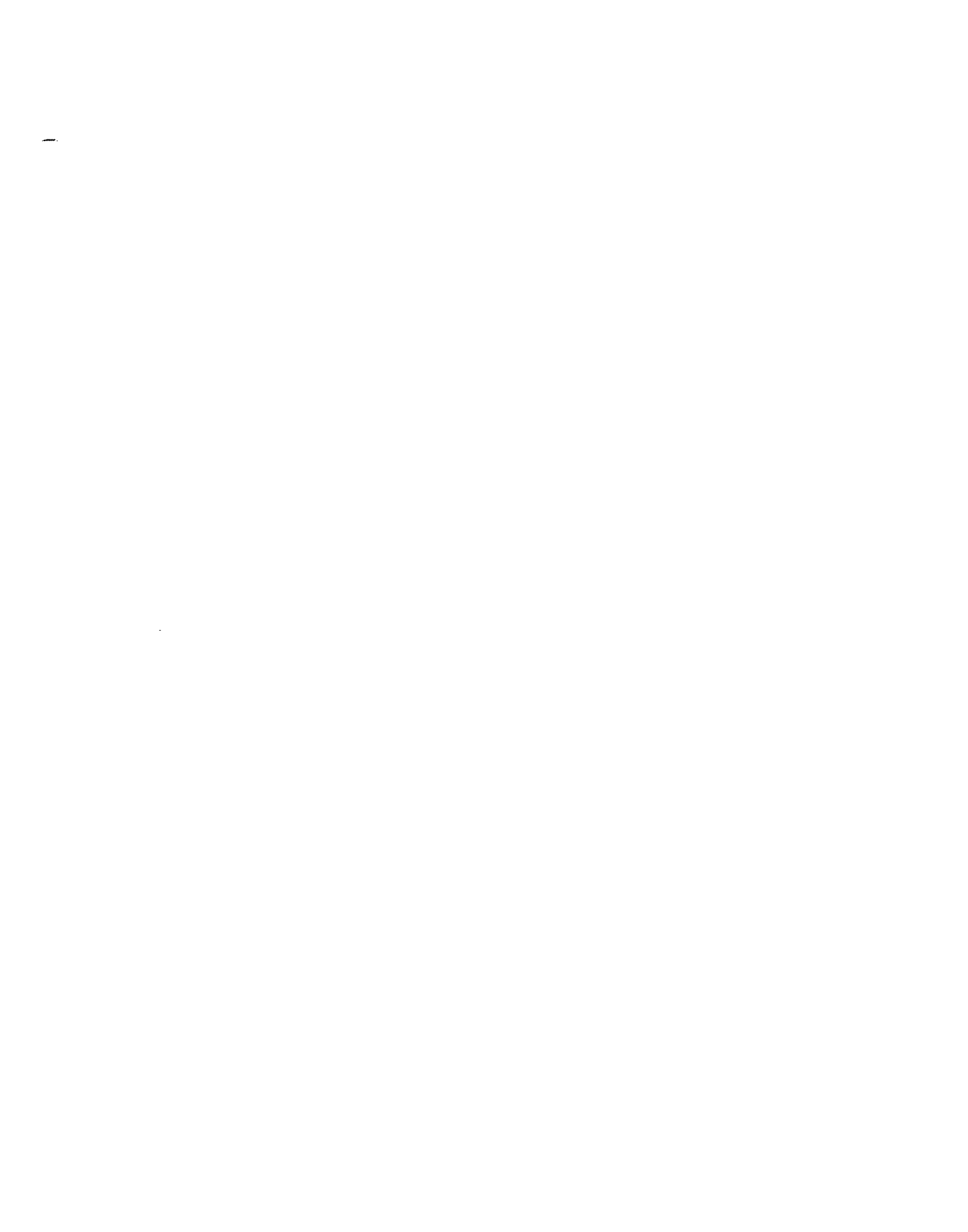
Rate Class	Present	Proposed
<b>Sch II: Small Commercial &amp; Small Power</b>		
Single phase customer charge per month	\$5.13	\$5.53
Single phase energy charge – First 3,000 kWh	\$0.08116	\$0.08756
Single phase energy charge – Over 3,000 kWh	\$0.07544	\$0.08138
Three phase customer charge per month	\$5.13	\$5.53
Three phase demand charge per kW	\$3.78	\$4.08
Three phase energy charge – First 3,000 kWh	\$0.08116	\$0.08756
Three phase energy charge – Over 3,000 kWh	\$0.07544	\$0.08138
<b>Sch III: All Three Phase Schools &amp; Churches</b>		
All kWh	\$0.06682	\$0.07209
<b>Sch IV: Large Power – Industrial</b>		
Demand charge per kW	\$5.86	\$6.32
All energy per kWh	\$0.04127	\$0.04452
<b>Sch IV-A: Large Power – Industrial</b>		
Demand charge per kW	\$3.78	\$4.08
All energy per kWh	\$0.05039	\$0.05436
<b>Sch V: 1,000 to 2,500 kW</b>		
Consumer charge	\$549.33	\$592.62
Demand charge per kW - Contract	\$5.53	\$5.97
Demand charge per kW – Excess	\$8.03	\$8.66
Energy charge per kWh	\$0.04647	\$0.05013
<b>Sch V-A: Large Power – Industrial</b>		
Consumer charge	\$1,097.63	\$1,184.12
Demand charge per kW - Contract	\$5.53	\$5.97
Demand charge per kW – Excess	\$8.03	\$8.66
Energy charge per kWh	\$0.03994	\$0.04309
<b>Sch VI: Outdoor, Security Lights – rate per month</b>		
Mercury Vapor Lamps		
175 watt	\$7.11	\$7.67
400 watt	\$10.01	\$10.80
Other Lamps (rate per month)		
100 watt Open Bottom	\$7.12	\$7.68
100 watt Colonial Flood	\$8.07	\$8.71
100 watt Directional Flood	\$8.70	\$9.39
400 watt Directional Flood	\$13.70	\$14.78
400 watt Cobra Head	\$13.70	\$14.78

The rates contained in this notice are the rates proposed by Cumberland Valley Electric, Inc. However, the Public Service Commission may order rates to be charged that differ from the proposed rates contained in this notice. Such actions may result in rates for consumers other than the rates in this notice.

Any person may examine the rate application at the main office of Cumberland Valley Electric, Inc. at the following address:

Cumberland Valley Electric, Inc  
Highway 25E  
Gray, KY 40734  
(606) 589-4421

Any person may also examine the rate application at the office of the Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky.



**CUMBERLAND VALLEY ELECTRIC, INC.**  
**PSC CASE NO. 2008-00413**  
**INITIAL DATA REQUEST RESPONSE**

**COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08**  
**REQUEST 3**

**RESPONSIBLE PERSON:** James C. Lamb, Jr./Ann F. Wood  
**COMPANY:** Cumberland Valley Electric, Inc.

**Request 3.** Refer to Exhibit 3 of the application. The billing analysis shows various rate schedules with escalation percentages applied to the billing determinants. Explain the need for the escalation percentages and provide workpapers, spreadsheets, etc. for the calculation of the percentages, as well as a narrative explanation of how the percentages were determined.

**Response 3.** Since EKPC is using a forecasted test period, the increase is calculated based on projected billing determinants. In order to appropriately match retail rates to the forecasted test year used for wholesale rates, an escalation factor was used. The escalated data was applied to Residential and Small Commercial classes only due to the wide variance and unpredictable nature of the Large Commercial/Industrial class.

The Attachment shows the escalation percentages calculated by the Resource Planning Department of EKPC and the supporting calculations.

EKPC prepares a load forecast by working jointly with its member systems in preparing their individual load forecasts. Factors considered in preparing the forecasts include national, regional, and local economic performance, appliance saturations and

efficiencies, population and housing trends, service area industrial development, electric price, household income, and weather. Each member system reviews the preliminary forecast for reasonability.

The general steps followed by EKPC in developing its load forecast are summarized as follows:

EKPC subscribes to Global Insight, Inc., in order to analyze regional economic performance. Global Insight provides EKPC projections for population, employment, and income as well as other variables.

EKPC prepares a preliminary forecast for each of its member systems for each classification using monthly data as reported on the Rural Utilities Services (RUS) Form 7, which contains publicly available retail sales data for member systems. These include: residential, seasonal, small commercial, public buildings, large commercial, and other. EKPC's sales to member systems are then determined by adding distribution losses to total retail sales. Seasonal peak demands are determined by applying peak factors for heating, cooling, and water heating to energy.

The supplementary spreadsheets in the Attachment contain the data resulting from the above-described process. The growth rates for energy sales, winter peak demand, and customers are based upon the monthly forecasts for the test period.

Escalation - Cumberland Valley

Escalation - MWH - Energy	
Time Period	MWH Sales
May 2008 to April 2009	526,159
May 2009 to April 2010	542,761
Percent change	<b>3.2%</b>

Escalation - MW - Demand	
Time Period	
Winter 2009-2010	150.3
Winter 2010-2011	152.4
Percent change	<b>1.4%</b>

Escalation - Customers - Residential	
Time Period	Average Annual Customers
2009	22,335
2010	22,527
Percent change	<b>0.9%</b>

Escalation - Customers - Small Commercial	
Time Period	Average Annual Customers
2009	1,491
2010	1,513
Percent change	<b>1.4%</b>



—

CUMBERLAND VALLEY ELECTRIC, INC.

PSC CASE NO. 2008-00413

INITIAL DATA REQUEST RESPONSE

COMMISSION STAFF'S INITIAL DATA REQUEST DATED 12/19/08  
REQUEST 4

RESPONSIBLE PERSON: Ann F. Wood

COMPANY: Cumberland Valley Electric, Inc.

**Request 4.** Refer to Exhibit 3 of the application. The billing analysis does not include an analysis of Rate Schedule V and Rate Schedule V-A. Are there any customers taking service under these rates? If yes, explain why they are not included in the billing analysis and provide an updated analysis.

**Response 4.** There are currently no customers taking service on Rate Schedule V or Rate Schedule V-A. These rates were increased by the same percentage as the rates that have active customers.