

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CUMBERLAND VALLEY)	
ELECTRIC, INC. FOR A CERTIFICATE OF PUBLIC)	
CONVENIENCE AND NECESSITY TO CONSTRUCT)	CASE NO.
DISTRIBUTION FACILITIES IN ACCORDANCE WITH)	2011-00442
ITS 2012-2015 CONSTRUCTION WORK PLAN)	

ORDER

Cumberland Valley Electric, Inc. ("Cumberland Valley") filed an application on January 5, 2012 requesting a Certificate of Public Convenience and Necessity ("CPCN") for its January 1, 2012 through December 31, 2015 Construction Work Plan ("Work Plan") in which certain proposed construction improvements and additions to its existing plant are included. These additions and improvements to its existing facilities are necessary in order to provide adequate and reliable electric service meeting minimum standards for voltage levels, thermal loading, and safety in the facilities serving its current consumers and anticipated new consumers. Its application followed a request received on November 3, 2011¹ from Cumberland Valley to file its application via the electronic filing process. This request was granted by the Commission in an Order issued on December 2, 2011. The estimated cost of the proposed Work Plan improvements and additions is \$16,496,442. In support of the application, Cumberland Valley states that the proposed improvements and additions to its facilities are required over the next four-year period to serve its projected load. The Commission will approve

¹ A facsimile copy of Cumberland Valley's Notice of Intent to file its CPCN via electronic filing was received on November 3, 2011 and, on November 4, 2011, a paper original of the Notice of Intent to file its CPCN via electronic filing was received.

the application of Cumberland Valley to construct the extensions and the additions to its plant as follows:

System Additions and Improvements Summary

<u>Category Name</u>	<u>Estimated Cost</u>
New member construction	\$4,673,781
System improvement projects	1,182,710
Transformers and meters	3,801,963
Service changes and upgrades	413,954
Sectionalizing equipment and activities	1,800,000
Capacitor bank and control additions	3,500
Pole replacements	2,792,592
Conductor replacement	150,000
Security light installations	<u>1,677,942</u>
Total	\$16,496,442

In its application, Cumberland Valley stated that the proposed Work Plan improvements and additions will be financed with \$17,608,000 in funds provided through the United States Rural Utilities Services ("RUS") Guaranteed Federal Financing Bank loan program.² The Work Plan was approved by Cumberland Valley's Board of Directors on October 13, 2011; RUS granted approval on November 17, 2011. The new Work Plan construction and other miscellaneous distribution equipment account for the bulk of the borrowed funds. In addition, the application notes that Cumberland Valley anticipates making a \$400,000 investment over the next two years

² Application, page 4, Item 13.

for a new radio communication system and will invest \$930,000 in a new mapping (GIS) system in years 2013 through 2015. The new radio communication system and new mapping system are mentioned in the 2012-2015 Work Plan, but funds are not requested for their purchase in this application. Cumberland Valley indicates that a separate CPCN will be filed for those items.³ The application states that the anticipated annual cost of operations, after all the construction of the facilities in the proposed Work Plan are completed, is \$2,371,979. The current level of revenues is sufficient to cover these annual operating expenses. Approximately 44 percent of the proposed expenditures are required to serve new members that are anticipated, while 56 percent is for system improvements.

Cumberland Valley's Work Plan includes \$154,350 for the purchase of new Landis+Gyr Focus AL ("Focus AL") single-phase digital meters to serve new customers and \$1,414,480 for meter replacements. Approximately 245 meters will be installed each year for new consumers and 8,900 meters will be replaced over the period of the Work Plan each year in conjunction with Cumberland Valley's periodic meter testing program.⁴ Cumberland Valley has a large number of electro-mechanical meters in service that incorporate Hunt Technologies TS2 endpoints. These meters interface with Cumberland Valley's Hunt Technologies TS2 system ("Hunt TS2 system") but can only measure kilowatt-hours. These older electro-mechanical meters are gradually being replaced with the Focus AL digital meters which have the capability of measuring both

³ Application, page 3, footnote 1.

⁴ Cumberland Valley Electric, Construction Work Plan, January 1, 2012-December 31, 2015; October 2011, Patterson & Dewar Engineers, Inc., Exhibit B, page 2 of 3.

kilowatt-hours and line voltage within the Hunt TS2 system. The Focus AL digital meters are considered a more advanced AMR/AMI-capable meter than the electro-mechanical meters.⁵

Cumberland Valley estimates that 258 poles will be replaced each year in its distribution system, a total of 1,032 poles during the Work Plan's four years, at a cost of \$2,792,592. Cumberland Valley has been advised by its Work Plan consultant, Patterson & Dewar Engineers, Inc., ("Patterson & Dewar") of the RUS recommendation that 10 percent of a utility's poles should be inspected annually.⁶ Based on the number of work pole structures in its system and the RUS recommendation, Patterson & Dewar indicated that Cumberland Valley should have a pole inspection program that includes approximately 4,980 poles annually. Based on historical data, the average cost for each of these pole replacements is estimated to be \$2,706.⁷

The Commission, having reviewed the record and being otherwise sufficiently advised, finds that the improvements and additions proposed by Cumberland Valley in its application for a CPCN to construct facilities according to its January 1, 2012 through December 31, 2015 construction work plan are for public convenience and necessity and should be approved.

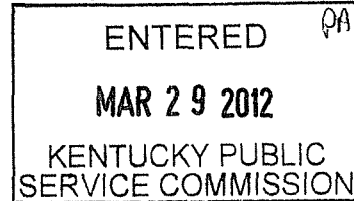
⁵ Cumberland Valley's Response to Staff's Information Request of February 17, 2012, Item 8 (filed Mar. 14, 2012).

⁶ Application, "Construction Work Plan, January 1, 2012-December 31, 2015," as outlined by Patterson & Dewar Engineers, Inc., page 10, Item H.

⁷ Cumberland Valley Electric, Construction Work Plan, January 1, 2012-December 31, 2015; October 2011, Patterson & Dewar Engineers, Inc., page 10, Item H.

IT IS THEREFORE ORDERED that Cumberland Valley's application for a CPCN to construct facilities according to its January 1, 2012 through December 31, 2015 construction work plan is approved.

By the Commission



ATTEST:


Executive Director

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