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August 24, 2017

Mr. Mark David Goss
Goss Samford
2365 Harrodsburg Road, Suite, B-325
Lexington, KY 40504

Re: Case No. 2016-00169 Cumberland Valley Electric, Inc.
Expense Reduction Plan and Report

Dear Mr. Goss:

Commission Staff acknowledges receipt of Cumberland Valley Electric, Inc.'s ("Cumberland Valley") Expense Reduction Plan and Report filed on August 1, 2017 in compliance with the directives of the Commission's February 6, 2017 Order in Case No. 2016-00169.¹ Upon review of the filing, Commission Staff has the following clarifying questions and requirements for Cumberland Valley:

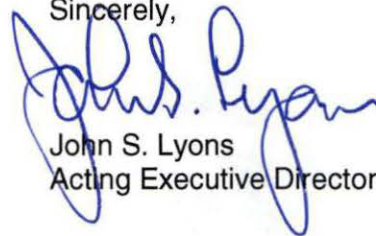
1. Explain Cumberland Valley's decision to implement employee contributions to their health insurance premiums at percentages lower than the percentage noted in our Order in Case No. 2016-00169. Explain the decision to implement employee health insurance contributions over four years rather than immediately.
2. Explain how Cumberland Valley arrived at the \$882,000 savings for eliminating the use of construction contractors.
3. Explain Cumberland Valley's plan to use employees to perform the \$882,000 contract work normally done by construction contractors, and if this work can be accomplished satisfactorily without hiring additional employees. What effects does Cumberland Valley expect to its daily operations by requiring employees to perform construction and retirement work?

¹ Case No. 2016-00169, Application of Cumberland Valley Electric, Inc. for a General Adjustment of Rates (Ky. PSC Feb. 6, 2017).

4. Confirm that Cumberland Valley's plan does not include capitalizing employee labor utilized on construction and retirement jobs.
5. Explain how Cumberland Valley determined the \$469,000 savings from reducing right of way maintenance. When does Cumberland Valley expect that the right of way maintenance postponed this year would have to be performed, and at what cost?
6. Provide a breakdown of material and labor for the \$40,000 savings identified by delaying recloser repairs until 2018. Will costs increase in 2018 to perform the repairs deferred from 2017?
7. Provide status reports on the actual savings achieved at six-month and one year intervals following the implementation of the cost savings plan. For each cost savings identified include the prior year's actual expense, current year budget, actual savings achieved to date, and percent reduction.

Commission Staff requests that Cumberland Valley submit responses to the forgoing questions within 21 days of the date of this letter. Should you have any questions, please feel free to contact Nancy Vinsel, at (502) 782-2582. Thank you for your attention to this matter.

Sincerely,



John S. Lyons
Acting Executive Director

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