

Witness: James Adkins

Nolin Rural Electric Cooperative

Case No. 2016-00367

April 30, 2016

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PUBLIC SERVICE COMMISSION

Payroll Adjustment

To reflect the increase granted by the Board of Directors, the step increases granted and promotions during the year. To give recognition to employees terminated and employees hired during the test year. Increases are granted each November 1 based on Nolin's Wage and Salary Plan. Overtime pay is calculated at 1-1/2 times regular pay rate for hours worked in excess of 8 hours per day.

Nolin Rural Electric has always hired summer and part time employees, and anticipates this to continue into future years. These employees were normalized at the same rate and hours during the test year.

There are no union employees.

Wage and salary increases are as follows:

2016	3.25%
2015	2.80%
2014	3.00%
2013	2.00%
2012	1.50%
2011	2.75%

The amount of increase was allocated based on the actual test year.

Projected wages	\$7,404,012
Actual wages for test year	<u>7,381,846</u>
Adjustment	<u>\$22,166</u>

The allocation is on the following page:

Nolin Rural Electric Cooperative
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Allocation of Increase in Payroll

		Labor <u>Distribution</u>	<u>Percent</u>	<u>Allocation</u>	
10	107.20	Construction work in progress	1,209,735	16.4%	3,633
11	108.80	Retirement work in progress	147,684	2.0%	443
12	163.00	Stores	191,588	2.6%	575
13	184.00	Transportation	35,492	0.5%	107
14	186.10	Employee sick leave	56,228	0.8%	169
15	416.00	Non operating accounts	21,544	0.3%	65
16	580.00	Operations	110,356		
17	583.00	Overhead line	398,287		
18	584.00	Underground	69,112		
19	586.00	Meter	403,059		
20	587.00	Consumer installation	12,619		
21	588.00	Miscellaneous distribution	731,937	23.4%	5,181
22	590.00	Maintenance	133,338		
23	592.00	Station	21,413		
24	593.00	Overhead line	708,438		
25	594.00	Underground	31,851		
26	596.00	Street lights	89,002		
27	597.00	Meters	71,237		
28	598.00	Miscellaneous maintenance	50,275	15.0%	3,320
29	901.00	Supervision, customer accounts	106,603		
30	902.00	Meter reading	102,080		
31	903.00	Consumer records	973,389	16.0%	3,550
32	907.00	Customer service & information	32,935		
33	908.00	Consumer assistance	203,716		
34	910.00	Consumer information	144,628	5.2%	1,145
35	920.00	Administrative	1,258,251		
36	930.00	Miscellaneous	12,287		
37	935.00	Maintenance general plant	<u>54,762</u>	<u>18.0%</u>	<u>3,980</u>
38					
39		Total	<u>7,381,846</u>	<u>100.0%</u>	<u>22,168</u>
40					
41					

Separation of Payroll between Ft. Knox and Nolin only:

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	<u>Total</u>	<u>Ft. Knox</u>	<u>Net Nolin</u>	
	<u>Payroll</u>	<u>Operations</u>	<u>Amount</u>	<u>Percent</u>
Capitalized	1,357,419	53,655	1,303,764	96.05%
Clearing and others	304,852	2,376	302,476	99.22%
Operations	1,725,370	15,032	1,710,338	99.13%
Maintenance	1,105,554	108,604	996,950	90.18%
Consumer accounts	1,182,072	1,972	1,180,100	99.83%
Customer service	381,279	0	381,279	100.00%
Sales	0	0	0	0.00%
Administration and general	<u>1,325,300</u>	<u>189,374</u>	<u>1,135,926</u>	85.71%
	<u>7,381,846</u>	<u>371,013</u>	<u>7,010,833</u>	94.97%

Allocation of increase to Nolin only:

	<u>Total</u>	<u>Net Nolin</u>	
	<u>Adjustment</u>	<u>Percent</u>	<u>Amount</u>
Capitalized	4,076	96.05%	3,915
Clearing and others	916	99.22%	909
Operations	5,181	99.13%	5,136
Maintenance	3,320	90.18%	2,994
Consumer accounts	3,550	99.83%	3,544
Customer service	1,145	100.00%	1,145
Sales	0	0.00%	0
Administration and general	<u>3,980</u>	85.71%	<u>3,411</u>
	<u>22,168</u>	94.97%	<u>21,054</u>

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Nolin Rural Electric Cooperative
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Employee Information
April 30, 2016

The following is a list of employees added during the test year, and the employees that were replaced, or reason for hiring the employees.

Employee <u>Hired</u>	<u>Reason</u>
293	Replaced employee #231 who resigned
303	Replaced employee who took #11 position

The following is a list of employees terminated, and the date.

<u>Employee Number</u>	<u>Month Terminated</u>
11	8/31/15
95	3/31/16
231	1/31/16

Nolin Rural Electric Cooperative
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 Compensation of Executive Officers

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	<u>Test Year</u>	<u>2015</u>	<u>2014</u>	<u>2013</u>
Chief Executive Officer - CEO	[REDACTED]	226,131	213,505	216,150
Percent Increase	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VP, System Operations	[REDACTED]	214,526	202,567	202,403
Percent Increase	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VP, Administration and Finance	[REDACTED]	176,533	163,976	133,575
Percent Increase	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VP, Member Services	[REDACTED]	151,341	147,144	142,101
Percent Increase	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
VP, Office Services	[REDACTED]	110,234	107,215	107,215
Percent Increase	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

VP, Administration and Finance retired during the test year.

Exhibit 1
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Witness: Michael Miller

Nolin Rural Electric Cooperative
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Duties and Responsibilities of Officers

President & CEO It is the responsibility of the President & CEO to report directly to the Board of Directors in implementing the Board policies and directives.

VP of Operations Collaborates with Construction and Maintenance Supervisors, and contractors, on a daily basis for operational needs. Prepares and presents the President & CEO an annual capital budget. Plans and organizes to serve members with efficient work. Promotes fast, dependable electric service to the members and maintain power quality. Maintains a knowledge of local and national laws and regulations governing the operations of Nolin. Reports directly to the President & CEO.

VP, Finance and Accounting Coordinates all audit efforts by various agencies. Maintains the financial status of Nolin by developing budgets and financial statements. Collaborates with supervisors to fill any vacant positions. Assists and advises other departments as requested in the preparation of departmental budgets. Maintains all information related to accounting, as needed. Develops short term cash investments and long term cash requirements. Assists in the development of information necessary for filing loan applications. Reviews the financial information to ensure compliance with regulatory agencies. Ensures that taxes are properly prepared and filed on a timely basis. Analyzes electric sales revenues, collections, delinquents, write-offs, and penalty charges for efficiencies. Maintains knowledge of laws and regulations governing the administration of Nolin. Directs in the preparation of daily cash transactions. Reports directly to the President & CEO.

VP, Member Services Plans and organizes to serve member/owners with efficient work. Works with demand-side management, conservation and energy efficiency programs for consumers. Investigates member concerns that have not been satisfied by other employees. Encourages in economic development in the region. Maintains knowledge of laws and regulations governing the operations of Nolin. Participates in community events and programs. Reports directly to the President & CEO.

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Exhibit 1
page of
Witness: Jim Adkins

Analysis of Salaries and Wages
For the calendar years 2013 through 2015
and the Test year

Line No	Item (a)	Twelve Months Ended						Test year 4/30/2016	
		2013		2014		2015		Amount (l)	%
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)		
1	Wages charged to expense:								
2	Distribution expense	2,492	-4%	2,713	9%	2,792	3%	2,831	1%
3	Customer accounts expense	1,201	7%	1,241	3%	1,181	-5%	1,182	0%
4	Customer service and information	351	5%	363	3%	379	4%	381	1%
5	Sales expense		0%		0%		0%		0%
6	Administrative and general expenses:								
	(a) Administrative and general	1,067	5%	1,092	2%	1,225	12%	1,259	3%
	(b) Office supplies and expense								
	(c) Outside services employed								
	(d) Property insurance								
	(e) Injuries and damages		0%		0%		0%		0%
	(f) Employees hospitalization and benefits		0%		0%		0%		0%
	(g) Retirement and security								
	(h) Miscellaneous general	6	0%	11	83%	10	-9%	11	10%
	(i) Maintenance of general plant	37	6%	39	5%	48	23%	55	15%
7	Total administrative and general expenses L6(a) to L6(i)	1,110	5%	1,142	-3%	1,283	12%	1,325	-3%
8	Charged to clearing and others	249	-5%	351	41%	264	-25%	305	16%
9	Total salaries and wages charged to expense and other L2 to L6 + L7 + L8	5,403	1%	5,810	8%	5,899	2%	6,024	2%
10	Wages capitalized	1,202	7%	1,259	5%	1,391	10%	1,357	-2%
11	Total salaries and wages	6,605	2%	7,069	7%	7,290	3%	7,381	1%
12	Ratio of salaries and wages charged to expense to total wages L9 / L11	82%		82%		81%		82%	
13	Ratio of salaries and wages capitalized to total wages L10 / L11	18%		18%		19%		18%	
14	Overtime wages	413	-26%	563	36%	551	-2%	510	-7%

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Payroll Taxes

The employer's portion of FICA and Medicare rates remain the same for 2016 as they were for 2015. The FICA rate is 6.2% and Medicare is 1.45%. The wage limit did not change from \$118,500 in 2015 to 2016 for FICA; all wages are subject to Medicare.

Federal unemployment rates are 0.80% for the first \$7,000 of wages and state unemployment rate is 1.40% for the first \$10,200 of wages.

Proposed FICA amounts

FICA	446,640	
Medicare	<u>107,358</u>	
	553,998	
Proposed FUTA	5,545	
Proposed SUTA	<u>13,189</u>	<u>572,732</u>
Test year amount		
FICA and Medicare	546,741	
Test year FUTA	4,649	
Test year SUTA	<u>13,798</u>	<u>565,188</u>
Increase		<u><u>7,544</u></u>

Adjustment:	Percent	Total		Net Nolin	
		Adjustment	Percent	Amount	
107 Capitalized	18.70%	1,411	96.05%	1,355	
163 - 416 Clearing and others	4.80%	362	99.22%	359	
580 Operations	22.80%	1,720	99.13%	1,705	
590 Maintenance	18.70%	1,411	90.18%	1,272	
901 Consumer accounts	16.40%	1,237	99.83%	1,235	
908 Customer service	5.20%	392	100.00%	392	
912 Sales	0.00%	0	0.00%	0	
920 Administrative and general	<u>13.40%</u>	<u>1,011</u>	85.71%	<u>867</u>	
	<u>100.00%</u>	<u>\$7,544</u>		<u>7,185</u>	

State unemployment (SUTA) wage rates are as follows:

2016	1.31%
2015	1.00%
2014	1.20%
2013	0.70%
2012	0.70%
2011	0.70%

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Retirement and Security

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Nolin Rural Electric provides pension benefits for substantially all employees through participation in the National Rural Electric Cooperative Association (NRECA) Retirement and Security (R & S) Program. It is the policy of Nolin Rural Electric to fund pension costs accrued. R & S contributions are based on base salary at a rate determined by NRECA. Nolin Rural Electric's plan discontinues coverage when an employee has accumulated 30 years of service. At that time contributions to the plan discontinue.

The rate for 2015 was 24.53% of base wages. For the 2016, the rate is 25.28%. The adjustment is to normalize the R & S contributions using the rate for 2016 and normalized base wages for full-time salary and hourly employees.

Proposed contribution cost	1,369,554
Test year R & S contributions	<u>1,291,009</u>
Proposed adjustment	<u><u>78,545</u></u>

The adjustment is allocated as follows:

Adjustment:	Percent	Total		Net Nolin	
		Percent	Adjustment	Percent	Amount
107 Capitalized	18.70%		14,688	96.05%	14,107
163 - 416 Clearing and others	4.80%		3,770	99.22%	3,741
580 Operations	22.80%		17,908	99.13%	17,752
590 Maintenance	18.70%		14,688	90.18%	13,245
901 Consumer accounts	16.40%		12,881	99.83%	12,860
908 Customer service	5.20%		4,084	100.00%	4,084
912 Sales	0.00%		0	0.00%	0
920 Administrative and general	13.40%		<u>10,525</u>	85.71%	<u>9,021</u>
	<u>100.00%</u>		<u><u>78,544</u></u>		<u><u>74,810</u></u>

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Exhibit 8

Witness: Michael Miller

Director Fees and Expenses April 30, 2016

<u>Director</u>	<u>Regular Board Mtg</u>	<u>Other Board Mtg</u>	<u>Per Diem</u>	<u>Mileage</u>	<u>Air Fare</u>	<u>Meeting Fees</u>	<u>Hotel</u>	<u>Meals</u>	<u>Health Insurance</u>	<u>Miscellaneous Include</u>	<u>Miscellaneous Exclude</u>	<u>Total</u>
Brown, David	[REDACTED]	[REDACTED]		[REDACTED]		[REDACTED]		[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Grimes, Linda	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Ireland, Lawrence	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Rosenberger, A.L.	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Straney, Gene	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Thomas, Raymond	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]
Total	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]	[REDACTED]

The following have been excluded for rate-making purposes

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

[REDACTED]

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NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 202.0

SUBJECT: DIRECTORS' FEES AND EXPENSES

I. PURPOSE:

- A. To assure fair and equitable compensation for time spent and reimbursement for expenses incurred by Directors and the Cooperative attorney when attending regular or special board or committee meetings.
- B. To encourage adequate representation of the Cooperative by Directors at statewide, regional and national meetings, and training programs which will accrue to the benefit of the Cooperative.

II. POLICY STATEMENT:

In conformity with the Bylaws of the Cooperative, it shall be the policy of Nolin Rural Electric Cooperative Corporation to reimburse Directors for time and travel expenses as established in the provisions of this policy.

III. PROVISIONS:

The following provisions and procedures shall apply to this policy:

A. Attendance Fee

Members of the Board of Directors shall be paid a fee for attendance at regular or special meetings of the Board of Directors as shall be determined from time to time by the Board. For attendance at Board committee meetings held on other than board meeting days, or for attendance at authorized state, regional, national, or training meetings, a Board member shall receive a set daily fee to be determined by the Board for time actually in attendance.

1. Attendance at meetings within the state will be paid only for the actual days of the meetings and not for travel time to and from the meetings.
2. For attendance at meetings out of state, a maximum of two day's fees will be paid for travel, regardless of the mode of transportation.
3. A fee will not be paid to Directors or the attorney for attendance at advisory committee, banquet and appreciation dinners where there is not a special meeting; the Cooperative will pay meal and incidental expenses. The meal expense for spouses invited to attend as guests will be also be paid.

Board Policy No. 202, page 2

B. Transportation Expenses

Directors shall be reimbursed for transportation expenses as follows:

1. When traveling by personal automobile, a Director shall be reimbursed at the prevailing mileage rate approved by the Internal Revenue Service for Federal income tax purposes (on the basis of coach-class round trip air fare or actual mileage incurred, whichever is less), plus any related out-of-pocket charges, such as tolls, parking charges, etc.
2. When traveling by common carrier, a Director shall be reimbursed on the basis of coach-class round-trip air fare or actual transportation expense incurred, whichever is less. In addition, the director will be reimbursed shuttle or taxicab fares to and from the terminal and the hotel or meeting place.

C. Incidental Expenses

1. When a Director attends any of the meetings listed in Section A, above, the director shall be reimbursed actual incidental expenses incurred.
2. It is proper for Directors to receive advance travel funds with appropriate post-event accounting. When properly authorized, the President/CEO will advance funds to Directors prior to departure on trips to include: anticipated attendance fees and travel costs.
3. All Directors are authorized and urged to attend the meetings of the Kentucky Association of Electric Cooperatives, Inc. (KAEC), the National Rural Electric Cooperative Association (NRECA), the National Rural Utilities Cooperative Finance Corporation (CFC), and other related organizations. They are also authorized and urged to attend training schools and meetings sponsored by these Associations within the limits of approved budgets.

Board Policy No. 202, page 3

IV. RESPONSIBILITY:

- A. It shall be the responsibility of each Director to submit an itemized expense report to include fees and all authorized reimbursement expenses, including travel. Expenses of spouses accompanying Directors to meetings will not be reimbursed.
- B. It shall be the responsibility of the Secretary-Treasurer to review all Director expense reports and to assure that all reimbursements are reasonable and in accordance with this policy.
- C. It shall be the responsibility of the President/CEO to see that Director expenses are paid upon the submission of appropriate expense reports. When travel funds have been advanced, the President/CEO shall provide for appropriate reconciliation of the accounts. When Director expenses are paid by the President/CEO, appropriate adjustments and review shall be made of the Director expense accounts.

This policy supersedes any existing policy which may be in conflict with the provisions of this policy.

Adopted: 06/08/00

Amended: 06/07/07

Amended: 01/09/14

Amended: 04/09/15