

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN ADJUSTMENT OF ELECTRIC RATES OF )  
NOLIN RURAL ELECTRIC COOPERATIVE ) CASE NO. 90-064  
CORPORATION )

O R D E R

IT IS ORDERED that Nolin Rural Electric Cooperative Corporation ("Nolin") shall file the original and 12 copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to make certain that it is legible. Where information requested herein has been previously provided, reference may be made to the specific location of said information in responding to this information request. The information requested herein is due no later than June 12, 1990.

1. Concerning Nolin's adjustment for wages and salaries, Exhibit II, Schedule F of the application, provide the following information for each employee:

- a. The actual regular hours worked during the test year.
- b. The actual overtime hours worked during the test year.
- c. The test-year-end wage rate for each employee and the date of the last increase.
- d. A calculation of the percent of increase granted during the test year.

The information should identify all employees as either salaried or hourly, and also as either full-time, part-time, or temporary. Employee numbers or other identifiers may be used instead of employee names. Include an explanation of how the overtime pay rate is determined. All employees terminated during the test year should be identified, as well as those employees who replaced terminated employees during the test year.

2. Concerning the adjustment for medical insurance benefits, Exhibit II, Schedule G, provide an explanation of how the monthly insurance rate is calculated.

3. Concerning the property tax adjustment, Exhibit II, Schedule H, provide the following information:

- a. The 1989 Real Estate and Tangible Personal Property tax rate for each taxing district.
- b. A schedule of the idle services of Nolin as of December 31, 1989, by county.
- c. The book and assessed value for all of Nolin's motor vehicles for the 1989 tax year (balances as of December 31, 1988).

d. The book and assessed value for all of Nolin's motor vehicles for the 1990 tax year (balances as of December 31, 1989).

4. Nolin provided its annual audit report in response to Item 4 of the April 30, 1990 Order. On page 11 of 14 in that response, the audit report indicates that Nolin's retirement benefit plan is associated with the National Rural Electric Cooperative Association ("NRECA") Retirement and Security Program. No contributions to this program have been made since a moratorium was declared in July, 1987, due to the program reaching its full funding limitation. In Exhibit II, Schedule K, Nolin proposes an adjustment to include a contribution to this program for rate-making purposes.

a. Provide a copy of the most recently received correspondence from NRECA concerning the duration of the funding moratorium.

b. Provide a thorough explanation as to why this expense should be included for rate-making if the moratorium is still in effect.

5. Concerning the adjustment for new employees, Exhibit II, Schedule L, provide the following information:

a. The dates on which the four new employees will be hired by Nolin.

b. An explanation of how the payroll figures for each employee were determined.

6. On Exhibit II, Schedule L, the following percentage rates for the expensing of payroll and benefit costs are shown:

- a. Payroll and retirement benefits at 67.55 percent.
- b. Medical benefits at 71.22 percent.
- c. Life insurance at 71.63 percent.
- d. FICA payroll taxes at 71.23 percent.
- e. Unemployment taxes at 69.75 percent.

Provide a detailed explanation as to why the expensing percentages vary among these related costs. Include calculations which support these various rates.

7. Concerning the adjustment for additional equipment, Exhibit II, Schedule M, provide the following information:

- a. The in service dates for each item of equipment listed in Schedule M.
- b. Identify the costs and associated accumulated depreciation related to utility plant that the plant additions will be replacing.
- c. Explain why Nolin has included an interest expense in its cost analysis.
- d. Explain why Nolin is in effect proposing a post-test-year adjustment to utility plant without updating all revenue, expense, capital, and investment accounts.

8. Concerning the calculation of net investment, Exhibit II, Schedule P, Nolin reports consumer advances for construction as \$389,455. However, in Nolin's 1989 Annual Report on file with the Commission and its auditor's report in Item 4 of the April 30, 1990 Order, consumer advances for construction are reported as \$37,036. Provide a thorough explanation as to which figure is correct and what caused two different amounts to be reported.

9. On Exhibit III, Schedule A, Nolin indicates that its proposed rate decrease is based upon a 2.5 Times Interest Earned Ratio ("TIER"). Provide a thorough explanation why Nolin is requesting a TIER of 2.5.

10. Concerning the response to Item 2 of the April 30, 1990 Order, provide the following information:

a. Describe the functions of the "Member Advisory Committee". Include how the committee is selected and provide a listing of the members of the committee during the test year.

b. Describe the functions and Nolin's affiliation with RECNET.

c. Prepare a schedule of the total costs of Nolin's annual members' meetings for the years 1985 through 1989. The schedule should show a breakdown of the expenses incurred. Include explanations for significant changes (plus or minus 15 percent) in costs from year to year.

11. Concerning the response to Item 5 of the April 30, 1990 Order, provide the following information:

a. On page 2 of 7, reference is made to a monthly energy conservation newsletter. Describe the nature of this publication and the benefits of the newsletter.

b. On page 3 of 7, reference is made to a monthly marketing newsletter. Describe the nature of this publication and the benefits of the newsletter.

c. Describe the nature of the transactions identified as "Marketing Incentive Payments".

d. Describe the credits received from East Kentucky Power Cooperative, Inc. ("East Kentucky") and how these credits relate to expenditures made by Nolin.

e. Item 5 of the April 30, 1990 Order required that the purpose and expected benefit of each advertising expenditure be provided. Nolin's responses have addressed its expenditures in Account Nos. 908 and 909, but no explanation has been provided for Account No. 910, page 5 of 7. For the advertising expenses included in Account No. 910, identify the purpose and expected benefit of the expenditures.

f. Prepare a schedule of all costs associated with Nolin's involvement with the "All-Seasons Comfort Home" program.

12. Concerning the response to Item 11 of the April 30, 1990 Order, provide the following information:

a. From page 2 of 4, for the legal services totaling \$2,665, breakdown this amount by describing what was included as "legal services".

b. From page 2 of 4, for the seminars and meetings totaling \$1,710.58, describe the nature of these seminars and meetings and explain why this cost should be included for rate-making purposes.

c. From page 3 of 4, explain why the referenced hourly rates, time charged, and expensed cost do not equal the reported \$1,325.72 shown for a fiber optic cable attachment.

d. From page 4 of 4, explain the work performed for Nolin with regard to rate design by Central Area Data Processing,

and provide a schedule of the costs incurred by Nolin for the past five years for such services.

13. Provide a copy of Nolin's policies specifying the compensation of its attorneys, auditors, or other professional services. Include a schedule of fees, per diems, and other compensation in effect during the test year. Include copies of any agreements, contracts, memoranda of understanding, or other documentation which explains the nature and types of reimbursements paid for professional services. Indicate if any changes occurred during the test year, the effective date of the changes, and the reason for the changes.

14. Concerning the response to Item 16 of the April 30, 1990 Order, for each of the accounts listed below, provide an explanation of the reason for the change in the account total between the test year and the previous year.

a. Account No. 555.00, Dept. 00, Purchased Power.

b. Account No. 586.00, Dept. 02, Meter Expense.

c. Account No. 586.50, Dept. 02, Meter Expense - Changing.

d. Account No. 588.00, Dept. 02, Miscellaneous Distribution Expense.

e. Account No. 595.00, Dept. 02, Maintenance - Transformer and Devices.

f. Account No. 597.00, Dept. 02, Maintenance of Meters.

g. Account No. 902.00, Dept. 02, Meter Reading Expense.

h. Account No. 903.00, Dept. 02, Customer Records and Collection Expense.

i. Account No. 904.00, Dept. 01, Uncollectible Customer Accounts.

j. Account No. 908.00, Dept. 03, Customer Assistance Expense.

k. Account No. 910.00, Dept. 03, Miscellaneous Customer Service and Information Expense.

l. Account No. 921.00, Dept. 01, Office Supplies and Expenses.

m. Account No. 921.00, Dept. 02, Office Supplies and Expenses.

n. Account No. 921.00, Dept. 03, Office Supplies and Expenses.

o. Account No. 924.00, Dept. 01, Property Insurance.

p. Account No. 925.00, Dept. 01, Injuries and Damages.

q. Account No. 925.00, Dept. 02, Injuries and Damages.

r. Account No. 926.00, Dept. 01, Employees Hospitalization and Benefits.

s. Account No. 926.00, Dept. 02, Employees Hospitalization and Benefits.

t. Account No. 926.00, Dept. 03, Employees Hospitalization and Benefits.

u. Account No. 930.21, Dept. 01, Miscellaneous General Expenses - Director Fees and Expenses.

15. The response to Item 20 is a summary schedule of the compensation paid in the test year to Nolin's board of directors.



For each director listed in the response, provide the following detailed information:

a. A detailed schedule of meeting fees, using the classifications of regular board meeting, special board meeting, and other meetings. For each fee listed under other meetings, identify the meeting and the purpose of the meeting.

b. A detailed schedule of all expenses paid, other than mileage. The schedule should identify the purpose of each expense reimbursement and why the expense was necessary for the operation of Nolin.

c. A detailed schedule of the fringe benefits provided to each director.

16. Provide a copy of Nolin's policies specifying the compensation of directors and a schedule of standard director's fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicate the effective date and the reason for the changes.

17. Concerning the response to Item 20, provide the following information:

a. Identify any compensation paid to Nolin's board members who serve on East Kentucky's board of directors, relating to his or her service on that board. Indicate who serves on East Kentucky's board of directors from Nolin.

b. Indicate whether any of the listed expenses in this response include the costs for a director's spouse. List separately any expenses for director's spouses.

18. Concerning the response to Item 22, provide the following information:

a. For the two employees listed on page 1 of 2, indicate whether the hours worked were regular or overtime hours.

b. Schedule the expenses listed on page 1 of 2, showing each vendor or payees, invoice reference, amount of transaction, date the expense was incurred, and the nature of the services provided.

c. For the expenses listed on page 2 of 2, indicate how the estimates were determined.

d. Based on Nolin's responses to Item 22, the total expected cost of this rate case is approximately \$9,300. Indicate whether this is an appropriate evaluation of the response.

19. In its 1989 Annual Report on file with the Commission, Nolin reported \$31,562 in Account No. 415, Revenues from Merchandising, Jobbing, and Contract Work, and \$28,146 in Account No. 416, Costs and Expenses of Merchandising, Jobbing, and Contract Work. Provide a detailed schedule showing the types of merchandising, jobbing, and contract work performed by Nolin during the test year, including a listing of the revenues and expenses associated with each activity.

20. Provide a copy of Nolin's equity management plan. Indicate when the current plan was adopted and identify any changes made in the plan during the test year. Also indicate when the last general capital credit retirement took place and how current is Nolin's rotation of capital credits.

21. In Case No. 8481,<sup>1</sup> Nolin's Fuel Adjustment Clause ("FAC") revenues and expenses were adjusted to zero so that any over or underrecovery would not impact revenue requirements. In this application, Nolin has adjusted FAC revenues to <\$245,683> and FAC power cost to <\$234,615>. Explain why Nolin believes FAC revenues and expenses should be included in the determination of revenue requirements and the setting of base rates when the FAC is a fully recovering clause.

22. Nolin has stated in its application that it believes the rates for security and street lighting should not be decreased. Explain how Nolin arrived at this conclusion.

23. Explain why Nolin has proposed an equal across-the-board reduction in energy rates per KWH. Since Nolin has varied energy charges for each rate schedule, explain the rationale for applying an equal reduction per KWH to the various rate schedules.

Done at Frankfort, Kentucky, this 25th day of May, 1990.

PUBLIC SERVICE COMMISSION

  
For the Commission

ATTEST:

  
Executive Director

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<sup>1</sup> Case No. 8481, Adjustment of Rates of Nolin Rural Electric Cooperative Corporation to Provide Adequate Revenues for Its Operations, final Order dated September 28, 1982.