

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NOLIN RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR A DEVIATION FROM THE) CASE NO. 94-357
SETTLEMENT AGREEMENT OF 10/11/90)
IN CASE NO. 90-064)

O R D E R

IT IS ORDERED that Nolin Rural Electric Cooperative Corporation ("Nolin") shall file an original and 10 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 ensure that it is legible. The information requested herein is due no later than 14 days after the date of this Order.

1. In its application, Nolin stated that it owed a deferred power bill to the East Kentucky Power Cooperative, Inc. ("East Kentucky"), in the amount of \$3,000,000, which has to be paid in full by March 1, 1995.

a. Prepare a schedule showing the monthly balance of the deferred power bill for the period July 1993 through October

1994. Indicate the interest rate in effect for each month of this period and the total interest expense Nolin has incurred from deferring its power bill to date.

b. Provide all the terms and conditions East Kentucky imposed on Nolin relating to the deferral of the power bill. Include copies of any material from East Kentucky describing the program.

c. Explain the basis for Nolin's statement that the deferred power bill must be paid in full by March 1, 1995. If this requirement is not included in any of the East Kentucky terms and conditions, indicate how the March 1, 1995 date was determined.

2. Nolin was granted a Certificate of Public Convenience and Necessity in Case No. 93-323¹ for the construction of improvements and additions included in its 1993-1994 Work Plan. The estimated cost of the Work Plan was \$4,928,650. Nolin states that it has loan applications pending before the Rural Electrification Administration ("REA") and the National Rural Utilities Cooperative Finance Corporation ("CFC").

a. Provide a comparison of the 1993-1994 Work Plan estimated costs to the actual costs incurred. Indicate the status of the Work Plan as of November 1, 1994.

¹ Case No. 93-323, The Application of the Nolin Rural Electric Cooperative Corporation for Approval by the Public Service Commission of Kentucky for a Certificate of Convenience and Necessity to Construct Additional Plant Facilities According to the Cooperative's 1993-1994 Work Plan, final Order dated March 4, 1994.

b. Describe the status of the REA and CFC loan applications as of the date of this Order. Indicate whether these loans are related to the 1993-1994 Work Plan or some other Work Plan.

c. Explain why Nolin has not filed a case seeking approval of the CFC loan. Indicate when Nolin intends to seek Commission approval of the CFC loan.

3. In Case No. 93-324² Nolin was authorized to establish a \$3,000,000 5-year revolving line of credit through CFC.

a. Prepare a schedule showing the monthly outstanding balance owed under this line of credit for the period December 1993 through October 1994. Describe how Nolin has used the line of credit during this period.

b. Provide the applicable interest rate on the line of credit as of month end for the period December 1993 through October 1994.

4. Nolin states that due to weather conditions and three catastrophic storms in 1994 its financial condition has suffered and currently has a negative TIER.

a. Provide the amount of the negative TIER, with supporting calculations.

² Case No. 93-324, Application of the Nolin Rural Electric Cooperative Corporation for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 and Related Sections Authorizing the Cooperative to Obtain a Five Year Line of Credit in the Amount of \$3,000,000.00 from the National Rural Utilities Cooperative Finance Corporation. final Order dated November 29, 1993.

b. If Nolin has been monitoring its financial condition and has been aware of its worsening financial condition, explain in detail why Nolin waited until late September to request the deviation.

5. Indicate the month and year when Nolin anticipates being able to pay the 1993 capital credit rotation.

6. Prepare an analysis of Nolin's general cash account and its temporary cash investments covering the period from July 1993 through October 1994. Show the monthly ending balance for these accounts and include an explanation of the changes in the accounts from month to month.

7. Provide the following information for each month in the period July 1993 through October 1994:

- a. Total Margins and Equities.
- b. Total Long-Term Debt.
- c. The Equity to Total Capital Ratio.

8. Provide an analysis of the financial impact of the three 1994 storms. The analysis should include, but not be limited to:

- a. The approximate dates of the storms.
- b. The costs incurred, identifying expenses by account number charged and capitalized items by plant account.
- c. A description of the nature of the costs incurred.
- d. A determination of gains or losses experienced when damaged utility plant was replaced. Include supporting calculations for the gains or losses and copies of the accounting entries reflecting utility plant replacements.

e. The amount of insurance reimbursement or federal disaster relief agency payments received or expected to be received.

f. A list and description of any disaster relief funds available to Nolin.

9. Explain how Nolin determined the amounts to expense or capitalize of its storm damage costs.

10. Exhibit B to Nolin's application contains the calculations and supporting schedules used to determine its capital credit rotation from 1993 earnings. The following expenditures from Account Nos. 908, 910, and 930.20 have not normally been included for rate-making purposes by the Commission. Explain Nolin's reason(s) for not removing the expenditure as a rate-making based disallowance.

- a. Sales of hats and shirts.
- b. Handouts.
- c. Youth Tour.
- d. Suckers - handouts for children.
- e. Prizes.
- f. Advertisement - giveaways.
- g. Donation - Larue County Young Farmers.
- h. Account No. 930.20 Donations.

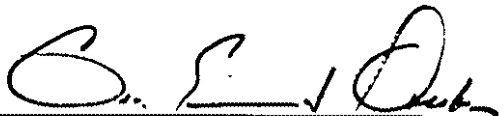
11. For each of the expenditures listed below, describe the nature and purpose of the expenditure. In addition, explain why the expenditure should be treated as an allowable expense under the

Settlement Agreement in determining Nolin's adjusted TIER for capital credit rotation purposes.

- a. Member Advisory Council.
- b. High School Grant Program.
- c. Membership - 4-H Council.
- d. American Private Enterprise.
- e. Junior Achievement.
- f. Farm City Day.
- g. Membership - AUSA.
- h. Management Internship.
- i. Membership - RECNET.
- j. Membership - Kentucky Council of Cooperatives.

Done at Frankfort, Kentucky, this 22nd day of November, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director