

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 the original and eight copies of the following information with the Commission with a copy to all parties of record within 14 days from the date of this Order. 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.

1. Update Exhibit B to the petition for rehearing to show current ratio data for the months of February and March 1995 and provide April 1995 as soon as the financial information is available.

2. Exhibit B to the petition for rehearing shows that the current ratio exceeded 1.0 during the first six months of 1994, even after reflecting short-term borrowings to make the capital

credit retirement. Nolin's REA Form 7 monthly reports for the first six months of 1994 indicate:

(1) The General Cash balance was in a range between \$1.3 million and \$4.2 million.

(2) Temporary Cash Investments were above \$1.3 million for three of the six months.

Considering these sources of cash, explain why Nolin was not able to make its 1993 capital credit retirement of \$687,402 in 1994.

3. Provide a list of discretionary cash outlays occurring in amounts greater than \$5,000 for each month from January 1995 to the present.

4. What actions did Nolin take since closing its 1993 books to prepare for the payment of 1993 capital credits?

a. Did Nolin consider setting aside funds periodically during 1994 to provide for the 1993 retirement?

b. If yes, why were funds not set aside?

c. If no, why was such an approach not considered?

5. Indicate when in 1995 Nolin paid its deferred power bill to East Kentucky Power Cooperative, Inc., the amount paid, and the sources of the funds used. If Nolin utilized all or part of its \$3.0 million line of credit with the National Rural Utilities Cooperative Finance Corporation, explain what conditions have changed since Nolin's response to Item 3 of the Commission's November 22, 1994 Order.

6. Describe the reactions and comments and provide a list showing monthly the number of complaints received from Nolin's

membership concerning the fact they did not receive a capital credit retirement in 1994.

7. Provide a copy of Nolin's March 15, 1995 correspondence to the Rural Utilities Service ("RUS") discussing the Commission's March 13, 1995 Order.

8. Exhibit C to the petition for rehearing, page 3, contains the following statement:

Nolin's board is elected by the member/owners of Nolin and represents the interests of its members through the establishment of cooperative policies, including policies on patronage capital retirements. We would hope that the Kentucky PSC would take this into consideration and not force Nolin to act contrary to good financial planning and the wishes of its membership.

Nolin's current rates were established in Case No. 90-064¹ in accord with a Settlement Agreement which obligates Nolin systematically to pay capital credits to its members, based on total margins in excess of a 1.5 Times Interest Earned Ratio.

a. Is RUS aware of the terms and conditions contained in the 1990 Settlement Agreement?

b. Is RUS aware that Nolin is still obligated to comply with the terms and conditions of the 1990 Settlement Agreement adopted by the Commission?

9. Identify the sources of funds Nolin may have available in 1995 to make its required capital credit retirement.

¹ Case No. 90-064, The Notice of Nolin Rural Electric Cooperative Corporation's Revision to Its Electric Tariffs.

Done at Frankfort, Kentucky, this 28th day of April, 1995.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director