



**Rural Electric Cooperative Corporation**

A Touchstone Energy® Cooperative 

October 26, 2007

BETH O'DONNELL  
EXECUTIVE DIRECTOR  
PUBLIC SERVICE COMMISSION  
PO BOX 615  
FRANKFORT KY 40602

**RECEIVED**

**OCT 26 2007**  
**PUBLIC SERVICE**  
**COMMISSION**

RE: Case No. 2006-00466

Dear Ms. O'Donnell:

Please find enclosed the original and six (6) copies of the testimony of Michael L. Miller, President & CEO, for the above referenced case.

If you need any additional information, please contact me.

Sincerely,



Michael L. Miller  
President & CEO

/af

Enclosures

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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OCT 26 2007

PUBLIC SERVICE  
COMMISSION

IN THE MATTER OF:

APPLICATION OF NOLIN RURAL ELECTRIC )  
COOPERATIVE CORPORATION TO ADJUST )  
ITS ELECTRIC RATES EFFECTIVE APRIL 15, 2007 )

CASE NO. 2006-00466

TESTIMONY OF MICHAEL L. MILLER

- 1 Q. Please state your name, title and business address.  
A. My name is Michael L. Miller and I am President and CEO of Nolin RECC,  
411 Ring Road, Elizabethtown, KY 42701
- 2 Q. Did you previously file testimony on behalf of Nolin RECC in this rate application?  
A. Yes, I filed direct testimony in this case as a part of the original application.
- 3 Q. What is the purpose of your testimony?  
A. My testimony provides support for the Settlement Agreement, Stipulation and Recommendation (Settlement") entered into by Nolin and the Kentucky Attorney General. A copy of this Settlement with attachments is provided as a part of this testimony.
- 4 Q. Briefly describe the terms of the Settlement.  
A. This Settlement allows Nolin to recover through rates an additional annual revenues in the amount of \$2,598,845. Nolin originally applied for an increase

in revenues of approximately \$2,934,000. The approximate reduction of \$335,000 will be allocated proportionally to those rate classes for which Nolin requested an increase in revenue requirements in the original application. This reduction for each rate class is proportional to each rate class's initial requested increase in revenue requirements. Rate classes receiving an increase in revenue requirements are Schedule 1 - Residential Farm and Home, Schedule 2 - Small Commercial and Small Power, Schedule 3 - Large Power, Schedule 5 - Security Lights, and Schedule 6 - Street Lighting. The proposed rate design for the listed rate schedules receiving increases is basically the same as developed in the original application. However, the rates proposed for these classes are higher than the rates proposed in the original application. This difference is a result of two reasons. One, Nolin's wholesale power supplier had an increase effective April 1, 2007 that resulted in an increase in Nolin's retail rates. And second, Nolin increased its fuel base in all of its energy rates and lighting rates effective August 1, 2007. This increase in Nolin's fuel base exceeded six (6) mills per KWH. Nolin had to consider the impact of these two situations in its rate design as a result of this rate application.

5 Q The Settlement contains four (4) schedules. Please discuss these schedules.

A The first schedule determines the revenue increase per rate class after the settlement with the Attorney General's Office ("AG"). The reduction in revenue requirements has been accomplished proportionally on the amount of increase requested in the original filing. This schedule also provides the revenue from

rates that would be used for rate design if the EKPC increase had not occurred and if no fuel had been rolled into the base rates. Schedule 2 provides a billing analysis based test year billing determinants for the rates in effect at the end of the test year, the rates in effect after the EKPC flow through, the rates in effect after the increase in base rates for fuel, and the rates being proposed as a result of this settlement. This billing analysis has only been completed for those rate schedules for which an increase in rates is being proposed. Schedule 3 provides a summary of the revenues from the four (4) rate scenarios from Schedule 2 and indicates the effect of these rate increases on the base rates for these rate schedules. Schedule 4 provides the rates for these five rate classes for the four (4) rate scenarios.

6 Q What is the final attachment to this Settlement?

A. The final attachments to this Settlement are new tariff sheets that contain the rates proposed that are a result of the settlement. There have been no text changes in the tariffs.

7 Q How does this settlement impact the financial situation at Nolin RECC?

A. This Settlement should help to provide Nolin with the financial means to meet its expenses, pay its debt and to once again start the payment of capital credits to our members on a more consistent basis.

8 Q Does this conclude your testimony?

A. This concludes my testimony.



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Michael L. Miller, President & CEO  
Nolin Rural Electric Cooperative Corporation