




Rural Electric Cooperative Corporation

A Touchstone Energy® Cooperative 

April 10, 2007

BETH O'DONNELL
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BOULEVARD
PO BOX 615
FRANKFORT KY 40602

RECEIVED

APR 18 2007

**PUBLIC SERVICE
COMMISSION**

Re: Case No. 2006-00466

Dear Ms. O'Donnell:

Please find enclosed the original and six (6) copies of the responses to the Commission's Order "First Data Request of Commission Staff to Nolin Rural Electric Cooperative Corporation" dated December 4, 2006.

If you have any questions, please do not hesitate to call.

Sincerely,



Michael L. Miller
President & CEO

Copy to: Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Frankfort, KY 40601

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins
Witness: O. V. Sparks
Witness: Michael Miller

Item 1. Comparative detailed income statement, cash flows and balance sheet.

Shown as Exhibit V of Application.
Sheets 1 thru 3.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 2. Rate of return and rate base

Shown as Exhibit K of Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 3. TIER and DSC

Shown as Exhibit K of Application.

These are included in Item 2 above of this response.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: O. V. Sparks

Item 4. Borrower's Statistical Profile

Shown as Exhibit 17 of Application.

This information is reviewed on an annual basis. Neither Nolin Rural Electric's management, Board of Directors nor RUS has taken any actions as a result of the Borrower Statistical Profile.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: O. V. Sparks

Item 5. CFC Key Ratio Trend Analysis

Shown as Exhibit 18 of Application.

This information is reviewed on an annual basis. Neither Nolin Rural Electric's management, Board of Directors nor RUS has taken any actions as a result of the Borrower Statistical Profile.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: O. V. Sparks

Item 6. KAEC Statistical Comparison

Shown as Exhibit 19 of Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 7. Capital structure

The capital structure is shown as Exhibit Z of the Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 8. Outstanding issues of long-term debt and short term debt

Item 8 a.

Shown as Exhibit 5 of this Application.

Item 8 b .

Shown as Exhibit 5 of this Application, page 4 of 4.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins
Witness: O. V. Sparks

Item 9. Trial balance for 12 months

Shown as Exhibit Y of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 10. Comparison of balance sheet account balances with prior year's balance

Shown as Exhibit W of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 11. Comparison of income statement account balances with prior years

Shown as Exhibit X of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item No. 12. Property held for future use

Nolin Rural Electric has no plant held for future use.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 13. Non utility property

Non utility property includes leased surge protectors put on customers locations.

There are no related property taxes.

Revenues are listed in Account 415.00. Also in this account are revenues from other merchandising, i.e., electric grills, toy digger trucks, commissions for collections for LGE and KU.

Expenses are recorded in Account 416.00.

Surge protectors have been purchased at various times. The cost is \$28,077 and the accumulated depreciation of \$20,189.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 14. Jurisdictional plant allocations

Nolin Rural Electric has no jurisdictional plant or expense allocations that are required.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 15. By Laws

Included as Exhibit U of Application.
No changes have been made to the By Laws since that time.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 16. Equity management plan

This information is included as Exhibit U of the Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 17. Professional services

Shown as Exhibit 9 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 18. Compensation of Directors

Shown as Exhibit 10 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 19. Annual meeting information

Shown as Exhibit P in this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 20. Customer billing and increases, by rate class

- a. Shown as Exhibit G of this Application.
- b. Shown as Exhibit G of this Application.
- c. Shown as Exhibit G of this Application
- d. Shown as Exhibit G of this Application
- e. Shown as Exhibit 14 of this Application, page 3 of 3

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 21. Customer billing determinants

Item 20 a. through f.

Shown as Exhibit G and Exhibit J to this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 22. Capitalization rates

Shown as Exhibit T of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 23. Salaries and wages

Item 23 a. and b.

- a. Attached.
- b. Shown as Exhibit 1, page 1 of 9 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466

Exhibit 1
page of
Witness: Jim Adkins

Analysis of Salaries and Wages
For the calendar years 2003 through 2005
and the Test year

Line No	Item (a)	Twelve Months Ended						Test year 2006	
		2003		2004		2005		Amount (l)	% (m)
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)		
1	Wages charged to expense:								
2	Distribution expense	1,657,799	13%	2,146,310	29%	2,121,555	-1%	2,132,518	1%
3	Customer accounts expense	779,927	2%	813,559	4%	862,588	6%	844,245	-2%
4	Customer service and information	226,250	2%	252,099	11%	273,811	9%	267,630	-2%
5	Sales expense		0%		0%		0%		0%
6	Administrative and general expenses:	542,657	12%	523,548	-4%	570,943	9%	640,849	12%
	(a) Administrative and general								
	(b) Office supplies and expense								
	(c) Outside services employed								
	(d) Property insurance		0%		0%		0%		0%
	(e) Injuries and damages		0%		0%		0%		0%
	(f) Employees hospitalization and benefits								
	(g) Retirement and security	19,029	81%	24,433	28%	14,994	-39%	13,073	-13%
	(h) Miscellaneous general	23,782	-5%	26,563	12%	30,077	13%	31,488	5%
	(i) Maintenance of general plant								
7	Total administrative and general expenses L6(a) to L6(i)	585,468	13%	574,544	-3%	616,014	7%	685,410	-3%
8	Charged to clearing and others	368,605	38%	277,806	-25%	245,402	-12%	242,456	-1%
9	Total salaries and wages charged to expense and other L2 to L6 + L7 + L8	3,618,049	11%	4,064,318	12%	4,119,370	1%	4,172,259	1%
10	Wages capitalized	841,563	-10%	696,209	-17%	870,976	25%	960,332	10%
11	Total salaries and wages	4,459,612	7%	4,760,527	7%	4,990,346	5%	5,132,591	3%
12	Ratio of salaries and wages charged to expense to total wages L9 / L11	81%		85%		83%		81%	
13	Ratio of salaries and wages capitalized to total wages L10 / L11	19%		15%		17%		19%	
14	Overtime wages	401,046	32%	524,495	31%	495,005	-6%	516,884	4%
15	Overtime hours	12,789		16,173		14,398		13,467	

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 24. Regular and overtime hours, and percentages of increase

Item 24 a to d.

Shown as Exhibit 1 of this Application.
Pages 3 thru 9

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 25. Payroll tax information

Item 25 a. to d.

Shown as Exhibit 2 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 26. Property and franchise taxes

Shown as Exhibit 4. of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 27 Electric plant in service

Shown as Exhibit 3 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 28. Employee benefits

Shown as Exhibit T of this Application.

No of employees covered

92

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 29. Salary of Executive Officers

Attached.

Nolin Rural Electric Cooperative
Case No. 2006-00466
Compensation of Executive Officers
August 31, 2006

	<---- Salary	Test Year Percent of Increase	----> Date	Employees who Report
Chief Executive Officer - CEO	140,000.00	7.7%	01/01-2006	all
VP, System Operations	114,747.00	10.9%	01/01-2006	56
VP, Administration and Finance	110,781.00	6.5%	01/01-2006	12
VP, Member Services	91,223.00	6.1%	01/01-2006	8
VP, Office Services	77,857.00	9.7%	01/01-2006	16

	<u>First Preceding Year</u> Salary	Percent of Increase	Date
Chief Executive Officer - CEO	130,000.00	6.1%	01/01-2005
VP, System Operations	103,435.00	5.3%	01/01-2005
VP, Administration and Finance	104,052.00	5.1%	01/01-2005
VP, Member Services	86,001.00	5.4%	01/01-2005
VP, Office Services	70,992.00	9.4%	01/01-2005

	<u>Second Preceding Year</u> Salary	Percent of Increase	Date
Chief Executive Officer - CEO	122,500.00	6.5%	01/01-2004
VP, System Operations	98,213.00	28.1%	01/01-2004
VP, Administration and Finance	98,993.00	1.5%	01/01-2004
VP, Member Services	81,592.00	2.0%	01/01-2004
VP, Office Services	64,900.00	-26.0%	01/01-2004

VP, Office Services retired during 2003, first year for new new position in 2004.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 30. Advertising

Shown as Exhibit 11 of this Application.
Pages 4 thru 6

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 31. Miscellaneous general expenses

Shown as Exhibit 11 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 32. Other income deduction Account 426

Shown as Exhibit 8 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 33. Board of Directors

Shown as Exhibit 10 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins
Witness: Michael Miller

Item 34. Compensation of Board of Directors

Shown as Exhibit 10 of this Application.
There are no spouse expenses included.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 35. Professional services expenses

Shown as Exhibit 9 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins
Witness: O. V. Sparks

Item 36. Rate case costs

Item 36 a. to c.

- a. All costs are recorded in Account 928.00, with copies of invoices attached.
- b. Shown as Exhibit 12 of this Application.
- c. All cost are included as Item 36 a. of this response, with monthly updates being submitted at the time the monthly reports are prepared.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 37. Advance of loan funds

Nolin Rural Electric advanced \$3,500,000 of funds from RUS during February, 2007. The purpose is to reimburse general funds for construction projects.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 38 . Depreciation expense

Shown as Exhibit 3 of this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 39. Depreciation rates

Item 39 a. and b.

- a. The depreciation rates are the same as those used in the last rate case Nolin Rural Electric filed with this Commission in PSC Case No.2002-00482.

- b. Nolin Rural Electric reviewed its depreciation rates and where it falls on the depreciation guideline curve in accordance with RUS Bulletin 183-1. Since Nolin Rural Electric's accumulated depreciation and ratio to plant in service 10 years ago, Nolin elected not to file a depreciation study with this Application.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 40. Depreciation guideline curve information

Attached.

Nolin Rural Electric Cooperative
Case No. 2006-00466
Depreciation Guideline Curve
August 31, 2006

Year	Distribution Plant in Service	Accumulated Deprec for Distribution	Reserve Ratio	Ratio of Current Distribution Plant to Distribution Plant 10 Years Prior
2005	63,058,263	19,496,595	30.92%	1.83
2004	59,451,341	18,227,090	30.66%	1.81
2003	54,860,933	16,496,041	30.07%	1.75
2002	50,686,141	15,361,687	30.31%	1.73
2001	48,581,161	14,143,878	29.11%	1.73
1995	34,469,259	6,102,375	17.70%	
1994	32,897,721	5,991,225	18.21%	
1993	31,264,971	5,708,752	18.26%	
1992	29,348,251	5,502,712	18.75%	
1991	28,055,578	5,114,874	18.23%	

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 41. Charitable and political contributions

All charitable and political contributions are recorded in Account 426. An analysis of that account is shown as Exhibit 8 of this Application.

All amounts included in this Account are for charitable purposes, there are no political contributions either in cash or services.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 42. Lobbying activities

Nolin Rural Electric does not engage in lobbying activities,
therefore, there are no expenses to report.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 43. Pension plan expenses

Nolin Rural Electric treats and accounts for the pension plans using the same basis for rate-making purposes and financial reporting.

All eligible employees of Nolin Rural Electric participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under Section 401 and tax-exempt under Section 501(a) of the Internal Revenue Code. Nolin Rural Electric makes annual contributions to the Program equal to the amounts accrued for pension expense. In this multiple employer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 44. SFAS No. 106

Item 44 a. to c.

- a. SFAS 106 was adopted as of January 1, 1995.
- b. The accounting entry to recognize SFAS 106 as is shown as Exhibit 6 of this Application.
- c. Shown as Exhibit 6.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 45. SFAS No. 112

SFAS 112 does not apply to Nolin Rural Electric.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins
Witness: O. V. Sparks

Item 46. Subsequent events that may effect rate request

As of the date of this response, there are no known events that have occurred after the test year end that would have a material effect on net operating income, rate base, and cost of capital.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: O. V. Sparks

Item 47. Current labor contracts

There are no employment contracts in place.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Michael Miller

Item 48. Investment in subsidiary and joint ventures

- a. Name of subsidiary
KVNet, Inc.
- b. Date of initial investment
9/1/1988
- c. Amount and type of investment
\$1,000 capital stock
- d. Balance sheet and income statement
Included with audit report attached.
- e. Name of officers, annual compensation, amount charged to subsidiary,
and position with Nolin Rural Electric.

Name	Position	<u>Annual Compensation</u>	<u>Charged to Subsidiary</u>
David Brown	Director	0	(*)
Gene Straney	Director	0	(*)
A.L. Rosenberger	Director	0	(*)
Michael Miller	President/CEO	140,000	(*)

(*) Nolin allocates \$120 per month for board fees to its subsidiary.

Nolin Rural Electric Cooperative
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First Data Request of Commission Staff

Witness: Jim Adkins

Item 49. Dividends or income received from subsidiary

	<u>Dividends</u>	<u>Income</u>
Test year		
2005	0	(106,399)
2004	0	(106,399)
2003	0	(29,784)
2002	0	(242,399)

The amount are reported to the Commission on its Annual Report as Account No. 418.00, subsidiary income.

Nolin includes the subsidiary information in its annual report to members as included with Non-Operating Margins.

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 50. Non-regulated activities

- a. See Item 13 of this Response.
- b. The subsidiary provides internet activities.
- c. None.
- d. Nolin has two (2) loans to its subsidiary as follows:

Date of <u>Loan</u>	<u>Amount</u>
3/1/1996	30,000
3/1/1997	50,000

Nolin Rural Electric Cooperative
Case No. 2006-00466
First Data Request of Commission Staff

Witness: Jim Adkins

Item 50. Purchase power costs

Shown as Exhibit 14 of this Application.