

Rural Electric Cooperative Corporation

A Touchstone Energy® Cooperative 

August 22, 2007

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AUG 24 2007

PUBLIC SERVICE
COMMISSION

BETH O'DONNELL
EXECUTIVE DIRECTOR
PSC
PO BOX 615
FRANKFORT KY 40602-0615

RE: PROPOSED REVISION TO TARIFF

Case No. 2007-00382

Dear Ms. O'Donnell:

Please find enclosed the original and four copies of our proposed revisions to tariff sheet 31.

The changes have been appropriately reflected in the following tariff. If you have any questions, please let me know.

Sincerely,



Michael L. Miller
President & CEO

/af

Enclosures

RECEIVED

AUG 24 2007

PUBLIC SERVICE
COMMISSION

Case No. 2007-00382

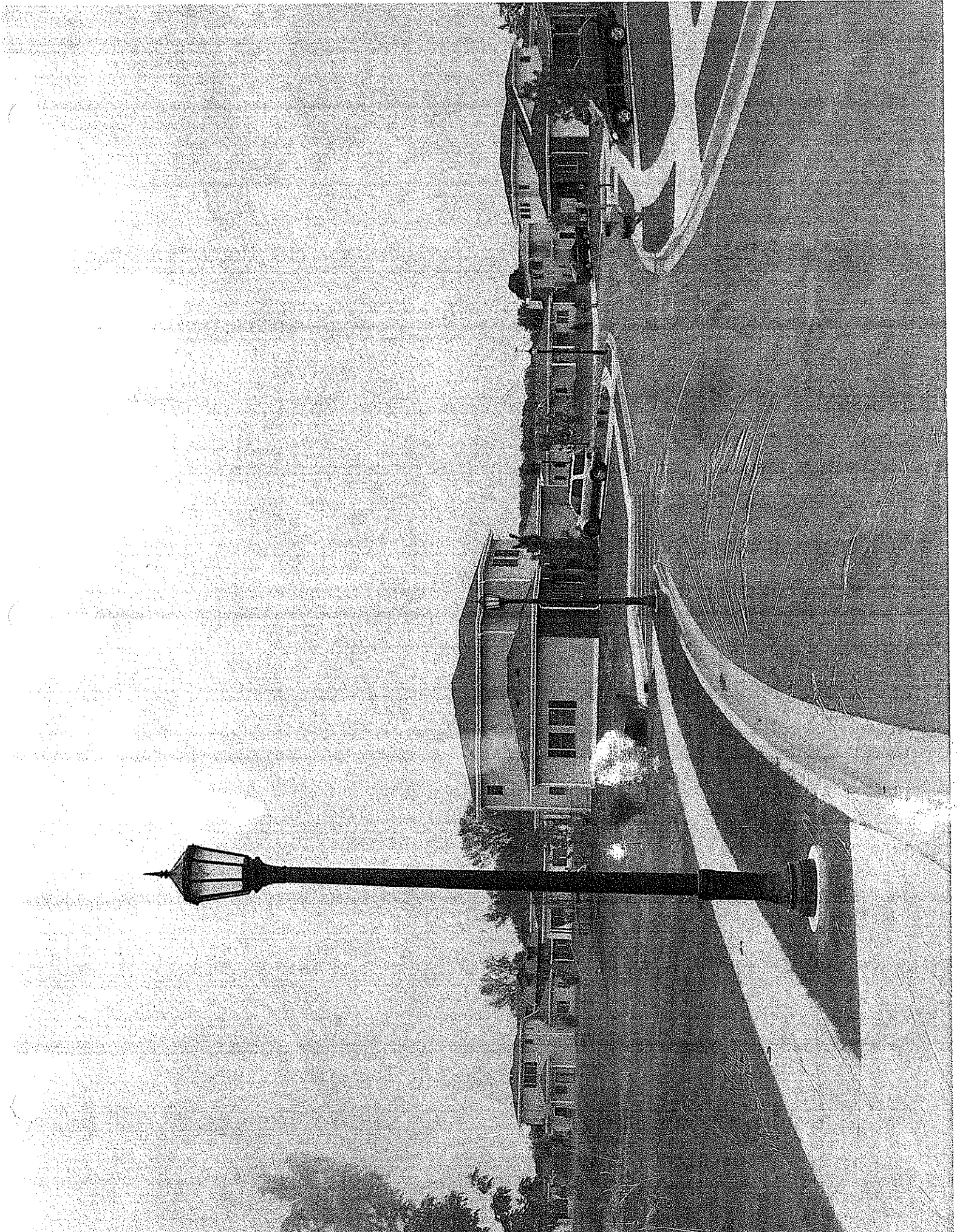
**NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
411 RING ROAD
ELIZABETHTOWN, KY 42701-6767**

TARIFF FILING

FOR

SCHEDULE 6 - STREET LIGHTING

JULY 23, 2007



NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

411 RING ROAD

ELIZABETHTOWN, KY 42701-6767

TARIFF FILING: SCHEDULE 6 – STREET LIGHTING

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EXHIBIT A

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

NEW TARIFF SHEET

FOR

SCHEDULE 6 - STREET LIGHTING

FOR ENTIRE SERVICE AREA

Nolin RECC
411 Ring Road
Elizabethtown, KY 42701-6767

PSC KY NO. 10
10th Revision Sheet No. 31

CANCELING PSC KY NO. 10
9th Revision Sheet No. 31

CLASSIFICATION OF SERVICE

SCHEDULE 6 - STREET LIGHTING (Cont'd.)

RATE:

Mercury Vapor (M.V.) or High Pressure Sodium (H.P.S.), Series or Multiple

STANDARD OVERHEAD (WOOD POLE):

| | <u>Watts/Light</u> | | |
|------------------------------|--------------------|---------------------------|-----|
| 8,500 M.V. initial lumens | 175 | \$3.83 per light per mth | (I) |
| 23,000 M.V. initial lumens | 400 | \$11.15 per light per mth | (I) |
| 9,500 H.P.S. initial lumens | 100 | \$6.05 per light per mth | (I) |
| 27,500 H.P.S. initial lumens | 250 | \$9.09 per light per mth | (I) |
| 50,000 H.P.S. initial lumens | 400 | \$11.84 per light per mth | (I) |

ORNAMENTAL SERVICE OVERHEAD (Aluminum Poles)

| | <u>Watts/Light</u> | | |
|------------------------------|--------------------|---------------------------|-----|
| 8,500 M.V. initial lumens | 175 | \$4.93 per light per mth | (I) |
| 23,000 M.V. initial lumens | 400 | \$12.32 per light per mth | (I) |
| 9,500 H.P.S. initial lumens | 100 | \$13.91 per light per mth | (I) |
| 27,500 H.P.S. initial lumens | 250 | \$16.38 per light per mth | (I) |
| 50,000 H.P.S. initial lumens | 400 | \$18.63 per light per mth | (I) |

ORNAMENTAL SERVICE UNDERGROUND (Fiberglass Poles)

| | <u>Watts/Light</u> | | |
|---|--------------------|---------------------------|-----|
| 50,000 H.P.S. initial lumens | 400 | \$21.75 per light per mth | (I) |
| 15,500 H.P.S. initial lumens Special Colonial with 20' fluted pole | 150 | \$29.96 per light per mth | (N) |

FUEL ADJUSTMENT CLAUSE: The above rate may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

| | | | |
|---------------|--------------------------|-----------------|---|
| DATE OF ISSUE | August 22, 2007 | DATE EFFECTIVE | September 22, 2007 |
| ISSUED BY | <i>Michael L. Miller</i> | President & CEO | 411 Ring Road Elizabethtown, KY 42701-6767 |
| | NAME | TITLE | ADDRESS |

Issued by authority of an Order of the Public Service Commission of Kentucky in
Case No. _____ Dated _____

EXHIBIT B

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

TESTIMONY

OF

JAMES R. ADKINS

**DIRECT TESTIMONY
OF
JAMES R. ADKINS**

1. Q. State your name, your employer and your business address?

A. My name is James R. Adkins and I am self employed providing consulting services to small utilities primarily electric cooperatives. My business address is 1041 Chasewood Way, Lexington, KY 40513-1731.

2. Q. How long have you been self employed?

A. I have been self employed since 2003. I was employed by the Prime Group from the first quarter of 2002 through the first quarter of 2003. Previously I was employed by East Kentucky Power Cooperative ("EKPC") for almost 25 years. My experience at EKPC and with the Prime Group dealt with rates pricing, cost of service studies, financial modeling, cost analysis and various assignments. My last position at EKPC was Pricing Manager and I held that position for over 20 years.

3. Q. Have you ever appeared as a witness before this Commission?

A. I have appeared as a witness many times before this Commission for EKPC and for electric distribution cooperatives in rate applications for revenue requirements, cost of service studies and rate design, in fuel adjustment clause hearings, and in administrative cases.

4. Q. What is your educational background?

A. I have received two degrees from the University of Kentucky. I received a Bachelors Degree in Commerce in 1971 with a major in Banking and Finance and a Masters Degree in Accounting in 1976.

5. Q. What is the purpose of your testimony?

A. The purpose of my testimony is to provide the basis and description of the rate that Nolin Rural Electric Cooperative Corporation ("Nolin") is proposing in this filing. Nolin is filing one new tariff listing applicable to street lighting. The purpose of this tariff is to provide Nolin's consumers with an additional choice in lighting. This new tariff is identified in Schedule 6 – Street Lighting as Special Colonial with 20' fluted pole, 150 Watts/Light. The purpose of my testimony is to explain how this new tariff has been developed.

6. Q. Please explain the purpose of this tariff?

A. The primary purpose of this tariff is to expand the outdoor lighting potential for the consumers of Nolin Rural Electric Cooperative. Schedule 6 is the more normal type of tariff one sees for most utilities. It contains a rate for a Special Colonial light that is a new offering for Nolin's customers. The rate in this rate schedule provides for the recovery of fixed costs, operation and maintenance costs, administrative costs, and a return on the equity investment or margins.

7. Q. What is the process used to develop the rate in this tariff?

A. The process that has been used to develop this rate is the following one.

- The installed costs for the new light have been determined including the costs of material, labor, equipment and overhead.
- The annual revenue requirements based on a fixed charge rate have been developed. And,
- Purchased power costs for the light have been determined based on known and measurable elements.

8. Q. How was the installed cost for the light developed?

A. Nolin personnel developed the costs and labor estimates used to determine the installed cost for this light offering. They also determined the energy usage for this light.

9. Q. How was the annual cost for the light determined?

A. These annual costs can be split into two parts: 1) costs associated with the equipment, and 2) the cost of energy used the light. A fix charge rate was determined based on Nolin's Form 7 for 2006. The components of this fixed charge rate include a distribution operations and maintenance ("O & M") component, an Administrative and General ("A & G") component, a depreciation component, and a return component. The distribution O & M component and the A & G component have been developed using the actual expense for 2006 divided by the distribution investment at the end of the test year. The depreciation component is based on the actual depreciation rate that Nolin uses. The return is based on Nolin's capital structure at the end of 2006 excluding G & T Capital Credits. This return

on capital structure uses a margin amount equal to the actual interest on long term debt for 2006. The methodology provides a times interest earned ratio ("TIER") of 2.0x. It also assumes that the investment in this new light will be financed in proportions similar to Nolin's capital structure at the end of 2006 excluding Generation and Transmission Capital Credits ("GTCCs"). GTCCs have never been a source of capital for Nolin. Page 2 of Exhibit C provides the details associated with this fixed charge rate computation.

10. Q. How was the energy rate developed for this new light?

- A. The energy rate for this new light rate is based on the new wholesale rates that went into effect on April 1, 2007. It is also assumed that these lights will be on during the wholesale power provider's coincident peak during five months during a calendar year.

11. Q. What is the end result of this proposal?

- A. The end result for this filing will be a new light offering through the new tariff that Nolin is making available to its members. It will be up to the choice of the retail consumer if the light in this tariff is selected. This filing is just another way in which Nolin is placing service to its members as its first priority.

12. Q. Does this conclude your testimony?

- A. This concludes my testimony.

EXHIBIT C

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

**COST SUPPORT
FOR
RATE CONTAINED
IN
NEW TARIFF**

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

DEVELOPMENT OF INSTALLED COSTS FOR LIGHTS AND POLES

| | Fixture | Material Overhead | Arm | Trams former | Conductor | Bulb | Eye | Direct Labor+OH | Indirect Labor Cost | Vehicle | Installed Cost Per Lamp |
|-----------------------------------|---------|----------------------|-----|-----------------|-----------|------|------|--------------------|---------------------------|---------|-------------------------------|
| Decorative w/Fluted Pole 150W HPS | 1390 | 0.00 | | 0.00 | 7.50 | 0 | 0.00 | 193.13 | 0 | 0 | 1590.63 |

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

DEVELOPMENT OF FIXED CHARGE RATE

A. Development of a Fixed Charge Rate (Excludes Purchased Power Costs):

| | Expense | Fixed Rate |
|---|--|------------|
| 1 | Depreciation | 0.029400 |
| 2 | Distribution Operations & Maintenance | 0.079000 |
| 3 | Administrative & General | 0.035300 |
| 4 | Total Costs - Distribution | 0.143700 |
| 5 | Return | 0.064000 |
| 6 | Annual Revenue Requirements | 0.207700 |
| | Monthly Fixed Rate (Excludes purchased power costs) | 0.017308 |

B. Basis for Fixed Charge Rate Percentages:

1. Depreciation Rate is the actual rate for Accounts 371 as listed on RUS Form 7.

2. Distribution O & M rate is the actual distribution O & M expense divided by the year end investment in distribution plant as provided on RUS Form 7.

| Dist O&M | Dist Plant | Ratio |
|-------------|--------------|-------------|
| \$5,311,621 | \$67,208,055 | 0.079032506 |

3. Admin & General expenses are divided by the year end investment in distribution plant.

| A & G Exp | Dist Plant | Ratio |
|-------------|--------------|-------------|
| \$2,370,428 | \$67,208,055 | 0.035269999 |

Applicable Property taxes and insurance are included in O&M and A&G costs above.

4. Return is based Actual Debt and Interest for the Test Year and Return on Equity based on TIER of 2.00. (Margins equal Interest Costs).

| Capital Structure | | % |
|------------------------|---------------|---------|
| Debt | \$ 40,592,226 | 64.42% |
| Equity (Excludes GTCC) | 22,423,705 | 35.58% |
| | 63,015,931 | 100.00% |

Interest and Equity Computations

| | | |
|---|----|-----------|
| Interest on LTD Using Interest Costs for 2002 | \$ | 2,014,947 |
| Margins Would be Equal to Interest for 2.0 TIER | \$ | 2,014,947 |
| | \$ | 4,029,894 |

| Return on Capital | | Composite |
|-------------------|-------|-----------|
| Return on Debt | 4.96% | 3.20% |
| Return on Equity | 8.99% | 3.20% |
| | | 6.40% |

All Data : Nolin RECC 2006 RUS Form 7

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
DEVELOPMENT OF ENERGY COMPONENT OF LIGHTING RATES

| <u>Type of Lights</u> | <u>Demand</u> <u>kw</u> | <u>Monthly</u> <u>Energy Use</u> <u>Per kWh</u> | <u>Revenue</u> <u>Demand</u> | <u>Revenue</u> <u>Energy</u> | <u>Purchased</u> <u>Power Costs</u> <u>Per Lamp</u> | <u>Monthly</u> <u>Energy</u> <u>Costs</u> | <u>Energy</u> <u>Cost Per</u> <u>kWh</u> |
|------------------------------------|----------------------------|---|---------------------------------|---------------------------------|---|---|--|
| Decorative w/ Fluted Pole 150W HPS | 0.19 | 65 | 5.28 | 23.85 | 29.12 | 2.43 | 0.04486 |

It is assumed that the lighting contributes to the wholesale billing demand for five months during a year.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

DEVELOPMENT OF RATES FOR PROPOSED LIGHTS

| Type of Lights | Installed Cost | Annual Fixed Charge Rate | Annual Fixed Cost | Monthly Fixed Cost | Monthly Energy Cost | Monthly Rate Per Light |
|------------------------------------|----------------|--------------------------|-------------------|--------------------|---------------------|------------------------|
| Decorative w/ Fluted Pole 150W HPS | 1590.63 | 20.77% | 330.37 | 27.53 | 2.43 | 29.96 |

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

ANNUAL REVENUE, COSTS AND MARGINS FOR PROPOSED LIGHTS

| <u>Type of Lights</u> | Annual Revenue \$\$\$ | Purchased Power \$\$\$ | Deprec \$\$\$ | Distrib O&M \$\$\$ | Admin & General \$\$\$ | Interest Expense \$\$\$ | Total Costs \$\$\$ | Margins \$\$\$ |
|-----------------------------------|--------------------------|---------------------------|------------------|-----------------------|---------------------------|----------------------------|-----------------------|-------------------|
| Decorative w/Fluted Pole 150W HPS | 359.50 | 29.12 | 46.76 | 125.66 | 56.15 | 50.90 | 308.59 | 50.90 |

EXHIBIT D

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD RESOLUTION

APPROVAL OF

NEW TARIFF

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

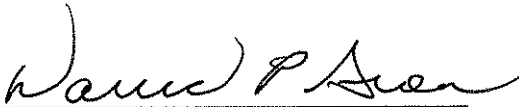
“A RESOLUTION OF THE BOARD OF DIRECTORS OF NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION AUTHORIZING AND DIRECTING ITS PRESIDENT & CEO TO FILE WITH THE KENTUCKY PUBLIC SERVICE COMMISSION FOR AN ADDITIONAL TARIFF LIGHT FILING FOR SCHEDULE 6 – STREET LIGHTING”

WHEREAS, to provide its members with a choice of lighting options, it is the opinion of the Board of Directors of Nolin Rural Electric Cooperative Corporation, that an additional lighting rate is necessary; and

WHEREAS, the Board of Directors of Nolin Rural Electric Cooperative Corporation hereby authorizes and directs its President & CEO, Michael L. Miller, to file with the Kentucky Public Service Commission for an additional street light offering;

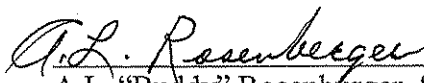
BE IT THEREFORE RESOLVED that this resolution was properly authorized and adopted on behalf of Nolin Rural Electric Cooperative Corporation by the Board of Directors during the regular monthly Board of Directors meeting held August 9, 2007.

Corporate Seal



David P. Brown, Chair

ATTEST:



A.L. "Buddy" Rosenburger, Sec./Treas.