

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NOLIN RURAL	)	
ELECTRIC COOPERATIVE CORPORATION	)	CASE NO.
FOR A GENERAL RATE INCREASE	)	2016-00367

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

Nolin Rural Electric Cooperative Corporation ("Nolin"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 7, 2017. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Nolin shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Nolin fails or

refuses to furnish all or part of the requested information, Nolin shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, Nolin shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application, revised Exhibit B, page 8 of 8, and revised Exhibit C, page 8 of 8. Explain whether Nolin intends to update the section MINIMUM CHARGE to reflect the new “member cost of service” language.

2. Refer to the application, Exhibit H-1, the Direct Testimony of Michael L. Miller (“Miller Testimony”).

- a. Refer to page 2 of 5 wherein Mr. Miller states that the main reason behind Nolin’s request for an increase in rates is that Nolin did not meet its mortgage requirements with the National Rural Utilities Cooperative Finance Corporation (“CFC”) for the test year. Provide any documentation received from CFC that informs Nolin of its failure to meet CFC’s mortgage requirements.

- b. Refer to page 4 of 5 wherein Mr. Miller states that a total of five vacant positions have not been filled as a cost-saving measure. Refer also to Exhibit 1, page 10. Explain the relationship between the five employees referred to in the Miller Testimony and the employees referenced in Exhibit 1.

c. Refer to page 4 of 5 wherein Mr. Miller states that “two other vacated positions have not been filled.” Provide the employee numbers, job title, and termination dates of these positions.

3. Refer to the application, Exhibit H-2, the Direct Testimony of Sara Roberson, page 3 of 5.

a. Ms. Roberson states that Nolin’s growth has slowed over the last few years. Provide the annual sales and annual growth rates by class for the years 2010–2016.

b. Provide the calculation for the Modified Debt Service Coverage Ratio (“MDSC ratio”) for fiscal years 2014, 2015, and 2016, if available.

c. Explain why Nolin’s revenue increase is based on achieving a Times Interest Earned Ratio (“TIER”) of 2.00, as evidenced on Exhibit S of the Application, if the MDSC ratio is the basis for meeting Nolin’s mortgage requirement.

4. Refer to the application, Exhibit H-3, the Direct Testimony of James R. Adkins, page 3 of 7. Provide an explanation of what Mr. Adkins refers to as the “stated goal” for the residential rate class.

5. Refer to the application, revised Exhibit J, page 1 of 11, Exhibit S, page 1 of 4, and Exhibit 15, page 3 of 3. Reconcile the adjustments needed to remove Fuel Adjustment Clause and Environmental Surcharge revenues from test-year revenues. Provide any necessary corrections to any effected exhibits.

6. Refer to the application, Exhibit K.

a. Refer to page 4 of 7. Explain the increase in prepayments for the test year above historic levels.

b. Refer to page 5 of 7. Refer also to Exhibit S, page 1 of 4. Confirm that the actual test-year TIER excluding G&T capital credits is (.31).

c. Refer to page 7 of 7. Confirm that the amount of long-term debt for 2015 is \$93,838,720. Provide a corrected equity capitalization ratio excluding G&T capital credits for 2015.

7. Refer to the application, Exhibit R, the Cost of Service Study ("COSS").

a. Refer to pages 3–5 of 41. Refer also to Exhibit S, page 3 of 4. Confirm that Adjustment 12 Rate Case Expense in the amount of \$25,000, in Exhibit S is included in the column labeled Adjustments 9, 10, and 11 of the COSS, not in the column labeled Adjustment 12.

b. Refer to page 17 of 41. Explain why the total for the following accounts do not reconcile with the account balances listed in Exhibit Y of the application.

- (1) Account 364, Poles and Towers.
- (2) Account 365, O\H Conductor.
- (3) Account 366, UG Conductor
- (4) Account 368, Transformers.
- (5) Account 369, Services.
- (6) Account 371, Install on Cust Premises.
- (7) Account 373, Street Lighting.

c. Refer to page 17–18 of 41. Explain where the \$618,365 for Account 373, Street Lighting is allocated. Provide an updated COSS if necessary.

d. Refer to page 18 of 41.

(1) Total Utility Plant in Service is listed as \$112,378,322. In Exhibit Q, page 23, the CFC Form 7 for April 2016, Total Utility Plant in Service is listed as \$112,032,580. Reconcile this difference.

(2) Construction Work in Progress ("CWIP") is listed as \$1,392,713. In Exhibit Q, page 23, the CFC Form 7 for April 2016, CWIP for this year is listed at \$1,738,456. Reconcile this difference.

(3) Provide the source of the \$2,003,885 for Cash Working Capital.

e. Refer to page 19 of 41. For the following accounts, explain why the percentage allocation used for the demand and consumer allocations for Lines is the Percentage Allocation for OH Lines and not the Percentage Allocation for Line.

(1) Account 590, Supervision

(2) Account 598, Misc. Distribution Plant.

f. Refer to page 21 of 41. For the following accounts, explain why the percentage allocation used for the demand and consumer allocations for Lines is the Percentage Allocation for OH and not the Percentage Allocation for Lines.

(1) Account 920, Administrative Salaries.

(2) Account 921, Office Supplies.

(3) Account 923, Outside Services.

(4) Account 926, Retirement & Security – Employers.

(5) Account 928, Regulatory Expense.

(6) Account 929, Duplicate Charges.

(7) Account 930.2, Misc. General Exp-Other.

- (8) Account 930.21, Director Fees.
- (9) Account 930.23, Dues.
- (10) Account 935, General Plant Maintenance.

g. Refer to pages 28–30 of 41. Provide and explain the allocation applied to Transformers.

h. Refer to page 31 of 41. Confirm that the reference to “rate classes LP1 and LP2” should be Rate 10 and Rate 11.

i. Refer to pages 34–35 of 41. Explain how the number of consumers for Schedule 5 – Security Lights and Schedule 6 – Street Lighting was determined for each of the following sections:

- (1) A. Lines (poles and conduit)
- (2) B. Transformers
- (3) C. Services
- (4) D. Meters

j. Refer to page 36 of 41. Explain how factors and weights were determined for the following:

- (1) Meter Reading
- (2) Consumer Records
- (3) Consumer Assistance

k. Refer to pages 37–38 of 41. The Return on Rate Base percentages for each rate class is calculated by dividing the sum of each class’s Net Margin and Interest Expense by the Total Rate Base. On pages 40 and 41 of the COSS, the return on Rate Base percentages for each rate class is calculated by

dividing the sum of each class's Net Margin and Interest Expense by the each class's Rate Base. Explain why the calculations differ.

8. Refer to the application, Exhibit S, page 1 of 4. Confirm that the TIER excluding G&T capital credits of 1.99 is correct. If confirmed, provide the calculation that results in a TIER of 1.99.

9. Refer to the application, Exhibit T. Provide a corrected exhibit.

10. Refer to the application, Exhibit V, page 1 of 3. Explain the change in "Non-operating margins, other: from \$(6,692,538) in 2015 to \$103,031 in 2016.

11. Refer to the application, Exhibit X.

a. Account 586, Meter decreased by \$930,423, from \$384,494 to (\$545,928), from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude and a description of the transactions charged to this account.

b. Account 586.10, Meter Expense-Testing increased by \$118,833, from \$29,191 to \$148,024, from the prior year to the test period. Provide a detailed explanation for why this account increased by this magnitude.

c. Account 586.40, Meter Expense-Testing Pwr Mtr increased by \$48,634, from \$10,703 to \$59,337, from the prior year to the test period. Provide a detailed explanation for why this account increased by this magnitude and a description of the transactions charged to this account.

d. Account 586.50, Changing Meters-Test increased by \$223,809, from \$147,876 to \$371,685, from the prior year to the test period. Provide a detailed

explanation for why this account increased by this magnitude and a description of the transactions charged to this account.

e. Account 593.00, Maint of overhead line decreased by \$409,426, from \$2,941,437 to \$2,532,011, from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude.

f. Account 595.00, Transformer Maint increased by \$47,782, from (\$8,795) to \$38,987, from the prior year to the test period. Provide a detailed explanation for why this account increased by this magnitude and a description of the transactions charged to this account.

g. Account 596.00, Installation Maint increased by \$77,772, from \$38,278 to \$116,050, from the prior year to the test period. Provide a detailed explanation for why this account increased by this magnitude and a description of the transactions charged to this account.

h. Account 598.00, Miscellaneous distribution increased by \$287,100, from \$66,020 to \$353,119, from the prior year to the test period. Provide a detailed explanation for why this account increased by this magnitude and a description of the transactions charged to this account.

i. Account 908.00, Consumer Assistance decreased by \$58,384, from \$76,454 to \$18,070, from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude.

j. Account 908.53, Customer Serv Exp-Marketing decreased by \$171,441, from \$240,220 to \$68,778, from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude.



k. Account 920.00, Administrative Salaries increased by \$118,195, from \$1,660,258 to \$1,778,453, from the prior year to the test period. Provide a detailed explanation for why this account increased by this magnitude.

l. Account 929.00, Duplicate Charge decreased by \$43,912, from (\$25,022) to (\$68,933), from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude.

m. Account 01.932.00, Maint of General Plant decreased by \$183,368, from \$547,385 to \$364,018, from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude.

n. Account 426.50, Other deductions decreased by \$6,815,456, from \$6,819,244 to \$3,788, from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude.

12. Refer to the application, Exhibit Z, page 1 of 2. The total capitalization for 2009 and 2010 do not sum to 100 percent. Provide a corrected exhibit.

13. Refer to the application, Exhibit 1.

a. Refer to page 1. Given Nolin's difficulty in meeting its mortgage requirement due in part to increasing costs, provide the justification for each annual wage and salary increase.

b. Refer to page 4. The wage rates used to calculate total normalized wages are listed as "Wage Rate 11/1/2015." Refer also to page 7, wherein the "Date of last Increase" is given as "11/15/15." Explain whether the wage rates as of November 15, 2015, were used to calculate the normalized wages. If not, explain why.

c. Refer to pages 4–6 and 7–9. Explain the difference between the wage rates listed on the two schedules for employee numbers 235, 141, 167, 198, 229, 238, 248, 253, 254, 258, 260, 261, 262, 268, 274, 277, 289, 290, 295, 297, 301, 302, 303, and 304.

d. Refer to pages 7–9. Explain why the percentage increase for each employee differs from the 3.25 percentage increase approved by the Board of Directors for 2015.

e. Refer to the application, Exhibit 1, pages 4–6. Provide a detailed explanation of the amounts shown in the columns labelled Dispatch and Vacation Payout, and why these amounts should be included for ratemaking purposes.

14. Refer to the application, Exhibit 2. Provide supporting calculations for the factors used to allocate adjustments between Fort Knox and Nolin.

15. Refer to the application, paragraph 24, and Exhibit 3. Explain why Nolin did not conduct a depreciation study in conjunction with the filing of this case, or otherwise in the interim since Nolin's last rate case.

16. Refer to the application, Exhibit 1, Payroll Expense. Using the attached spreadsheets as an example, provide this response in the Excel Workbook provided with all columns and rows unprotected and accessible. Include the following actual full year salary and benefit information for each employee, identified by employee number and job title, for calendar years 2011 through 2016 (in gross dollars – not hourly or monthly rates), and the test year ended April 2016.

- a. Regular salary or pay.
- b. Overtime pay.

- c. Vacation pay.
- d. Standby / Dispatch pay.
- e. Bonus pay.
- f. Any other amounts paid and reported on Employees' W-2 Year

End Statement of Wages (specify).

- g. Healthcare Benefit cost for each employee:
  - (1) Amount paid by Nolin;
  - (2) Amount paid by each individual employee.
- h. Dental Benefits cost for each employee:
  - (1) Amount paid by Nolin;
  - (2) Amount paid by each individual employee.
- i. Vision Benefits cost for each employee:
  - (1) Amount paid by Nolin;
  - (2) Amount paid by each individual employee.
- j. Life Insurance cost for each employee:
  - (1) Amount paid by Nolin;
  - (2) Amount paid by each individual employee.
- k. Accidental Death and Disability Benefits for each employee:
  - (1) Amount paid by Nolin;
  - (2) Amount paid by each individual employee.
- l. Defined Contribution 401(K) or similar Plan cost for each employee:
  - (1) Amount paid by Nolin;
  - (2) Amount paid by each individual employee.

- m. Defined Benefit Retirement cost for each employee:
  - (1) Amount paid by Nolin;
  - (2) Amount paid by each individual employee.
- n. Cost of any other benefit available to an employee (specify).

17. Refer to the application, Exhibit 1. Provide a detailed explanation of the eligibility and qualification basis for vacation payouts. For the test year, provide the length of time it took for each employee to accumulate the number of hours/amounts that were paid.

18. Refer to the application, Exhibit 7.

a. Refer to page 1 wherein "costs for attending legal seminars" is listed as expenses that are excluded for ratemaking-purposes, and page 6, lines 106–108, wherein \$1,990.57 is described as "Legal Seminar Meals," "Legal Seminar Mileage," and "Legal Seminar Per Diem." Explain whether the \$1,990.57 should be excluded for ratemaking purposes. If not, explain why.

b. Refer to page 11, lines 228 and 229. Explain where the original incorrect entries are included in this exhibit. If the incorrect entries are not included, explain why these correcting items should be included.

c. Page 4 shows nine payments to Envision Energy Services, LLC that total \$25,130.50. Fully explain the nature of these expenditures and why Nolin believes this to be a normal recurring expense.

d. Pages 4 and 5 show several payments to GDS Associates, Inc. that total \$116,330.89. Fully explain the nature of those expenditures not already removed for ratemaking purposes and why Nolin believes this to be a normal recurring expense.

e. Page 6 shows a payment to Intandem, LLC for \$16,925.99. Fully explain the nature of this expenditure and why Nolin believes this to be a normal recurring expense.

19. Refer to the application, Exhibit 8.

a. Identify Nolin's designated NRECA representative.

b. Pages 2 through 21 show payments of \$350 to all directors for attending the annual meeting. Explain why Nolin believes this expense should be included for ratemaking purposes.

c. Pages 2 through 21 show two payments of \$350 each to all directors to attend two special board meetings. Provide a complete description of the reasons for these two board meetings, and explain why Nolin believes this expense should be included for ratemaking purposes.

d. Pages 2 through 21 show payments that total \$100.99 to each director for NRECA Group Life & LTD, Wayne Corp-employee assistance and NRECA Re Magazine. Provide a complete description of the nature of these expenses, and explain why Nolin believes this expense should be included for ratemaking purposes.

e. Pages 2 through 21 show payments for Meeting Fees that total \$2,855.32 to various directors. For each meeting fee payment listed, provide a complete description of these expenditures, and explain why Nolin believes this expense should be included for ratemaking purposes.

f. Pages 2 through 21 show payments for meals to each director that are identified as Sam's Club-Meals, RCCU-Meals and Back Home Vending-Meals.

Provide a detailed explanation for these expenditures for each meal source, and explain why Nolin believes this expense should be included for ratemaking purposes.

g. Pages 5 and 8 show expenses incurred by Linda Grimes for CFC Forum hotel, mileage, and meals that total \$780.02. Provide a detailed explanation of the nature of this expense, including dates and location. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered at the event and how it benefits Nolin's customers.

h. Page 7 shows expenses incurred by Linda Grimes for hotel, food, and transportation related to a NRECA director seminar that total \$1,672.50. Provide a detailed explanation of the nature of this expense, including dates and location of the seminar, and provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered at the seminar and how it benefits Nolin's customers.

i. Page 7 shows expenses incurred by Linda Grimes for legislative conference mileage in the amount of \$27.00, and RCCU-NRECA annual meeting meals in the amount of \$61.86. Provide a detailed explanation of the nature of these expenses, and explain why Nolin believes these expenses should be included for ratemaking purposes.

j. Page 20 shows expenses for meals and mileage incurred by Raymond Thomas for director training that total \$226.49. Provide a detailed explanation of the nature of this expense, including dates and location of the training, and provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered and how it benefits Nolin's customers.

k. Page 20 shows an expense of \$133.94 for meals incurred by Raymond Thomas for an RCCU-NRECA director seminar. Provide a detailed explanation of the nature of this expense, including dates and location of the seminar, and provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered and how it benefits Nolin's customers.

l. Page 21 shows expenses for hotel, meals, parking, and transportation incurred by Raymond Thomas for an NRECA director seminar that total \$1,760.50. Provide a detailed explanation of the nature of this expense, including dates and location of the seminar, and provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered and how it benefits Nolin's customers.

m. Explain the references to RCCU.

20. Refer to the application, Exhibit 13. Provide a complete description of the arrangement that Nolin has with the Ft. Knox installation regarding the operation of Ft. Knox's distribution system and any other services provided, including how the financial transactions are recorded on Nolin's books.

21. Refer to the Application, Exhibit 20, Equity Management Plan.

a. Explain why no capital credits were paid for the years 2010, 2011, 2012, 2014, and 2015.

b. Provide the years retired for capital credit were payments made in 2013.



c. Has Nolin paid or attempted to pay capital credits for which the members could not be located? If so, explain Nolin's procedure as it relates to efforts to locate the member, and how the funds are accounted for on Nolin's books.

d. Provide the amount of paid capital credits that have not been claimed, with a schedule showing the amounts paid by year, and the year that the capital credit was retiring.

22. Refer to the application, Exhibit 21.

a. Explain whether Nolin allocates all employees benefits that are offered to employees. If not, identify the benefit and test-year cost.

b. Provide documentation of all employee-benefit programs that are available to Nolin employees. Include monthly premiums incurred for the coverages and plans provided, and the amount of the company and employee contributions.

23. Refer to Nolin's response to Staff's Initial Request for Information ("Staff's First Request"), Item 17.c.

a. Identify any rate classes that did not need an increase in revenue, but whose demand charge is less than the wholesale power supplier's demand charge for that customer class.

b. For any rate class identified in part a., explain why Nolin believes it is acceptable for that rate class to pay a demand charge that is less than Nolin's cost.

24. Refer to Nolin's response to Staff's First Request, Item 18.b. Nolin responds that total kilowatt hour sales ("kWh") are 746,846,304. Refer also to the application, Exhibit J, page 1, which lists total kWh sales as 747,082,104. Reconcile this difference.



25. Refer to Nolin's response to Staff's First Request, Item 19. Provide the purchased power costs for the 12-month period immediately preceding the test year, by vendor, separated into demand and energy components. Include kilowatt and kWh purchased. Indicate any estimates used and explain their use in detail.

26. Refer to the response to Staff's First Request, Item 48.

a. Of the DSM programs offered by Nolin, identify those programs that were proposed by Nolin, and those that were proposed by East Kentucky Power Corporation ("EKPC").

b. Explain whether Nolin plans to increase its DSM offerings in the future independent of EKPC's DSM programs.

c. For each DSM program noted in Nolin's response, describe the level of customer interest in each program. Provide the number of customers that are actually participating or have indicated a desire to participate by program

d. Provide the 2016 budgeted or estimated total costs of Nolin's DSM programs.

27. Refer to Nolin's response to Staff's First Request, Item 55. Explain whether Warren RECC is the only entity to which Nolin compares its salaries, wages, and benefits.

28. Refer to Nolin's response to Staff's First Request, Item 56. Provide an electronic copy of all exhibits and schedules that are included in Nolin's rate application in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible. If there are any changes to these exhibits based on this request of information, include these updates.

29. Explain why Nolin did not provide testimony for its filed COSS.
30. Provide a table illustrating each rate class's current customer charge, proposed customer charge, and the consumer cost results from the COSS. The results from the COSS should reflect any revisions resulting from this request for information.
31. Provide a table illustrating each rate class's percentage return on rate base at current and proposed rates.
32. Provide a table illustrating each rate class's contribution to TIER and OTIER at current and proposed rates.
33. Provide Nolin's current nepotism policy and indicate when it was most recently updated.
34. Discuss any impact of the April 2015 Settlement Agreement and Non-Prosecution Agreement reached with the United States Department of Justice on Nolin's TIER, MDSC ratio, and decision to file a rate case.
35. Provide copies of all Nolin's pension plans, including but not limited to, defined benefit, defined contribution 401(k), and post-employment retirement.



Talina R. Mathews  
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DATED     **JAN 24 2017**    

cc: Parties of Record

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