



Rural Electric Cooperative Corporation

A Touchstone Energy® Cooperative 

November 3, 2016

MS TALINA MATTHEWS
EXECUTIVE DIRECTOR
PUBLIC SERVICE COMMISSION
PO BOX 615
FRANKFORT KY 40602

RECEIVED

NOV - 7 2016

Public Service
Commission

RE: PSC CASE NO. 2016-00335

Dear Ms. Matthews:

Please find enclosed an original and eight (8) copies of the responses of Nolin RECC as requested in the above referenced case dated October 12, 2016.

Sincerely,

A handwritten signature in cursive script that reads "Michael L. Miller".

Michael L. Miller
President & CEO

afc

Enclosures

Commonwealth of Kentucky
Before the Public Service Commission
Case No. 2016-00335

VERIFICATION

I verify, state and affirm that the testimony filed with this verification and for which I am listed as a witness is true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.

Mechonda O'Brien

Mechonda O'Brien, Regulatory Accounting Manager

State of Kentucky

County of Hardin

The foregoing was signed, acknowledged and sworn to before me by Mechonda O'Brien, this 1st day of November, 2016.

Allison F. Coffey
Notary Public

My Commission Expires:

August 29, 2020

Q. In its October 12, 2016 Order the Commission directed that each Member Cooperative file prepared testimony explaining: a) whether it has considered being billed a direct amount for environmental costs based on its monthly purchased power costs or, otherwise, why it has not been considered; b) whether a direct charge for environmental costs would lessen or eliminate the over-/under-recovery amounts that occur from being billed amounts calculated from an environmental surcharge factor; and c) whether being billed a direct amount for environmental costs would cause the environmental surcharge billings to its member customers to be less volatile and result in more timely recovery of environmental costs. Would you address the first question concerning billing the environmental costs as a direct amount?

A. Nolin Rural Electric Cooperative has never considered being billed its environmental costs as a direct amount based on its monthly purchased power costs and has not discussed this concept with EKPC. As to why this approach has never been considered, Nolin Rural Electric Cooperative believed that the language of the environmental surcharge statute and the history of the environmental surcharge would not support such an approach. As stated in the direct testimony of Isaac S. Scott on behalf of EKPC, the environmental surcharge statute specifically mentions the approval of a “rate surcharge”. Nolin Rural Electric Cooperative also notes that the environmental surcharge statute was modeled after the Commission’s fuel adjustment clause (“FAC”) regulation.¹ The FAC utilizes a rate mechanism rather than the direct billing of any differences between the actual fuel costs incurred for a period and the level of fuel costs incorporated into base rates. Finally, Nolin

¹ See *In the Matter of an Examination by the Public Service Commission of the Environmental Surcharge Mechanism of East Kentucky Power Cooperative, Inc. for the Six-Month Period Ending December 31, 2013 and the Pass-Through Mechanism for Its Sixteen Member Distribution Cooperatives*, Order at 8, footnote 16, Case No. 2014-00051, (Ky. P.S.C., Aug. 25, 2015).

Rural Electric Cooperative was further aware that all of the environmental surcharges proposed and approved by the Commission utilized rate mechanisms rather than a direct billing approach.

Q. Would you address the second question concerning whether a direct charge for environmental costs would lessen or eliminate the over-/under-recovery amounts that occur from being billed amounts calculated from an environmental surcharge factor?

A. Yes. EKPC's surcharge factor is calculated by dividing the monthly environmental costs incurred by EKPC by the 12-month average Member Cooperatives' revenues. Since the 12-month average Member Cooperatives' revenues used to calculate the surcharge factor will not match the Member Cooperatives' revenues for the specific invoice billing period the surcharge factor is applied to, an over- or under-recovery will exist. As Nolin Rural Electric Cooperative understands the suggestion of billing a direct amount for environmental costs based on the monthly purchased power costs, it would appear that approach would eliminate the over-/under-recovery as currently experienced.

However, Nolin Rural Electric Cooperative would note that its monthly power bills from EKPC fluctuate month to month, often significantly, due to load characteristics and customer mix. Assigning environmental costs to the Member Cooperatives based on monthly power bills which fluctuate significantly would result in bill volatility. Nolin Rural Electric Cooperative along with the other Member Cooperatives have had and continue to have serious concerns about bill volatility. Bill volatility can have significant impacts on the Member Cooperatives' monthly margins and in turn the financial measures such as the Times Interest Earned Ratio ("TIER"). While over time Nolin Rural Electric Cooperative would recover the EKPC-billed environmental costs from its members, timing

lags especially at the end of the fiscal year could distort annual margins and TIER. To address the bill volatility, Nolin Rural Electric Cooperative and the other Member Cooperatives would seek some modification to the direct bill approach to lessen the volatility. Modifications, like using average monthly power bills as the basis for the assignment of the environmental costs, would result in a new form of over-/under-recovery.

Q. Would you address the third question concerning whether being billed a direct amount for environmental costs would cause the environmental surcharge billings to the Member Cooperatives' member customer to be less volatile and result in more timely recovery of environmental costs?

A. Yes. As noted previously, Nolin Rural Electric Cooperative's monthly power bills from EKPC fluctuate, sometimes by significant amounts. Each of the Member Cooperatives experience this fluctuation. Assigning EKPC's environmental costs based on the Member Cooperatives' monthly power bills would likely result in fluctuations in the amount of environmental costs assigned to any one Member Cooperative, which would then have to be recovered from the member customers. Thus, Nolin Rural Electric Cooperative believes that rather than lessen volatility, this approach would simply replace the volatility that comes with the surcharge factor approach with volatility resulting from assigning environmental costs recovery on fluctuating monthly power bills.

The utilization of a direct Nolin Rural Electric Cooperative's billing approach would not result in more timely recovery of environmental costs from Nolin Rural Electric Cooperative's member customers. Once Nolin Rural Electric Cooperative was billed a particular month's environmental costs, it would in turn bill its member customers the

appropriate share of those costs in conjunction with the appropriate billing cycle. This process would be no different than the current arrangement.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2016-00335
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST

Request 2.

This question is addressed to EKPC and the Member Cooperatives. For each of the 16 member distribution cooperatives, prepare a summary schedule showing the Member Cooperative's pass-through revenue requirement for the months corresponding with the six-month review. Include a calculation of any additional over or under recovery amount the distribution cooperative believes needs to be recognized for the six-month review. Provide the *schedule and all supporting calculations and documents* in Excel spreadsheet format with formats intact and unprotected.

Response:

Please see EKPC's response to the Commission Staff's first data request dated October 12, 2016.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2016-00335
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST

Request 7.

This question is addressed to each of the 16 member distribution cooperatives. For your particular member cooperative, provide the actual average residential customer's monthly usage for the 12 months ended May 31, 2016. Based on this usage amount, provide the dollar impact any over-or under-recovery will have on the average residential customer's monthly bill for the requested recovery period.

Response:

Please see EKPC's response to Request No. 2 of the Commission Staff's First Request for Information dated October 12, 2016 for the calculation of the review period's over-or under- recovery. The impact on the average residential customer's monthly bill has been determined using the methodology used in previous surcharge reviews.

Actual Average Residential Bill:

| | | |
|---|--|-----------|
| <u>12-Month Average Residential KWH usage as of May 31, 2016</u> | | 1,167 |
| Energy @ 0.08598 | | \$ 100.37 |
| Customer Charge | | \$ 9.04 |
| Fuel Adjustment @ (\$0.007550) | | \$ (8.81) |
| Environmental Surcharge @ 13.64% | | \$ 13.72 |
| Total | | \$ 114.31 |

Recovery Period of Six Months

| | | |
|---|--|-----------|
| <u>12-Month Average Residential KWH usage as of May 31, 2016</u> | | |
| Energy @ 0.08598 | | \$ 100.37 |
| Customer Charge | | \$ 9.04 |
| Fuel Adjustment @ (\$0.007550) | | \$ (8.81) |
| Environmental Surcharge @ 13.68% | | \$ 13.76 |
| Total | | \$ 114.35 |
| Dollar Impact on Average Residential Bill | | \$ 0.04 |

Nolin Rural Electric Cooperative Corporation
PSC Case No. 2016-00335

| <u>MONTH</u> | <u>YEAR</u> | <u>CONSUMERS</u> | <u>KWH SOLD</u> |
|---------------|-------------|------------------|-------------------|
| June | 2015 | 32,705 | 38,966,408 |
| July | 2015 | 32,757 | 42,546,060 |
| August | 2015 | 32,763 | 39,815,473 |
| September | 2015 | 32,733 | 31,737,679 |
| October | 2015 | 32,840 | 29,105,389 |
| November | 2015 | 32,784 | 35,599,113 |
| December | 2015 | 32,734 | 42,713,010 |
| January | 2016 | 32,868 | 59,422,576 |
| February | 2016 | 32,987 | 45,330,659 |
| March | 2016 | 32,862 | 33,557,411 |
| April | 2016 | 32,901 | 29,310,305 |
| May | 2016 | <u>32,977</u> | <u>31,713,479</u> |
| Totals | | 393,911 | 459,817,562 |
| Averages | | 32,826 | 38,318,130 |
| Average Usage | | | 1,167 |

**East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
Pass Through Mechanism Report for Nolin RECC**

For the Month Ending July 2016

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) | |
|--------------------------------|-------------|-------------|---------------------|---|----------------------------|---------------------------------|--|---------------------------|---------------------------------------|-------------------------------|-------------------------------------|-----------------------------------|-----------------------------------|---|-------------------------------------|--|
| Surcharge Factor Expense Month | EKPC CESF % | EKPC BESF % | EKPC MESF % | EKPC Monthly Revenues from Sales to Nolin | On-peak Revenue Adjustment | EKPC Net Monthly Sales to Nolin | EKPC 12-months Ended Average Monthly Revenue from Sales to Nolin | Nolin Revenue Requirement | Amortization of (Over)/Under Recovery | Nolin Net Revenue Requirement | Nolin Total Monthly Retail Revenues | On-Peak Retail Revenue Adjustment | Nolin Net Monthly Retail Revenues | 12-months ended Avg. Retail Revenues, Net | Nolin Pass Through Mechanism Factor | |
| | | | Col. (1) - Col. (2) | | | Col. (4) - Col. (5) | | Col. (3) x Col. (7) | | Col. (8) + Col. (9) | | | Col. (11) - Col. (12) | | Col. (10) / Col. (14) | |
| Oct-14 | 15.57% | 0.00% | 15.57% | \$ 3,261,026 | | \$ 3,261,026 | \$ 4,305,768 | \$ 670,408 | \$ - | \$ 670,408 | \$ 4,685,480 | | \$ 4,685,480 | \$ 5,650,850 | 11.89% | |
| Nov-14 | 16.95% | 0.00% | 16.95% | \$ 4,245,684 | | \$ 4,245,684 | \$ 4,326,177 | \$ 733,287 | \$ - | \$ 733,287 | \$ 5,869,199 | | \$ 5,869,199 | \$ 5,686,767 | 12.98% | |
| Dec-14 | 13.88% | 0.00% | 13.88% | \$ 4,427,516 | | \$ 4,427,516 | \$ 4,294,938 | \$ 596,137 | \$ - | \$ 596,137 | \$ 6,243,813 | | \$ 6,243,813 | \$ 5,655,540 | 10.48% | |
| Jan-15 | 13.67% | 0.00% | 13.67% | \$ 5,233,089 | | \$ 5,233,089 | \$ 4,219,504 | \$ 576,806 | \$ - | \$ 576,806 | \$ 6,798,305 | | \$ 6,798,305 | \$ 5,542,142 | 10.20% | |
| Feb-15 | 11.49% | 0.00% | 11.49% | \$ 5,240,879 | | \$ 5,240,879 | \$ 4,224,645 | \$ 485,412 | \$ - | \$ 485,412 | \$ 6,932,693 | | \$ 6,932,693 | \$ 5,574,819 | 8.76% | |
| Mar-15 | 10.90% | 0.00% | 10.90% | \$ 4,210,329 | | \$ 4,210,329 | \$ 4,194,743 | \$ 457,227 | \$ - | \$ 457,227 | \$ 4,977,851 | | \$ 4,977,851 | \$ 5,529,316 | 8.20% | |
| Apr-15 | 14.44% | 0.00% | 14.44% | \$ 2,830,770 | | \$ 2,830,770 | \$ 4,143,202 | \$ 598,278 | \$ - | \$ 598,278 | \$ 4,104,985 | | \$ 4,104,985 | \$ 5,498,217 | 10.82% | |
| May-15 | 18.09% | 0.00% | 18.09% | \$ 3,027,301 | | \$ 3,027,301 | \$ 4,088,791 | \$ 739,662 | \$ - | \$ 739,662 | \$ 4,269,280 | | \$ 4,269,280 | \$ 5,448,396 | 13.45% | |
| Jun-15 | 18.44% | 0.00% | 18.44% | \$ 3,846,754 | | \$ 3,846,754 | \$ 4,063,290 | \$ 749,271 | \$ - | \$ 749,271 | \$ 4,833,547 | | \$ 4,833,547 | \$ 5,390,654 | 13.75% | |
| Jul-15 | 15.91% | 0.00% | 15.91% | \$ 4,192,404 | | \$ 4,192,404 | \$ 4,059,315 | \$ 645,837 | \$ - | \$ 645,837 | \$ 5,593,002 | | \$ 5,593,002 | \$ 5,402,524 | 11.98% | |
| Aug-15 | 16.25% | 0.00% | 16.25% | \$ 3,903,725 | | \$ 3,903,725 | \$ 4,018,650 | \$ 653,031 | \$ (82,842) | \$ 570,189 | \$ 5,354,786 | | \$ 5,354,786 | \$ 5,365,894 | 10.55% | |
| Sep-15 | 17.07% | 0.00% | 17.07% | \$ 3,574,886 | | \$ 3,574,886 | \$ 3,999,530 | \$ 682,720 | \$ (82,842) | \$ 599,878 | \$ 4,482,080 | | \$ 4,482,080 | \$ 5,345,418 | 11.18% | |
| Oct-15 | 18.51% | 0.00% | 18.51% | \$ 2,993,116 | | \$ 2,993,116 | \$ 3,977,204 | \$ 736,181 | \$ (82,842) | \$ 653,339 | \$ 4,231,250 | | \$ 4,231,250 | \$ 5,307,566 | 12.22% | |
| Nov-15 | 18.81% | 0.00% | 18.81% | \$ 3,449,363 | | \$ 3,449,363 | \$ 3,910,844 | \$ 735,630 | \$ (82,842) | \$ 652,788 | \$ 4,657,579 | | \$ 4,657,579 | \$ 5,206,598 | 12.30% | |
| Dec-15 | 18.40% | 0.00% | 18.40% | \$ 3,785,816 | | \$ 3,785,816 | \$ 3,857,369 | \$ 709,756 | \$ (82,842) | \$ 626,914 | \$ 5,293,216 | | \$ 5,293,216 | \$ 5,127,381 | 12.04% | |
| Jan-16 | 16.00% | 0.00% | 16.00% | \$ 4,963,972 | | \$ 4,963,972 | \$ 3,834,943 | \$ 613,591 | \$ (82,842) | \$ 530,749 | \$ 6,851,123 | | \$ 6,851,123 | \$ 5,131,783 | 10.35% | |
| Feb-16 | 10.92% | 0.00% | 10.92% | \$ 4,330,294 | | \$ 4,330,294 | \$ 3,759,061 | \$ 410,489 | \$ - | \$ 410,489 | \$ 5,491,866 | | \$ 5,491,866 | \$ 5,011,714 | 8.00% | |
| Mar-16 | 14.30% | 0.00% | 14.30% | \$ 3,385,894 | | \$ 3,385,894 | \$ 3,690,358 | \$ 527,721 | \$ (24,806) | \$ 502,915 | \$ 4,611,700 | | \$ 4,611,700 | \$ 4,981,201 | 10.03% | |
| Apr-16 | 17.59% | 0.00% | 17.59% | \$ 2,938,732 | | \$ 2,938,732 | \$ 3,699,355 | \$ 650,717 | \$ (24,806) | \$ 625,911 | \$ 4,022,544 | | \$ 4,022,544 | \$ 4,974,331 | 12.57% | |
| May-16 | 18.99% | 0.00% | 18.99% | \$ 3,079,506 | | \$ 3,079,506 | \$ 3,703,705 | \$ 703,334 | \$ (24,806) | \$ 678,528 | \$ 4,248,853 | | \$ 4,248,853 | \$ 4,972,629 | 13.64% | |
| Jun-16 | 19.60% | 0.00% | 19.60% | \$ 3,728,515 | | \$ 3,728,515 | \$ 3,693,852 | \$ 723,995 | \$ (24,806) | \$ 699,189 | \$ 5,087,510 | | \$ 5,087,510 | \$ 4,993,792 | 14.06% | |
| Jul-16 | 16.50% | 0.00% | 16.50% | \$ 4,136,077 | | \$ 4,136,077 | \$ 3,689,158 | \$ 608,711 | \$ (24,806) | \$ 583,905 | \$ 5,520,486 | | \$ 5,520,486 | \$ 4,987,749 | 11.69% | |

Notes:

Nolin Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues. Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

East Kentucky Power Cooperative, Inc. - Distribution Cooperatives
Pass Through Mechanism Report for Nolin RECC

For the Month Ending July 2016

| | (1) | (2) | (3) | (4) | (5) | (6) | (7) | (8) | (9) | (10) | (11) | (12) | (13) | (14) | (15) |
|---|---------------------|----------------|----------------|---|----------------------------------|---|--|---------------------------------|--|-------------------------------------|--|--|--|---|---|
| Surcharge Factor Expense Month | EKPC CESF % | EKPC BESF % | EKPC MESF % | EKPC Monthly Revenues from Sales to Nolin | On-peak Revenue Adjustment | EKPC Net Monthly Sales to Nolin | EKPC 12-months Ended Average Monthly Revenue from Sales to Nolin | Nolin Revenue Requirement | Amortization of (Over)/Under Recovery | Nolin Net Revenue Requirement | Nolin Total Monthly Retail Revenues | On-Peak Retail Revenue Adjustment | Nolin Net Monthly Retail Revenues | 12-months ended Avg. Retail Revenues, Net | Nolin Pass Through Mechanism Factor |
| | Col. (1) - Col. (2) | | | Col. (4) - Col. (5) | | | Col. (3) x Col. (7) | | Col. (8) + Col. (9) | | Col. (11) - Col. (12) | | Col. (10) / Col. (14) | | |
| Oct-14 | 15.57% | 0.00% | 15.57% | \$ 3,261,026 | | \$ 3,261,026 | \$ 4,305,768 | \$ 670,408 | \$ - | \$ 670,408 | \$ 4,685,480 | | \$ 4,685,480 | \$ 5,650,850 | 11.89% |
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| May-16 | 18.99% | 0.00% | 18.99% | \$ 3,079,506 | | \$ 3,079,506 | \$ 3,703,705 | \$ 703,334 | \$ (22,794) | \$ 680,540 | \$ 4,248,853 | | \$ 4,248,853 | \$ 4,972,629 | 13.68% |
| Jun-16 | 19.60% | 0.00% | 19.60% | \$ 3,728,515 | | \$ 3,728,515 | \$ 3,693,852 | \$ 723,995 | \$ (24,806) | \$ 699,189 | \$ 5,087,510 | | \$ 5,087,510 | \$ 4,993,792 | 14.06% |
| Jul-16 | 16.50% | 0.00% | 16.50% | \$ 4,136,077 | | \$ 4,136,077 | \$ 3,689,158 | \$ 608,711 | \$ (24,806) | \$ 583,905 | \$ 5,520,486 | | \$ 5,520,486 | \$ 4,987,749 | 11.69% |

Notes:
Nolin Total Monthly Retail Revenues in Column (11) includes demand and energy charges, customer charges, and FAC revenues.
Revenues reported in Columns (4), (6), (7), (11), (13), and (14) are net of Green Power Revenues.

| Nolin - Calculation of (Over)/Under Recovery | | | | | |
|---|---|---|---|-----------------------------------|--|
| Line No. | Month & Year | EKPC Invoice Month recorded Member's Books (2) | Billed to Retail Consumer & recorded on Member's Books (3) | Monthly (Over) or Under (4) | Cumulative (Over) or Under (5) |
| 1 | Previous (Over)/Under-Recovery Remaining to be Amortized | | | | |
| 1a | From Case No. 2014-00051 (Over)/Under-Recovery | | | | (\$165,683) |
| 1b | From Case No. 2015-00281 (Over)/Under-Recovery | | | | (\$148,835) |
| 1c | From Case No. 2016-00144 (Over)/Under-Recovery | | | | (\$69,207) |
| 1d | Total Previous (Over)/Under-Recovery | | | | (\$383,725) |
| 2 | Jan-16 | \$913,370 | \$824,883 | \$88,487 | (\$295,238) |
| 3 | Feb-16 | \$692,847 | \$568,414 | \$124,433 | (\$170,805) |
| 4 | Mar-16 | \$369,740 | \$368,926 | \$814 | (\$169,991) |
| 5 | Apr-16 | \$420,240 | \$403,457 | \$16,783 | (\$153,208) |
| 6 | May-16 | \$541,684 | \$534,137 | \$7,547 | (\$145,661) |
| 7 | Jun-16 | \$708,045 | \$693,935 | \$14,110 | (\$131,551) |
| Post Review | Jul-16 | \$810,669 | \$776,176 | \$34,493 | (\$97,058) |
| | Aug-16 | \$692,547 | \$657,942 | \$34,605 | (\$62,454) |
| Less Adjustment for Order amounts remaining to be amortized at end of review period June 2016 | | | | | |
| 8 | | Amount Per Case Order Remaining to be Amortized at beginning of Review Period | Amortization of Previous (Over)/Under Recoveries During Review Period | | Amount Per Case Order Remaining to be Amortized at end of Review Period |
| 8a | Case No. 2014-00051 Recovery | \$165,683 | (\$165,684) | | (\$1) |
| 8b | Case No. 2015-00281 Recovery | \$148,835 | (\$74,418) | | \$74,417 |
| 8c | Case No. 2016-00144 Recovery | \$69,207 | \$0 | | \$69,207 |
| 8d | Total Order amounts remaining - Over/(Under): | | | | \$143,623 |
| 9 | Cumulative six month (Over)/Under-Recovery [Cumulative net of remaining Case amortizations (Ln 7&8d)] | | | | \$12,072 |
| 10 | Monthly recovery (per month for six months) | | | | \$2,012 |
| Reconciliation: | | | | | |
| 11 | Previous (Over)/Under-Recovery Remaining to be Amortized, beginning of Review Period | | | | (\$383,725) |
| 12 | Previous (Over)/Under-Recovery Remaining to be Amortized, ending of Review Period | | | | \$143,623 |
| 13 | Total Amortization during Review Period | | | | (\$240,102) |
| 14 | (Over)/Under-Recovery from Column 5, Line 9 | | | | \$12,072 |
| 15 | Less: Total Monthly (Over)/Under-Recovery for Review Period (Column 4, Lines 2 thru 7) | | | | \$252,174 |
| 16 | Difference | | | | (\$240,102) |

Amortization Detail, Column 3, Line 8:

| Month & Year | Case No. 2014-00051 | Case No. 2015-00281 | Case No. 2016-00144 |
|--------------|------------------------|------------------------|------------------------|
| Jan-16 | (\$82,842) | \$0 | \$0 |
| Feb-16 | (\$82,842) | \$0 | \$0 |
| Mar-16 | \$0 | \$0 | \$0 |
| Apr-16 | \$0 | (\$24,806) | \$0 |
| May-16 | \$0 | (\$24,806) | \$0 |
| Jun-16 | \$0 | (\$24,806) | \$0 |
| Totals | (\$165,684) | (\$74,418) | \$0 |

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Request 9.

Explain in detail the process by which the environmental surcharge amounts billed by EKPC are recorded and billed to member customers. Include in the response a discussion of timing and accounting methodology.

Response:

The environmental surcharge billed by EKPC based on a calculated percentage of monthly sales is passed through to consumers the following month using this same methodology of percentage of sales to recover the expense incurred. The pass through mechanism listed as May is applied to customers bills incurred in June and recorded as June's revenue. These expenses are actually billed to the consumers in July. An accrual based accounting methodology is used so that revenues and expenses are matched accordingly.

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Request 12

This question is addressed to the Member Cooperatives. Refer to your response to Staff's First Request, Item 2.

- a. Explain how the amounts recorded in the column labeled 'EKPC Invoice Month Recorded Member's Books' correspond with EKPC's expense month. Explain in which month the Member Cooperative would reflect its portion of the December 2015 expenses billed by EKPC.
- b. Explain whether the amounts reported in this column reflect only the actual billed by EKPC, or if the amount does or can include adjustments to the billed amount. Explain the adjustment that may be included, if any.
- c. Refer to the column labelled "Billed to Retail Consumer & Recorded on Member's Books." Confirm that these amounts are the actual environmental surcharge amounts billed and not environmental surcharge amounts actually collected from retail customers.

Response:

- a. The amounts recorded in the column labelled "EKPC Invoice Month Recorded Member's Books" correspond identical with the members accounting procedure. The amount reported in December 2015 is for the expense month of December and are billed in February 2016 for services rendered in January 2016.
- b. EKPC prepared the response to Request 2 and the Members provide the surcharge revenues shown in column 3. The surcharge amount in Column 2 reflects the total gross surcharge shown on EKPC's invoice minus the Direct Load Control program surcharge credit. The Direct Load Control program provides demand credits to Members based on the involvement of the Member's customers in the Direct Load Control program. The demand credit impacts the revenue included to determine the surcharge and a separate surcharge credit is calculated. This adjustment is reflected on the EKPC invoice.
- c. The amounts in the column "Billed to Retail Consumer & Recorded on Member's Books" are the actual environmental surcharge amounts billed.

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Request 13

Refer to the Member Cooperatives Pass Through Mechanism Report in EKPC's monthly environmental surcharge report. Provide the revenue month to which the pass through factor (Column 15) calculated for the expense month will be applied.

Response:

The pass through factor (Column 15) calculated for the expense month will be applied to the following billable month's revenue. For example, the pass through factor listed as April will be passed through and recorded as May's revenue.