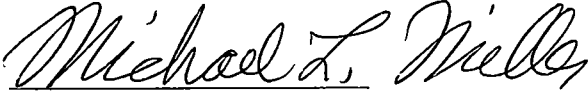


Commonwealth of Kentucky
Before the Public Service Commission
Case No. 2016-00367

VERIFICATION

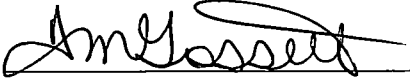
I verify, state and affirm that the testimony filed with this verification and for which I am listed as a witness is true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.


Michael L. Miller, President & CEO

State of Kentucky

County of Hardin

The foregoing was signed, acknowledged and sworn to before me by Michael L. Miller, this 16th day of February, 2017.


Notary Public

My Commission Expires:

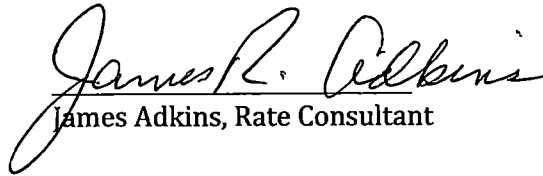
08-07-18

Commonwealth of Kentucky
Before the Public Service Commission

Case No. 2016-00367

VERIFICATION

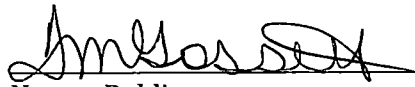
I verify, state and affirm that the testimony filed with this verification and for which I am listed as a witness is true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.


James Adkins, Rate Consultant

State of Kentucky

County of Hardin

The foregoing was signed, acknowledged and sworn to before me by Michael L. Miller, this 16th day of February, 2017.


Notary Public

My Commission Expires:

08-07-18

Commonwealth of Kentucky
Before the Public Service Commission

Case No. 2016-00367

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.



Sara Roberson, VP Administration & Finance

State of Kentucky

County of Hardin

The foregoing was signed, acknowledged and sworn to before me by Michael L. Miller, this 16th day of February, 2017.



Notary Public

My Commission Expires:

08-07-18



COMMONWEALTH OF KENTUCKY **RECEIVED**
BEFORE THE PUBLIC SERVICE COMMISSION
FEB 16 2017

In the Matter of Adjustment of Rates
Of Nolin Rural Electric Cooperative
Corporation


PUBLIC SERVICE
COMMISSION

Case No. 2016-00367

**APPLICANT'S RESPONSES TO COMMISSION STAFF'S SECOND
REQUEST FOR INFORMATION**

The applicant, Nolin Rural Electric Cooperative corporation, makes the following responses to the "Commission Staff's Second Request for Information", as follows:

1. The witnesses who are prepared to answer questions concerning each request are Michael Miller and Jim Adkins.
2. Michael Miller, President & CEO of Nolin Rural Electric Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and Exhibits are attached hereto and incorporated by reference herein.



JOHN J. SCOTT
Phone 270-765-2179
Fax 270-765-2180
Email john@johnscottlaw.org
108 E. Poplar Str., P.O. Box 389
Elizabethtown, KY 42702-0389
ATTORNEY FOR NOLIN RURAL
ELECTRIC COOPERATIVE
CORPORATION
AND

MARK DAVID GOSS
M. EVAN BUCKLEY
GOSS SAMFORD, PLLC
2365 Harrodsburg Road, SuiteB-325
Lexington, Kentucky 40504
Phone 859-368-7740
mdgoss@gosssamfordlaw.com
CO-COUNSEL FOR NOLIN
RURAL ELECTRIC
COOPERATIVE CORPORATION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

CASE NO. 2016-00367

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.

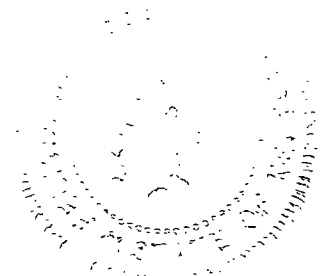
Michael L. Miller
Michael L. Miller, President and CEO

State of Kentucky
County of Hardin

The foregoing was signed, acknowledged and sworn to before me by Michael L. Miller, this 16th day of February, 2017.

Amey
Notary Public

My commission expires: 08-07-18



Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Response to Commission's Staff Second Data Request

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.

Response

The MINIMUM CHARGE section has been changed to reflect the member cost of service language. Attached is the revised Exhibit B page 8 of 8 and the revised Exhibit C page 7 of 7.

Nolin RECC
411 Ring Road
Elizabethtown, KY 42701-6767

CANCELING PSC KY NO. 10
12th Revision Sheet No. 38

CLASSIFICATION OF SERVICE

SCHEDULE 10 - INDUSTRIAL

APPLICABLE: Entire Service Area - Applicable to contracts with contract demands of 5,000 to 9,999 kW with a monthly energy usage equal to or greater than 425 hours per kW of contract demand.

TYPE OF SERVICE: Three phase 60 hertz at voltages as agreed to in the special five year Agreement for Service.

RATES PER MONTH:

(T)	<u>Member Cost of Service Charge:</u>	\$1,219.84
(I)	<u>Demand Charge:</u>	\$7.17 per kW of contract demand
(I)		\$9.98 per kW for all billing demand in excess of contract demand
(R)	<u>Energy Charge:</u>	\$0.05000 per kWh

DETERMINATION OF BILLING DEMAND: The billing demand shall be the greater of (a) or (b) listed below:

- (a) The contract demand
- (b) The ultimate consumer's highest demand during the current month. The consumer's peak demand is the highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month (and adjusted for power factor as provided herein):

<u>Months</u>	<u>Hours Applicable For Demand Billing - EST</u>
October through April	7:00 A.M. to 12:00 Noon 5:00 P.M. to 10:00 P.M.
May through September	10:00 A.M. to 10:00 P.M.

MINIMUM CHARGE: The computed minimum monthly charge shall not be less than the sum of (a), (b) and (c) below:

- (a) The product of the contract demand multiplied by the demand charge, plus
- (b) The product of the contract demand multiplied by 425 hours and the energy charge per kWh, plus
- (T) (c) Member Cost of Service Charge

DATE OF ISSUE January 3, 2017
DATE EFFECTIVE February 3, 2017

ISSUED BY _____
President & CEO

Nolin RECC
411 Ring Road
Elizabethtown, KY 42701-6767

CANCELING PSC KY NO. 10
11th 12th Revision Sheet No. 38

CLASSIFICATION OF SERVICE

SCHEDULE 10 - INDUSTRIAL

APPLICABLE: Entire Service Area - Applicable to contracts with contract demands of 5,000 to 9,999 kW with a monthly energy usage equal to or greater than 425 hours per kW of contract demand.

TYPE OF SERVICE: Three phase 60 hertz at voltages as agreed to in the special five year Agreement for Service.

RATES PER MONTH:

(R) **Consumer Charge** *Member Cost of Service Charge:* \$1,219.84
Demand Charge: \$6.14 \$7.17 per kW of contract demand
 \$8.93 \$9.98 per kW for all billing demand in excess of contract demand
Energy Charge: \$0.05109 \$0.05000 per kWh

DETERMINATION OF BILLING DEMAND: The billing demand shall be the greater of (a) or (b) listed below:

- (a) The contract demand
- (b) The ultimate consumer's highest demand during the current month. The consumer's peak demand is the highest average rate at which energy is used during any fifteen-minute interval in the below listed hours for each month (and adjusted for power factor as provided herein):

Months	Hours Applicable For Demand Billing - EST
October through April	7:00 A.M. to 12:00 Noon 5:00 P.M. to 10:00 P.M.
May through September	10:00 A.M. to 10:00 P.M.

MINIMUM CHARGE: The computed minimum monthly charge shall not be less than the sum of (a), (b) and (c) below:

- (a) The product of the contract demand multiplied by the demand charge, plus
 (b) The product of the contract demand multiplied by 425 hours and the energy charge per kWh, plus
 (c) ~~The consumer charge~~ *Member Cost of Service Charge*

DATE OF ISSUE ~~June 13, 2011~~ December 15, 2016 DATE EFFECTIVE ~~June 1, 2011~~ January 15, 2017

ISSUED BY	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. 2010-00506, Dated May 31, 2011.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Response to Commission Staff's Second Data Request

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.

Response

Refer to page 3 of "Attachment 2A" and page 1 of "Attachment 2B."

- 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.

Response

Refer to the attached "Revised Exhibit 1", page 10 of the Application.

- 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.

Response

Refer to the attached "Revised Exhibit 1", page 10 of the Application.

LOAN AGREEMENT

LOAN AGREEMENT (this "Agreement") dated as of August 9, 2013 between NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION ("Borrower"), a corporation organized and existing under the laws of the State of Kentucky and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

RECITALS

WHEREAS, the Borrower has applied to CFC for a loan for the purposes set forth in Schedule 1 hereto, and CFC is willing to make such a loan to the Borrower on the terms and conditions stated herein; and

WHEREAS, the Borrower has agreed to execute one or more secured promissory notes to evidence an indebtedness in the aggregate principal amount of the CFC Commitment (as hereinafter defined).

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.01 For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof). Capitalized terms that are not defined herein shall have the meanings as set forth in the Mortgage.

"Accounting Requirements" shall mean any system of accounts prescribed by a federal regulatory authority having jurisdiction over the Borrower or, in the absence thereof, the requirements of GAAP applicable to businesses similar to that of the Borrower.

"Advance" shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement.

"Amortization Basis Date" shall mean the first calendar day of the month following the end of the Billing Cycle in which the Advance occurs, provided, however, that if the Advance is made on the first day of a Billing Cycle, and such day is a Business Day, then the Amortization Basis Date shall be the date of the Advance.

"Average DSC Ratio" shall mean the average of the Borrower's two highest annual DSC Ratios during the most recent three calendar years.

"Billing Cycle" shall mean any 3-month period ending on, and including, a Payment Date.

"Business Day" shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

CFC LOANAG
KY051-A-9034-9037(MCGHEEM)
182704-1

"CFC Commitment" shall have the meaning ascribed to it in Schedule 1 hereto.

"CFC Fixed Rate" shall mean (i) such fixed rate as is then available for loans similarly classified pursuant to CFC's policies and procedures then in effect, or (ii) such other fixed rate as may be agreed to by the parties and reflected on the written requisition for funds in the form attached as Exhibit A hereto.

"CFC Fixed Rate Term" shall mean the specific period of time that a CFC Fixed Rate is in effect for an Advance.

"CFC Variable Rate" shall mean (i) the rate established by CFC for variable interest rate long-term loans similarly classified pursuant to the long-term loan programs established by CFC from time to time, or (ii) such other variable rate as may be agreed to by the parties on the written requisition for funds in the form attached as Exhibit A hereto.

"CREB Provisions" shall mean the specific covenants relating to funds requisition, tax status of the CREBs and completion and termination certificates contained in any loan agreements related to a clean renewable energy project of the Borrower funded by proceeds of one or more series of clean renewable energy bonds issued by CFC.

"Capital Certificate" shall mean a certificate, or book entry form of account, evidencing the Borrower's purchase of subordinated debt instruments issued by CFC from time to time. Such instruments may be denoted by CFC as "Loan Capital Term Certificates", "Member Capital Securities", "Subordinated Term Certificates", or other like designations.

"Conversion Request" shall mean a written request to CFC from any duly authorized officer or other employee of the Borrower requesting an interest rate conversion available pursuant to the terms of this Agreement.

"Debt Service Coverage ("DSC") Ratio" shall mean the ratio determined as follows: for any calendar year add (i) Operating Margins, (ii) Non-Operating Margins--Interest, (iii) Interest Expense, (iv) Depreciation and Amortization Expense, (v) cash received in respect of generation and transmission and other capital credits, (vi) management fees paid to the Borrower pursuant to the Demand Side Management and Energy Efficiency Services Modification Agreement for Fort Knox by and between the Borrower and the federal government (the "Contract") and (vii) principal payments received by Borrower pursuant to the Contract, and divide the sum so obtained by the sum of all payments of Principal and Interest Expense required to be made during such calendar year; provided, however, that in the event that any amount of Long-Term Debt has been refinanced during such year, the payments of Principal and Interest Expense required to be made during such year on account of such refinanced amount of Long-Term Debt shall be based (in lieu of actual payments required to be made on such refinanced amount of Long-Term Debt) upon the larger of (i) an annualization of the payments required to be made with respect to the refinancing debt during the portion of such year such refinancing debt is outstanding or (ii) the payment of Principal and Interest Expense required to be made during the following year on account of such refinancing debt.

"Default Rate" shall mean a rate per annum equal to the interest rate in effect for an Advance plus two hundred (200) basis points.

CFC LOANAG
KY051-A-9034-9037(MCGHEEM)
182704-1

and regulations, and the Borrower shall have paid all applicable taxes, recording and filing fees and caused satisfactory evidence thereof to be furnished to CFC.

F. Special Conditions of Closing. CFC shall be fully satisfied that the Borrower has complied with all special conditions of closing identified in Schedule 1 hereto.

Section 4.02 Conditions to Advances. The obligation of CFC to make each Advance hereunder is additionally subject to satisfaction of the following conditions:

A. Requisitions. The Borrower will requisition each Advance by submitting its written requisition to CFC, in form and substance satisfactory to CFC. Requisitions for Advances shall be made only for the purposes set forth in Schedule 1 hereto.

B. Representations and Warranties; Default. The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

C. Other Information. The Borrower shall have furnished such other information as CFC may reasonably require, including but not limited to (i) information regarding the specific purpose for an Advance and the use thereof, (ii) feasibility studies, cash flow projections, financial analyses and pro forma financial statements sufficient to demonstrate to CFC's reasonable satisfaction that after giving effect to the Advance requested, the Borrower shall continue to achieve the DSC ratio set forth in Section 5.01.A herein, to meet all of its debt service obligations, and otherwise to perform and to comply with all other covenants and conditions set forth in this Agreement, and (iii) any other information as CFC may reasonably request.

D. Special Conditions of Advances. CFC shall be fully satisfied that the Borrower has complied with all special conditions to advance identified in Schedule 1 hereto.

ARTICLE V

COVENANTS

Section 5.01 Affirmative Covenants. The Borrower covenants and agrees with CFC that until payment in full of the Note and performance of all obligations of the Borrower hereunder:

A. Financial Ratios; Design of Rates. The Borrower shall achieve an Average DSC Ratio of not less than 1.35. The Borrower shall not decrease its rates for electric service if it has failed to achieve a DSC Ratio of 1.35 for the calendar year prior to such reduction subject only to an order from a Governmental Authority properly exercising jurisdiction over the Borrower.

CFC LOANAG
KY051-A-9034-9037(MCGHEEM)
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**National Rural Utilities
Cooperative Finance Corporation**

Created and Owned by America's Electric Cooperative Network

20701 Cooperative Way
Dulles, Virginia 20166
703-467-1800 | www.nrucfc.coop

June 17, 2016

Mr. Michael Miller
President & CEO
Nolin Rural Electric Cooperative Corporation
411 Ring Road
Elizabethtown, KY 42701-6767

Re: Request for Limited Waiver by Nolin Rural Electric Cooperative Corporation,
(the "Borrower")

Dear Mr. Miller:

National Rural Utilities Cooperative Finance Corporation ("CFC") has received from the Borrower a request to waive compliance with the Borrower's debt service coverage ("DSC") ratio covenant, which is contained in one or more loan agreements between CFC and the Borrower. You have advised that the cooperative's Average DSC Ratio is 1.30 for the three years ending 12/31/2015.

[The above-referenced covenant generally provides that the Borrower must achieve an Average DSC Ratio of not less than 1.35, determined by averaging the two highest annual ratios during the most recent three calendar years.]

CFC hereby waives the Borrower's compliance with the Average DSC Ratio, subject to the following conditions:

- (a) This is a limited waiver with respect to the Average DSC ratio as calculated for the three years ending 12/31/2015.
- (b) This limited waiver shall not be construed as a waiver of any other term, condition or provision of any loan agreement or other credit agreement with CFC.
- (c) This limited waiver shall not be construed as a waiver of any term, condition or provision of any loan agreement or other credit agreement with CFC with respect to meeting future DSC ratio requirements. For example, you will be required to include the current calendar year's ratio as part of the "most recent three calendar years" when calculating compliance at the end of the next calendar year.

Nolin RECC
June 17, 2016
Page 2 of 2

Witness: Michael Miller

(d) Except as specifically waived by CFC herein, each and every term, condition and provision contained in any loan agreement or other credit agreement with CFC shall remain unchanged and in full force and effect.

If the foregoing accurately describes our mutual understanding of the effect of this limited waiver and the conditions under which it is granted, please so indicate by signing this correspondence where indicated and returning the original to CFC.

Very truly yours,
National Rural Utilities Cooperative Finance Corporation,

Elaine M. MacDonald

By: Elaine M. MacDonald
Assistant Secretary-Treasurer

Acknowledged and Agreed:
Nolin Rural Electric Cooperative Corporation

By: *Michael L. Miller*

Name: Michael L. Miller

Title: President & CEO

Nolin Rural Electric Cooperative
Case No. 2016-00367
Employee Information
April 30, 2016

The following is a list of employees added during the test year:

<u>Employee Hired</u>	<u>Reason</u>
303 (7/20/15)	Added as a Line Technician III

The following is a list of employees that retired, resigned or otherwise terminated employment or took new positions during the test year and were not replaced:

<u>Employee Number</u>	<u>Date Terminated</u>
11 (Construction Superintendent)	8/31/15 (Retired)
95 (V.P. Administration & Finance)	3/31/16 (Retired)
219 (Sr. Line Tech)	5/30/15 (Retired)
231 (Engineering Supervisor)	1/31/16 (Resigned)
229 (Work Order Specialist/Accountant)	3/31/16 (Took new position, old position not replaced)

**Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information**

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 rate by class for the years 2010-2016.

Response:

See "Attachment 3A"

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

Response:

YEAR	MDSC
2014	1.00
2015	-.05
2016	Not available

MDSC is calculated as follows:

$$\frac{\text{Depreciation/Amortization Expense} + \text{Interest on Long Term Debt} + \text{Patronage Capital \& Operating Margins} + \text{Non-Operating Margins} - \text{Interest} + \text{Patronage Capital (cash portion)}}{\text{Total Billed Debt Service}}$$

- 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 MDSC ratio is the basis for meeting Nolin's mortgage requirement.

Response:

Nolin used the TIER approach in determining its revenue requirements and increase in revenue since it had been used in the past and seemed to be the standard practice of this Commission.

	2010	2011	2012	2013	2014	2015	2016	
Revenue Class	Annual KWH Sales	Annual KWH Sales	Annual KWH Sales	Annual KWH Sales	Annual KWH Sales	Annual KWH Sales	KWH sales 12 months ending November 2016	Annual Percentage Growth in KWH Sales 2010 - 2015
Revenue Class 1 Residential	509,124,380	473,936,763	461,023,047	491,335,277	506,652,974	479,456,318	474,835,705	-1.12%
Revenue Class 4 Small Commercial	110,652,030	108,623,392	107,826,831	108,336,789	107,016,532	105,169,094	106,124,454	-0.68%
Revenue Class 5 Large Commercial	149,669,326	154,019,905	168,694,900	171,577,160	174,722,032	178,028,843	177,750,867	3.13%
Revenue Class 6 Public Street & Hwy Lighting	1,627,755	1,675,077	1,658,685	1,653,346	1,678,116	1,710,209	1,516,827	-1.14%
TOTALS	771,073,491	738,255,137	739,203,463	772,902,572	790069654	764,364,464	760,227,853	

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Response to Commission Staff's Second Data Request

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.

Response:

The "stated goal" was two-fold; to better reflect the results of the COSS by increasing the fixed customer charge, and to attempt to minimize the impact of an increase for the residential rate class to the extent reasonably possible.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

5. Refer to the application, 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 affected exhibits.

Response

The fuel adjustment and environmental surcharge reflected in Exhibits J and S are correct. Please find attached the Revised Exhibit 15, page 3 of 3 attached.

Nolin Rural Electric Cooperative
Case No. 2016-00367
April 30, 2016

Exhibit 15
page 3 of 3
Witness: Jim Adkins

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	<u>Consumer Billing</u>		<u>Purchase Power</u>	
	Fuel Adjustment	Environmental Surcharge	Fuel Adjustment	Environmental Surcharge
May	(423,305)	461,950	(419,327)	437,929
June	(498,358)	650,107	(153,576)	697,374
July	(122,261)	769,039	(194,449)	776,316
August	(130,905)	641,482	(241,318)	621,958
September	(200,148)	472,858	(217,912)	581,817
October	(213,680)	473,054	(243,838)	511,865
November	(298,581)	569,152	(211,835)	639,500
December	(264,193)	651,062	(195,674)	713,154
January	(225,748)	824,883	(400,980)	914,394
February	(275,793)	568,414	(226,852)	693,736
March	(172,746)	368,926	(331,022)	370,347
April	(375,375)	403,457	(379,129)	421,040
	<u>(3,201,093)</u>	<u>6,854,383</u>	<u>(3,215,912)</u>	<u>7,379,430</u>

The fuel adjustment clause (FAC) and environmental surcharge are passed on to consumers using the methodology prescribed by the Kentucky Public Service Commission.

**Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information**

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.

Response:

The amount for the test year is actually less than the end of April 2015. Amounts included in prepayments are paid on an annual basis and amortized each month. The balance each month is a result of the timing of payments and amortizations.

- b. Refer to page 5 of 7. Refer also to Exhibit 2, page 1 of 4. Confirm that the actual test-year TIER excluding G&T capital credits is (.31).

Response:

Nolin confirms the (0.31).

- c. Refer to page 7 of 7. Confirm that the amounts of long-term debt for 2015 is \$93,838,270. Provide a corrected equity capitalization ratio excluding G&T capital credits for 2015.

Response:

Equity Capitalization with G&T patronage capital	
Total Margins and Equities	67,493,771
Less G&T Patronage Capital	<u>30,813,686</u>
	36,680,085
Long-Term Debt	<u>93,838,720</u>
Total	<u>130,518,805</u>
Equity Capitalization Ratio	<u>28%</u>

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Response to Commission Staff's Second Data Request

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.

Response:

The adjustment for Rate Case Expense is contained in the column labeled Adjustments 9, 10, and 11.

- 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, OH 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.

Response:

The Revised Exhibit Y amounts have been utilized in the Revised Exhibit R contained in this filing. The amounts contained in the original filing of Exhibit R came from Continuous Property Records of Nolin.

- c. Refer to page 17-18 of 41. Explain where the \$618,365 for Account 372, St Lighting is allocated. Provide an updated COSS if necessary.

Response

One column containing the Street Lighting information was left off the original filing of Exhibit R, The revised Exhibit R contained in this filing includes that column.

- d. Refer to page 18 of 41.
1. Total Utility Plant in Service is listed as \$112,379,322. In Exhibit G, page 23, the CFC Form 7 for April 2016 Plant in Service is listed as \$112,032,580. Reconcile this difference.

Response:

The Plant in Service amount in the CFC Form 7 for April 2016 is contained in the revised Exhibit R in this filing.

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

Response:

The CWIP amount from the CFC Form 7 for April 2016 is contained in the revised Exhibit R in this filing.

3. Provide the source of the \$2,003,685 for Cash Working Capital.

Response:

The Cash Working Capital amount contained in Exhibit k, page 2 for the Adjusted Test Year of \$1,819,021 is contained in the revised Exhibit R in this filing.

- 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.

Response:

The Percentage Allocation for these two accounts has been changed to the Percentage Allocation for Line in the revised Exhibit R in this filing.

- 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.

Response:

The Percentage Allocation for these ten accounts has been changed to the Percentage Allocation for Line in the revised Exhibit R in this filing.

- g. Refer to page 28-30 of 41, Provide and explain the allocation applied to Transformers.

Response:

On these pages, there are two different allocations for Transformers. One allocation is for the demand related costs for transformers and the other allocation is for the allocation of the consumer related costs for transformers. The demand related allocation for transformers allocation is proportional on the sum of the monthly peak demand for the consumers in each rate class. Please see page 33 of 42 in the revised Exhibit R in this filing. This page was left out of the original filing. The consumer related costs are allocated using a variety of allocations contained in pages 35-38 of the revised Exhibit R.

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

Response:

That is confirmed and a correction has been made in the revised Exhibit R in this filing.

- 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

Response:

The number of consumers in these sections is based on the number of accounts in each rate class for the last month of the test period.

- 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.

Response:

The factors and weights for these expense areas are based on the below listed criteria:

(1) Meter Reading.

- a. Factor – A factor of 1 with only an energy reading and factor of 3 if a demand reading is necessary as well as an energy reading for billing purposes. It is assumed that the demand reading requires three times as much time.
- b. Weight – all are given a weight of one as a need for any differentiation is not needed.

(2) Consumer Records

- a. Factor – Based on the number of items on a bill for which records must be maintained. For residential, it is a four which includes a customer charge, energy charge, fuel adjustment charge and an environmental surcharge. Those with a demand charge have a higher weight because of the demand charge plus a power factor potential charge. The large power rate classes have additional factors such as a minimum demand and minimum energy amounts, ratchets, etc.
- b. Weight – In this situation, the weight is generally based on the estimate of the complexity of keeping records for the type of rate class plus the magnitude of the bill.

(3) Consumer Assistance:

- a. Factor – Is an estimate of the number of times that a member within a rate class might need some type of assistance from the Cooperative such as a bill complaint, reporting an outage, etc.
- b. Weight – Is an estimate about the amount of time spent on a request from a member within a rate class compared with other rate class. The larger the rate class, the greater the expectation that more time will be spent with a member in a rate class.

- 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 each class's Net Margins and Interest Expense by each classes Rate Base. Explain why the calculations differ.

Response:

These calculations differ because the calculation presented on page 37-38 of 41 presents the return on Rate Base based on current rates with test year adjustments while the return on Rate Base on pages 40 and 41 presents return with the proposed increase.

**NOLIN RECC
ELIZABETHTOWN, KY**

Case No. 2016-00367

**COST OF SERVICE STUDY
Test Year -
Twelve Months Ending April 2016**

Prepared by: August 2016

NOLIN RECC
CASE NO. 2016-00367

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First Revision
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Witness: James Adkins

Cost of Service Study
Outline

Schedule

- A Test Year - Actual & Adjusted
- B Test Year Adjustments
- C Functionalization of Expenses
- D Funtionalization Footnotes
- E Rate Base Functionalized
- F Classification of Expenses
- G Determination of Demand & Consumer Related Plant Investments
- H Allocation of Costs
- I Demand & Energy Allocators
- J Consumer Allcators
- K Unbundled Statement of Operations
- L Increase Amounts by Rate Class & Rate Design
- M Rate Base for Each Rate Class

NOLIN RECC
CASE NO. 16-00XXX
ACTUAL TEST YEAR ADJUSTED TEST YEAR

Exhibit R
Revision
Page 5 of 44
Witness: James Adkins
Schedule A

Acct No.	Description	Actual \$\$\$\$	Test Year Adjustments					Pro Forma \$\$\$\$
			Adjustment 1, 2, 5 & 6	Adjustments 3, 4, 7 & 8	Adjustment 9, 10 & 11	Adjustment 12	Adjustments 13	
555	Demand Charges	10,142,289				(60,088)		10,082,201
	Energy Charges	40,789,022				(4,086,292)		36,702,730
	Load Center Charges	849,936						849,936
								-
	Total Purchased Power	51,781,247			-	(4,146,380)		47,634,867
								-
580	Super & Eng	188,423	2,220				(24,377)	166,265
582	Station Expnese	3,451					(3,451)	-
583	O/H Line	1,703,511	8,011				(160,593)	1,550,929
584	U/G line	173,256	1,390				(74,444)	100,202
586	Meter	708,507	8,107				(2,668)	713,946
587	Constr Install Eqt	89,606	254					89,860
588	Misc. Distribution Plant	1,690,739	14,721	2,376			(90,816)	1,617,021
	Total Operations	4,557,493	34,702	2,376	-	-	(356,349)	4,238,222
								-
590	Supervision	241,342	3,022				(77,598)	166,766
592	Station Equipment	382,046	485				(382,095)	436
593.	O/H Lines	2,889,367	16,055				(357,356)	2,548,066
594	Underground Lines	90,718	722				(54,671)	36,769
595	Transformers	34,362	2,017				4,625	41,004
596	Maintence of Street Lights	285,737					(169,686)	116,050
597	Meters	127,521	1,614				(4,269)	124,867
598	Misc. Distribution Plant	489,659	1,139	4,248			(136,540)	358,507
	Total Distribut Maintenance	4,540,753	25,054	4,248	-	-	(1,177,591)	3,392,464

NOLAN RECC
CASE NO. 16-00XXX
ACTUAL TEST YEAR ADJUSTED TEST YEAR

Exhibit R
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Witness: James Adkins

Acct	Description	Actual \$\$\$\$	Test Year Adjustments					Pro Forma \$\$\$\$
			Adjustment 1, 2, 5 & 6	Adjustments 3, 4, 7 & 8	Adjustment 9, 10 & 11	Adjustment 12	Adjustments 13	
								-
901	Supervision	168,699	2,251					170,950
902	Meter Reading Expense	170,070	2,156	1,092			(28,398)	144,920
903	Cons Recds & Collections	1,989,558	20,556				(8,088)	2,002,027
904	Uncollectible Accounts	175,762	-					175,762
								-
	Total Consumer Accounts	2,504,089	24,963	1,092	-	-	(36,485)	2,493,658
								-
907	Supervision, Customer Service	52,161	686					52,848
908	Customer Assist. Expense	128,704	4,246	902				133,852
909	Advertising	29,408						29,408
910	Misc. Customer Service	456,685	3,014					459,699
								-
	Total Consumer Service	666,958	7,947	902				675,807
								-
	Total of Above	64,050,540	92,666	4,370	-	(5,323,971)	(1,570,426)	58,435,019
								-
920	Administrative Salaries	1,955,171	17,504				(176,718)	1,795,958
921	Office Supplies	717,609					(43,168)	674,440
923	Outside Services	526,399		(326,143)			(19,430)	180,826
926	Retirement & Security-Emplo	368,186						368,186
928	Regulatory Expense	12,845						12,845
929	Duplicate Charges	(68,933)						(68,933)
930.2	Misc. General Exp-Other	294,235	171	1,549	(34,614)			261,341
930.21	Director Fees	126,169		(83,999)			-	42,170
930.23	Dues	120,405					-	120,405
935	General Plant Maintenance	382,419	762				(18,401)	364,780

NOLIM RECC
CASE NO. 16-00XXX
ACTUAL TEST YEAR ADJUSTED TEST YEAR

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Schedule A

Acct	Description	Actual \$\$\$\$	Test Year Adjustments					Pro Forma \$\$\$\$
			Adjustment 1, 2, 5 & 6	Adjustments 3, 4, 7 & 8	Adjustment 9, 10 & 11	Adjustment 12	Adjustments 13	
								-
	Total Admin & General	4,434,505	18,437	(408,593)	(34,614)	-	(257,717)	3,752,018
								-
403	Deprec. Distribution Plant	3,897,015		383,944				4,280,959
403	Deprec. General Plant	365,040					(6,123)	358,917
								-
	Total Depreciation	4,262,055	-	383,944	-	-	(6,123)	4,639,876
								-
426.11	Donations	34,604			(34,604)			-
								-
	Total Miscellaneous	34,604	-	-	(34,604)	-		-
								-
427.2	Interet on LTD-CFC	3,024,787		(7,866)			(1,306,646)	1,710,275
								-
	Total Interest on LTD	3,024,787	-	(7,866)	-	-	(1,306,646)	1,710,275
								-
	Total Short Term Interest	41,086		(36,641)				4,445
								-
	Total Costs	75,847,577	111,103	(64,786)	(69,218)	(5,323,971)	(3,140,912)	68,541,633

**NOLIN RECC
CASE NO. 2016-00367**

TEST YEAR ADJUSTMENTS

		Wages & Salaries	Payroll Taxes	FAS 106	R&S	Total
Adjustments 1, 2, 5 and 6		<u>1</u>	<u>2</u>	<u>5</u>	<u>6</u>	
	Distribution - operations	5,136	1,705	10,109	17,752	34,702
	Distribution - maintenance	2,994	1,272	7,543	13,245	25,054
	Consumer accounts	3,544	1,235	7,324	12,860	24,963
	Customer service	1,145	392	2,326	4,084	7,947
	Sales	0	0	0		0
	Administrative and general	3,411	867	5,138	9,021	18,437
	Total operating expenses	16,230	5,471	32,440	56,962	111,103
Allocation of Adjustments to Accounts		Wage & Sal. Expenses		Total		Allocated Adjust.
580.00	Supervision, operations	42,278		6.4%		2,220
583.00	Overhead line	152,587		23.1%		8,011
584.00	Undergroun line	26,477		4.0%		1,390
586.00	Meter	154,415		23.4%		8,107
587.00	Installations	4,834		0.7%		254
588.00	Miscellaneous distribution	280,411	661,004	42.4%		14,721
590.00	Supervision, maintenance	51,083		12.1%		3,022
592.00	Station	8,204		1.9%		485
593.00	Overhead line	271,409		64.1%		16,055
594.00	Underground	12,202		2.9%		722
596.00	Street lights	34,097		8.1%		2,017
597.00	Meters	27,292		6.4%		1,614
598.00	Miscellaneous maintenance	19,261	423,547	4.5%		1,139
901.00	Supervision	40,841		9.0%		2,251
902.00	Meter reading	39,108		8.6%		2,156
903.00	Consumer records	372,914	452,862	82.3%		20,556
907.00	Supv Cons Serv & Infor.	12,618		8.6%		686
908.00	Consumer Assistance	78,045		53.4%		4,246
910.00	Misc customer information	55,408	146,071	37.9%		3,014
920.00	Administrative	482,047		94.9%		17,504
930.00	Miscellaneous	4,707		0.9%		171
935.00	Maintenance general plant	20,980	507,734	4.1%		762
	Total Wages & Salaries	2,191,218	2,191,218	500%		111,103

NOLIN RECC
CASE NO. 2016-00367

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Schedule B

TEST YEAR ADJUSTMENTS

	Wages & Salaries	Payroll Taxes	FAS 106	R&S	Total
	Depreciation	Interest Expense	Profess. Fees	Directors Expense	Total
	<u>3</u>	<u>4</u>	<u>7</u>	<u>8</u>	
Operating Expenses:					
Cost of power:					
Base rates					
Fuel and surcharge					
Distribution - operations	2,376				2,376
Distribution - maintenance	4,248				4,248
Consumer accounts	1,092				1,092
Customer service	902				902
Sales	-				-
Administrative and general	1,549		(326,143)	(83,999)	(408,593)
Depreciation	383,944				383,944
Taxes - other					-
Interest on long-term debt		(7,866)			(7,866)
Interest expense - other		(36,641)			(36,641)
Other deductions					-

Total Operating Expenses	394,111	(44,507)	(326,143)	(83,999)	(60,538)
	Donations	Annual & Misc Expenses	Advertising & Rate Case Expenses	Purchased Power &	Total
	<u>9</u>	<u>10</u>	<u>11 & 12</u>	<u>15</u>	
Operating Expenses:					-
Cost of power:					-
Base rates				(60,088)	(60,088)
Fuel and surcharge				(4,086,292)	(4,086,292)
Distribution - operations					-
Distribution - maintenance					-
Consumer accounts					-
Customer service					-
Sales					-
Administrative and general		(18,408)	(16,206)		(34,614)
Depreciation					-
Taxes - other					-
Interest on long-term debt					-
Interest expense - other					-
Other deductions	(34,604)				(34,604)
Total Operating Expenses	(34,604)	(18,408)	(16,206)	(4,146,380)	(4,215,598)

**NOLIN RECC
CASE NO. 2016-00367**

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Schedule B

TEST YEAR ADJUSTMENTS

		Wages & Salaries	Payroll Taxes	FAS 106	R&S	Total
		Fort Knox Activities Adj. 13				
580.0	"" Ft. Knox	24,377				
582	Station Ft. Knox	3,451				
583	OH Lines	160,593				
584	UG Lines	74,444				
586	Meters	2,668				
588	Misc Dist Eqt	90,816				
590	Supervision	77,598				
592	Substations	382,095				
593	OH Lines	357,356				
594	UG Lines	54,671				
595	Transformers	(4,625)				
596	Street Lights	169,686				
597	Meters	4,269				
598	Misc Distr Plant	136,540				
902	Meter Reading	28,398				
903	Consumer Collection	8,088				
920	Office Salaries	176,718				
921	Office Supplies	43,168				
923	Outside Services	19,430				
935	Misc. General Plant	18,401				
403.71	Depreciation	6,123				
427.30	CFC Interest Expense	1,306,646				
		3,140,912				

NOL ECC
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Exhibit R
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Schedule C

Functionalization of Costs

		Allocation	Pro Forma	Power			Trans
		<u>Basis</u>	<u>\$\$\$\$</u>	<u>Supply</u>	<u>Stations</u>	<u>Lines</u>	<u>former</u>
Acct	Description						
No.	Demand Charges	Direct Assign	10,082,201	10,082,201			
555	Energy Charges	Direct Assign	36,702,730	36,702,730			
	Load Center Charges	Direct Assign	849,936	849,936			
	Total Purchased Power		47,634,867	47,634,867			
580	Super & Eng	Prop. Exp(b)	166,265		-	92,065	-
582	Station Expnese	Plant Bal (a)	-		-	-	
583	O/H Line	Plant Bal (a)	1,550,929			1,276,860	
584	U/G line	Direct Assign	100,202			82,495	
586	Meter	Direct Assign	713,946				
587	Consumer Installations	Prop. Exp(b)	89,860			-	-
588	Misc. Distribution Plant	Prop. Exp(b)	1,617,021		-	895,381	-
	Total Operations		4,238,222	-	-	2,346,801	-
			-			-	-
590	Supervision	Prop. Exp©	166,766		25	123,775	2,385
592	Station Equipment	Plant Bal (a)	436		436	-	-
593.	O/H Lines	Plant Bal (a)	2,548,066			2,097,790	
594	Underground Lines	Plant Bal (a)	36,769			30,271	
595	Transformers	Plant Bal (a)	41,004			-	41,004
596	Maintence of Street Lights	Direct Assign	116,050				
597	Meters	Direct Assign	124,867				
598	Misc. Distribution Plant	Prop. Exp(b)	358,507		55	266,087	5,127

NOL RECC
Case No. 2016-00367

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 First Revision
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 Witness: James Adkins
 Schedule C

Functionalization of Costs

		Allocation			Cons&Acct	Outdoor
		Basis	Services	Meters	Services	Lighting
Acct No.	Description					
	Demand Charges	Direct Assign				
555	Energy Charges	Direct Assign				
	Load Center Charges	Direct Assign				
	Total Purchased Power					
580	Super & Eng	Prop. Exp(b)	19,761	48,353		6,086
582	Station Expnese	Plant Bal (a)	-			
583	O/H Line	Plant Bal (a)	274,069			
584	U/G line	Direct Assign	17,707			
586	Meter	Direct Assign		713,946		
587	Consumer Installations	Prop. Exp(b)	-	0	-	89,860
588	Misc. Distribution Plant	Prop. Exp(b)	192,187	470,263		59,189
	Total Operations		503,724	1,232,562	-	155,135
			-	-		-
590	Supervision	Prop. Exp©	26,568	7,263		-
592	Station Equipment	Plant Bal (a)	-		-	
593.	O/H Lines	Plant Bal (a)	450,276			
594	Underground Lines	Plant Bal (a)	6,497			
595	Transformers	Plant Bal (a)	-			
596	Maintence of Street Lights	Direct Assign				
597	Meters	Direct Assign		124,867		
598	Misc. Distribution Plant	Prop. Exp(b)	57,114	15,613		-

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 Schedule C

Functionalization of Costs

		Allocation	Pro Forma	Power			Trans
		<u>Basis</u>	<u>\$\$\$\$</u>	<u>Supply</u>	<u>Stations</u>	<u>Lines</u>	<u>former</u>
	Total Distribut Maintenance	Prop. Exp(b)	3,392,464	-	516	2,517,924	48,516
			-				-
901	Supervision	Direct Assign	170,950				
902	Meter Reading Expense	Direct Assign	144,920				
903	Cons Recds & Collections	Direct Assign	2,002,027				
904	Uncollectible Accounts	Direct Assign	175,762				
	Total Consumer Accounts		2,493,658	-		-	-
			-				
907	Supervision, Customer service		52,848				
908	Customer Assist. Expense	Direct Assign	133,852				
909	Customer Information Exp	Direct Assign	29,408				
913	Advertising	Direct Assign	459,699				
	Total Customer Service		675,807			-	-
	Total of Above		58,435,019	47,634,867	516	4,864,724	48,516
			-		0.00%	45.04%	0.45%
920	Administrative Salaries	Prop All Expense	1,795,958		86	808,955	8,068
0 921	Office Supplies	Prop All Expense	674,440		32	303,789	3,030
923	Outside Services	Prop All Expense	180,826		9	81,450	812
926	Retirement & Security-Emplo	Prop All Expense	368,186		18	165,842	1,654
928	Regulatory Expense	Prop All Expense	12,845		1	5,786	58
929	Duplicate Charges	Prop All Expense	(68,933)		(3)	(31,050)	(310)
930.2	Misc. General Exp-Other	Prop All Expense	261,341		12	117,716	1,174
930.21	Director Fees	Prop All Expense	42,170		2	18,995	189

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hibit R
 First Revision
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 Witness: James Adkins
 Schedule C

Functionalization of Costs

		Allocation			Cons&Acct	Outdoor
		Basis	Services	Meters	Services	Lighting
	Total Distribut Maintenance	Prop. Exp(b)	540,455	147,743	-	-
901	Supervision	Direct Assign			170,950	
902	Meter Reading Expense	Direct Assign			144,920	
903	Cons Recds & Collections	Direct Assign			2,002,027	
904	Uncollectible Accounts	Direct Assign			175,762	
	Total Consumer Accounts		-	-	2,493,658	-
907	Supervision, Customer service				52,848	
908	Customer Assist. Expense	Direct Assign			133,852	
909	Customer Information Exp	Direct Assign			29,408	
913	Advertising	Direct Assign			459,699	
	Total Customer Service		-		675,807	-
	Total of Above		1,044,179	1,380,305	3,169,465	155,135
			9.67%	12.78%	29.35%	1.44%
920	Administrative Salaries	Prop All Expense	173,637	229,531	527,050	25,797
921	Office Supplies	Prop All Expense	65,206	86,196	197,924	9,688
923	Outside Services	Prop All Expense	17,483	23,110	53,066	2,597
926	Retirement & Security-Emplo	Prop All Expense	35,597	47,056	108,050	5,289
928	Regulatory Expense	Prop All Expense	1,242	1,642	3,770	185
929	Duplicate Charges	Prop All Expense	(6,665)	(8,810)	(20,230)	(990)
930.2	Misc. General Exp-Other	Prop All Expense	25,267	33,401	76,694	3,754
930.21	Director Fees	Prop All Expense	4,077	5,390	12,376	606

NOL RECC
Case No. 2016-00367

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 Schedule C

Functionalization of Costs

		Allocation	Pro Forma	Power			Trans
		<u>Basis</u>	<u>\$\$\$\$</u>	<u>Supply</u>	<u>Stations</u>	<u>Lines</u>	<u>former</u>
930.23	Dues	Prop All Expense	120,405		6	54,234	541
935	General Plant Maintenance	Prop All Expense	364,780		17	164,308	1,639
	Total Admin & General		3,752,018	-	179	1,690,026	16,855
			-			-	-
403	Deprec. Distribution Plant		4,280,959		29,149	2,468,176	826,436
403	Deprec. General Plant		358,917		17	161,667	1,612
	Total Depreciation		4,639,876	-	29,166	2,629,843	828,048
			-				
426.11	Donations		-				
	Total Miscellaneous		-	-		-	-
		Rate Base	-			-	-
	Total Interest on LTD	Rate Base	1,710,275	-	9,953	954,480	282,960
		Rate Base	-				
	Total Short Term Interest		4,445		26	2,481	735
			-				
	Total Costs		68,541,633	47,634,867	39,840	10,141,553	1,177,114

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Functionalization of Costs

		Allocation			Cons&Acct	Outdoor
		<u>Basis</u>	<u>Services</u>	<u>Meters</u>	<u>Services</u>	<u>Lighting</u>
930.23	Dues	Prop All Expense	11,641	15,388	35,335	1,730
935	General Plant Maintenance	Prop All Expense	35,268	46,620	107,050	5,240
	Total Admin & General		362,752	479,524	1,101,086	53,895
			-	-	-	
403	Deprec. Distribution Plant		529,771	312,024	-	87,459
403	Deprec. General Plant		34,701	45,871	105,329	5,156
	Total Depreciation		564,472	357,895	105,329	92,615
426.11	Donations					
	Total Miscellaneous		-	-	-	-
		Rate Base	-	-	-	-
	Total Interest on LTD	Rate Base	204,871	138,405	73,473	33,422
		Rate Base				
	Total Short Term Interest		532	360	191	87
	Total Costs		2,176,806	2,356,489	4,449,544	335,154

FUNCTIONALIZATION OF COSTS
FOOTNOTES

(a) Plant Balances		Amount	Percent							
	Poles, Towers & Fixtures	24,760,631								
	Overhead Conductor	22,237,643								
	Underground Conductor	7,890,295								
	Subtotal	54,888,570	82.3%							
	Services	11,781,443	17.7%							
	Total	66,670,013	100.0%							
(b) Expense Proportion		Stations	Lines	Transformers	Services	Meters	Outdoor Lighting	Street Lighting	Total	
582	Station Expnese	-	-	-	-	-	-	-	-	
583	O/H Line		1,276,860	-	274,069	-	-	-	1,550,929	
584	U/G line		82,495	-	17,707	-	-	-	100,202	
586	Meter			-		713,946			713,946	
587	Consumer Installations						89,860		89,860	
	Total	-	1,359,354	-	291,776	713,946	89,860		2,454,936	2,454,936
	Percent	0.00%	55.37%	0.00%	11.89%	29.08%	3.66%		100%	

FUNCTIONALIZATION OF COSTS
FOOTNOTES

[c] Expense Proportion		Stations	Lines	Transformers	Services	Meters	Outdoor Lighting	Street Lighting	Total	
592	Station Equipment	436	-	-	-	-	-	-	436	
593.	O/H Lines		2,097,790	-	450,276	-	-	-	2,548,066	
594	Underground Lines		30,271		6,497				36,769	
595	Transformers		-	41,004	-	-			41,004	
596	Maintence of Street Lights					-		116,050	116,050	
597	Meters					124,867			124,867	
	Total Distribut Maintena	436	2,128,061	41,004	456,773	124,867	-	116,050	2,867,192	
	Percent	0.02%	74.22%	1.43%	15.93%	4.36%	0.00%	4.05%	100%	
[d] Expense Proportion		Stations	Lines	Transformers	Services	Meters	Consumer Lighting	Street Lighting	Total	
	Total Distribution Oper	-	2,346,801	-	503,724	1,232,562	-	155,135	-	4,238,222
	Total Distribution Maint	516	2,517,924	48,516	540,455	147,743	-	-	137,311	3,392,464
	Total Consumer Acctg		-	-	-	-	2,493,658	-	-	2,493,658
	Total Customer Service		-	-	-	-	675,807	-	-	675,807
	Total	516	4,864,724	48,516	1,044,179	1,380,305	3,169,465	155,135	137,311	10,800,152
	Percent	0.00%	45.04%	0.45%	9.67%	12.78%	29.35%	1.44%	1.27%	1

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NET INVESTMENT RATE BASE

								Consumer & Accounting	Outdoor	Street
	Description	Total \$\$\$\$	Stations	Lines	Transformers	Services	Meters	Services	Lighting	Lighting
360	Land & Land Rights									
362	Station eqt	649,002	649,002							
364	Poles, towers	24,791,094		24,791,094						
365	O\H conductor	22,269,375		22,269,375						
366	UG conductor	7,893,140		7,893,140						
368	Transformers	18,400,486			18,400,486					
369	Services	11,795,290				11,795,290				
370	Meters	6,845,230					6,845,230			
371	Install on Cust Premises	1,947,272							1,947,272	
372	Temporary Meter Poles	101,945					101,945			
373	Street Lighting	622,163								622,163
		c								
	Total Distribution Plant	95,314,996	649,002	54,953,609	18,400,486	11,795,290	6,947,175	-	1,947,272	622,163
			0.68%	57.65%	19.30%	12.38%	7.29%	0.00%	2.04%	0.65%
	Total General Plant	16,717,583	799	7,530,120	75,098	1,616,287	2,136,578	4,906,023	240,134	212,544
			0.0%	45.0%	0.4%	9.7%	12.8%	29.3%	1.4%	1.3%

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NET INVESTMENT RATE BASE

								Consumer & Accounting	Outdoor	Street
Description	Total \$\$\$\$	Stations	Lines	Transformers	Services	Meters	Services	Lighting	Lighting	
Total Utility Plant in Serv	112,032,580	649,801	62,483,729	18,475,584	13,411,577	9,083,752	4,906,023	2,187,406	834,707	
Accum. Depreciation	41,869,350	242,847	23,351,717	6,904,783	5,012,238	3,394,823	1,833,502	817,488	311,951	
Net Plant in Service	70,163,230	406,954	39,132,012	11,570,801	8,399,338	5,688,929	3,072,521	1,369,918	522,756	
	113,771,036	0.58%	55.77%	16.49%	11.97%	8.11%	4.38%	1.95%	0.75%	
CWIP	1,738,456	11,837	1,002,302	335,608	215,135	126,710	-	35,516	11,348	
	71,901,686	418,792	40,134,314	11,906,408	8,614,473	5,815,639	3,072,521	1,405,434	534,104	
Plus										
Cash Working Capital	1,819,021	10,551	1,014,519	299,979	217,758	147,489	79,657	35,516	13,553	
Materials & Supplies	1,221,173	7,083	681,083	201,387	146,188	99,014	53,476	23,843	9,098	
Prepayments	206,387	1,197	115,108	34,036	24,707	16,734	9,038	4,030	1,538	
Minus: Consumer Advances	317,800	2,164	183,227	61,351	39,328	23,163	-	6,493	2,074	
Net Investment Rate Base	74,830,467	435,458	41,761,797	12,380,459	8,963,798	6,055,713	3,214,692	1,462,330	556,218	
Percentage		0.58%	55.81%	16.54%	11.98%	8.09%	4.30%	1.95%	0.74%	

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Acct No.	Description	Pro Forma \$\$\$	Power Supply			Stations	Lines	
			Demand	Energy	Load Center		Demand	Consumer
555	Demand Charges	10,082,201	10,082,201					
	Energy Charges	36,702,730	-	36,702,730				
	Load Center Charges	849,936			849,936			
	Total Purchased Power	47,634,867	10,082,201	36,702,730	849,936			
580	Super & Eng	166,265				-	51,656	40,409
582	Station Expnese	-				-	-	-
583	O/H Line	1,550,929				-	746,762	530,098
584	U/G line	100,202				-	31,202	51,293
586	Meter	713,946				-		
587	Consumer Installations	89,860				-		
588	Misc. Distribution Plant	1,617,021				-	502,380	393,001
	Total Operations	4,238,222	-	-	-	-	1,332,000	1,014,801
		0						
590	Supervision	166,766				25	69,448	54,328
592	Station Equipment	436				436		-
593	O/H Lines	2,548,066				-	1,226,877	870,913
594	Underground Lines	36,769				-	11,449	18,822
595	Transformers	41,004				-	-	
596	Maintence of Street Lights	116,050				-		
597	Meters	124,867				-		
598	Misc. Distribution Plant	358,507				55	149,296	116,791
	Total Distribut Maintenance	3,392,464	-	-	-	516	1,457,070	1,060,853
901	Supervision	170,950						
902	Meter Reading Expense	144,920						
903	Cons Recds & Collections	2,002,027						
904	Uncollectible Accounts	175,762						
	Total Consumer Accounts	2,493,658						
907	Supervision, Customer service	52,848						
908	Customer Assist. Expense	133,852						
909	Customer Information Exp	29,408						
913	Advertising	459,699						
	Total Customer Service	675,807	-		-		-	

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Acct No.	Description	Transformers		Services	Meters	Cons & Acct	Outdoor	Street
		Demand	Consumer	Consumer	Consumer	Consumer	Lighting	Lighting
555	Demand Charges							
	Energy Charges							
	Load Center Charges							
	Total Purchased Power							
580	Super & Eng			19,761	48,353		6,086	
582	Station Expnese			-				
583	O/H Line			274,069				
584	U/G line			17,707	-			
586	Meter				713,946			
587	Consumer Installations						89,860	
588	Misc. Distribution Plant			192,187	470,263	-	59,189	
	Total Operations	-	-	503,724	1,232,562	-	155,135	-
		0						
590	Supervision	1,418	967	26,568	7,263	-	-	6,750
592	Station Equipment			-				
593.	O/H Lines			450,276				
594	Underground Lines			6,497				
595	Transformers	24,382	16,623	-				
596	Maintence of Street Lights							116,050
597	Meters				124,867			-
598	Misc. Distribution Plant	3,049	2,078	57,114	15,613	-		14,511
	Total Distribut Maintenance	28,848	19,668	540,455	147,743	-	-	137,311
901	Supervision					170,950		
902	Meter Reading Expense					144,920		
903	Cons Recds & Collections					2,002,027		
904	Uncollectible Accounts					175,762		
	Total Consumer Accounts	-	-	-	-	2,493,658	-	-
907	Supervision, Customer service					52,848		
908	Customer Assist. Expense					133,852		
909	Customer Information Exp					29,408		
913	Advertising					459,699		
	Total Customer Service	-	-	-	-	675,807	-	-

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Acct	Description	Pro Forma \$\$\$	Power Supply			Stations	Lines	
			Demand	Energy	Load Center		Demand	Consumer
	Total of Above	58,435,019	10,082,201	36,702,730	849,936	516	2,789,070	2,075,654
920	Administrative Salaries	1,795,958				86	453,888	355,067
921	Office Supplies	674,440				32	170,450	133,339
923	Outside Services	180,826				9	45,700	35,750
926	Retirement & Security-Employers	368,186				18	93,051	72,792
928	Regulatory Expense	12,845				1	3,246	2,539
929	Duplicate Charges	(68,933)				(3)	(17,421)	(13,628)
930.2	Misc. General Exp-Other	261,341				12	66,048	51,668
930.21	Director Fees	42,170				2	10,658	8,337
930.23	Dues	120,405				6	30,430	23,804
935	General Plant Maintenance	364,780				17	92,190	72,118
	Total Admin & General	3,752,018				179	948,239	741,786
		-						
403	Deprec. Distribution Plant	4,280,959				29,149	1,443,494	1,024,681
403	Deprec. General Plant	358,917				17	94,550	67,117
	Total Depreciation	4,639,876	-		-	29,166	1,538,044	1,091,799
426.1	Donations	-						
	Total Miscellaneous	-						
		-					-	-
	Total Interest on LTD	1,710,275	-			9,953	558,220	396,259
		-					-	-
	Total Short Term Interest	4,445	-			26	1,451	1,030
		-					-	-
	Total Costs	68,541,633	10,082,201	36,702,730	849,936	39,840	5,835,025	4,306,529
		-					-	-
	Margin Requirements	1,710,275	-	-	-	9,953	558,220	396,259
	Total Revenue Requirements	70,251,908	10,082,201	36,702,730	849,936	49,793	6,393,245	4,702,788

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Acct	Description	Transformers		Services	Meters	Cons & Acct	Outdoor	Street
		Demand	Consumer	Consumer	Consumer	Consumer	Lighting	Lighting
	Total of Above	28,848	19,668	1,044,179	1,380,305	3,169,465	155,135	137,311
920	Administrative Salaries	4,797	3,271	173,637	229,531	527,050	25,797	22,833
921	Office Supplies	1,801	1,228	65,206	86,196	197,924	9,688	8,575
923	Outside Services	483	329	17,483	23,110	53,066	2,597	2,299
926	Retirement & Security-Employers	983	670	35,597	47,056	108,050	5,289	4,681
928	Regulatory Expense	34	23	1,242	1,642	3,770	185	163
929	Duplicate Charges	(184)	(126)	(6,665)	(8,810)	(20,230)	(990)	(876)
930.2	Misc. General Exp-Other	698	476	25,267	33,401	76,694	3,754	3,323
930.21	Director Fees	113	77	4,077	5,390	12,376	606	536
930.23	Dues	322	219	11,641	15,388	35,335	1,730	1,531
935	General Plant Maintenance	974	664	35,268	46,620	107,050	5,240	4,638
	Total Admin & General	10,022	6,833	362,752	479,524	1,101,086	53,895	47,702
403	Deprec. Distribution Plant	491,407	335,029	529,771	312,024	-	87,459	27,944
403	Deprec. General Plant	959	654	34,701	45,871	105,329	5,156	4,563
	Total Depreciation	492,365	335,683	564,472	357,895	105,329	92,615	32,507
426.1	Donations							
	Total Miscellaneous							
	Total Interest on LTD	168,250	114,709	204,871	138,405	73,473	33,422	12,713
	Total Short Term Interest	437	298	532	360	191	87	33
	Total Costs	699,923	477,191	2,176,806	2,356,489	4,449,544	335,154	230,266
	Margin Requirements	168,250	114,709	204,871	138,405	73,473	33,422	12,713
	Total Revenue Requirements	868,174	591,900	2,381,676	2,494,894	4,523,017	368,576	242,978

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Determination of Plant Investments as Demand Related or Consumer Related

Account 364 - Poles						
Pole	Investment	Number of Units	Unit Cost	Size		
20' FBG	52,597	275	191.26	20.00		
25' AL	24,537	21	1,168.41	25.00		
25'	888,064	5,832	152.27	25.00		
30'	828,044	4,385	188.84	30.00		
35'	1,103,417	8,856	124.60	35.00		
40'	6,996,795	20,474	341.74	40.00		
45'	3,283,780	7,062	464.99	45.00		
50'	1,056,688	1,692	624.52	50.00		
55'	273,051	395	691.27	55.00		
60'	82,638	109	758.14	60.00		
65'	21,069	12	1,755.76	65.00		
70'	69,406	45	1,542.35	70.00		
75'	7,972	4	1,993.01	75.00		
80'	5,734	4	1,433.62	80.00		
12' Whatley	64,774	92	704.06	12.00		
14' AL	859	1	858.67	14.00		
Total for Sample	14,759,424	49,259				
X Variable - (Size)	18.47					
Zero Intercept	(462.65)					
Use Minimum Size Pole			124.60			
Number of poles			49,259.00			
Consumer Related Investment			6,137,448.08			
Total Investment for sample			14,759,423.95			
Percent Customer Related			41.58%			
Percent Demand Related			58.42%			

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Account 365 - Overhead Conductor					
<u>Conductor</u>	<u>Investment</u>	<u>Number of Units</u>	<u>Unit Cost</u>	<u>Amps</u>	
6ACWC	5,977	158,780	\$ 0.0376	140	
8ACWC	15,506	154,482	\$ 0.1004	100	
9.5 DCWC	2,463	119,923	\$ 0.0205		
6HD CU	1,187	32,853	\$ 0.0361	128	
1/0 ACWC	3,404	4,942	\$ 0.6888		
4 ACSR	1,560,388	7,921,576	\$ 0.1970	140	
2 ACSR	2,932,280	5,652,801	\$ 0.5187	184	
1/0 ACSR	865,320	2,737,547	\$ 0.3161	242	
3/0 ACSR	1,099,010	3,027,914	\$ 0.3630	357	
2/0 ACSR	39,085	579,191	\$ 0.0675	322	
4/0 ACSR	98,757	330,673	\$ 0.2987	367	
#336.4 Spacer Cable	3,004,380	1,059,787	\$ 2.8349	519	
4 Amerductor	27,614	913,101	\$ 0.0302	315	
6 Amerductor	4,978	104,452	\$ 0.0477	576	
8 Amerductor	9,941	271,895	\$ 0.0366	268	
9 Amerductor	284	14,150	\$ 0.0201	268	
336.4 ACSR	2,354,187	2,208,940	\$ 1.0658	519	
Total for Sample	12,024,761	25,293,007	\$ 0.4754		
X Variable - (Size)	-0.00027				
Zero Intercept	-0.98335				
Total Amount of Conductor in Feet		25,293,007			
Use Minimum Size		0.19698			
Minimum Size Investment -Consumer Related		4,982,203.62	41.43%		
Demand Related		7,042,557	58.57%		
Investment in Conductor		12,024,761	100.00%		

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Account 367 - Underground Conductor						
<u>Conductor</u>	<u>Investment</u>	<u>Number of Units</u>	<u>Unit Cost</u>	<u>Amps</u>		
2 SOL AL Primary	105,495	56,870	1.86	140		
1/0 STR AL PRIMARY	2,053,873	901,745	2.28	242		
4/0 AL & CU PRI	148,235	42,981	3.45	367		
500 MCM PRIMARY	1,173,131	165,094	7.11	500		
	3,480,734	1,166,690	2.98			
X Variable - (Size)	0.01677					
Zero Intercept	-1.85762					
Total Amount of Conductor in Feet		1,166,690				
Use Minimum Size		1.86				
Minimum Size Investment -Consumer Related		2,164,234	62.18%			
Demand Related		1,316,500	37.82%			
Investment in Conductor		3,480,734	100.00%			
Breakdown of Lines into Demand Related and Consumer Related Components						
		Total Sample	Percent	Amount	Percent	Amount
		Investment	Consumer	Consumer	Demand	Demand
Underground Conductor	3,480,734	62.18%	2,164,233.54	37.82%	1,316,500	
Overhead Conductor	12,024,761	41.43%	4,982,203.62	58.57%	7,042,557	
Poles	14,759,424	41.58%	6,137,448.08	58.42%	8,621,976	
	30,264,919		13,283,885		16,981,034	
Percentage Allocations For Lines			43.89%		56.11%	
Percentage Allocation for OH Lines						
	26,784,185	41.52%	11,119,652	58.5%	15,664,533	

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Determination of Plant Investments as Demand Related or Consumer Related

Account 368-Transformers						
Pole	Investment	Number of Units	Unit Cost	Predicted Value	Size	
5 CONV	89,721	576.00	155.77	5.00		
7.5 CONV	1,988	12.00	165.67	7.50		
10 CONV	1,126,923	4,090.00	275.53	10.00		
15 CONV	4,080,709	7,985.00	511.05	15.00		
25 CONV	2,666,626	2,767.00	963.72	25.00		
37.5 CONV	689,243	1,005.00	685.81	37.50		
50 CONV	886,268	904.00	980.38	50.00		
75 CONV	176,488	149.00	1,184.48	75.00		
100 CONV	85,732	77.00	1,113.40	100.00		
167 CONV	76,565	55.00	1,392.09	167.00		
250 CONV	9,573	2.00	4,786.50	250.00		
333 CONV	27,033	10.00	2,703.30	333.00		
500 CONV	8,588	3.00	2,862.67	500.00		
3 CSP	2,485	28.00	88.75	500.00		
500 KVA URD	40,445	8.00	5,055.66			
500 BARE COST	4,610	2.00	2,304.79			
300 KVA URD	15,475	4.00	3,868.82			
1667 KVA AUTO CONV	4,159	3.00	1,386.17			
2000 KVA 3PH PAD MT	16,504	4.00	4,125.96			
75KVA	12,457	13.00	958.27			
100KVA	177,408	132.00	1,344.00			
167 KVA	160,099	87.00	1,840.22			
250 KVA	57,539	22.00	2,615.40			
333 KVA	175,919	51.00	3,449.40			
500 KVA	21,706	3.00	7,235.32			
500 KVA 3PH PAD MT	79,745	11.00	7,249.53			
1500 KVA PAD MT	9,265	1.00	9,265.00			
500 KVA URD	39,937	8.00	4,992.06			
750-1000 KVA 3PH PAD MT	79,109	8.00	9,888.68			
1500 KVA PAD MT	9,265	1.00	9,265.00			
Total Sample Investment	10,831,583	18,021	601.05			
X Variable - (Size)	21.04					
Zero Intercept	243.6613					
Number of Transformers			18,021.00			
Zero Intercept			243.66			
Consumer Related Investment			4,391,021.13			
Demand Related Investment			6,440,562.16			
Percentage of Investment Consumer Related			40.54%			
Percentage of Investment Demand Related			59.46%			

ALLOCATION OF COSTS TO EACH RATE CLASS

	A	B	C	D	E	F
1					Farm & Home	Residential
2		Catengory		Enviro	Residential	Prepay
3			Amount	Watts	Rate 1	Rate 1P
4		Purchased Power Costs			63.62%	2.80%
5		Demand	10,082,201		6,413,852	282,182
6		Energy	36,702,730	5,600	22,487,071	903,726
7		Load Center Charges	849,936		551,653	22,766
8			47,634,867	5,600	29,452,576	1,208,673
9						
10		Distribution Costs				
11		<u>Demand Related</u>				
12		Stations	39,840		28,016	1,156
13		Lines	5,835,025		4,103,198	169,330
14		Transformers	699,923		586,445	24,209
15		Total Demand Related	6,574,788	-	4,717,659	194,696
16						
17		<u>Consumer Related</u>				
18		Lines	4,306,529		3,883,187	172,854
19		Transformers	477,191		405,961	18,071
20		Services	2,176,806		1,957,751	87,146
21		Meters	2,356,489		2,103,887	93,651
22		Consumer Svc				
23		& Accouting	4,449,544		3,495,046	363,012
24		Total Consumer Related	13,766,558		11,845,832	734,734
25						
26		Outdoor Lighting	335,154			
27		Street Lighting	230,266			
28						
29		Total Costs	68,541,633	5,600	46,016,067	2,138,103
30						
31						
32		Purchased Power Demand Costs	10,932,137	-	6,965,505	304,947
33		Purchased Power Energy Costs	36,702,730	5,600	22,487,071	903,726
34		Distribution Demand Costs	6,574,788	-	4,717,659	194,696
35		Distribution Consumer Costs	13,766,558	-	11,845,832	734,734
36		Distribution Outdoor Lighting	335,154	-	-	-
37						
38		Total Costs	68,311,367	5,600	46,016,067	2,138,103
39						

ALLOCATION OF COSTS TO EACH RATE CLASS

	B	C	G	H	I	J
1			Small	Large	Large	Industrial
2	Category		Commercial	Commercial	Industrial	5-10 MW
3		Amount	Rate 2	Rate 3	Rate 4	Rate 10
4	Purchased Power Costs		4.86%	3.91%	7.90%	5.59%
5	Demand	10,082,201	490,169	393,790	796,538	563,562
6	Energy	36,702,730	1,254,712	1,115,120	3,325,007	1,863,399
7	Load Center Charges	849,936	46,890	31,306	89,715	34,072
8		47,634,867	1,791,771	1,540,216	4,211,260	2,461,032
9						
10	Distribution Costs					
11	<u>Demand Related</u>					
12	Stations	39,840	2,381	1,590	4,556	1,730
13	Lines	5,835,025	348,767	232,855	667,302	253,424
14	Transformers	699,923	31,204	18,175	37,234	-
15	Total Demand Related	6,574,788	382,352	252,619	709,092	255,154
16						-
17	<u>Consumer Related</u>					
18	Lines	4,306,529	209,535	19,471	12,939	126
19	Transformers	477,191	41,550	5,854	3,890	-
20	Services	2,176,806	105,640	-	-	-
21	Meters	2,356,489	113,525	27,291	18,135	-
22	Consumer Svc					-
23	& Accounting	4,449,544	220,023	102,229	79,578	2,092
24	Total Consumer Related	13,766,558	690,273	154,845	114,543	2,217
25						-
26	Outdoor Lighting	335,154				-
27	Street Lighting	230,266				-
28						-
29	Total Costs	68,541,633	2,864,396	1,947,681	5,034,895	2,718,404
30						-
31						-
32	Purchased Power Demand Costs	10,932,137	537,059	425,096	886,253	597,634
33	Purchased Power Energy Costs	36,702,730	1,254,712	1,115,120	3,325,007	1,863,399
34	Distribution Demand Costs	6,574,788	382,352	252,619	709,092	255,154
35	Distribution Consumer Costs	13,766,558	690,273	154,845	114,543	2,217
36	Distribution Outdoor Lighting	335,154	-	-	-	-
37						-
38	Total Costs	68,311,367	2,864,396	1,947,681	5,034,895	2,718,404
39						

ALLOCATION OF COSTS TO EACH RATE CLASS

	B	C	K	L	M	N
1						
2	Catengory		10 MW plus	Outdoor	Street	Total
3		Amount	Rate 11	Lights	Lights	0
4	Purchased Power Costs					
5	Demand	10,082,201	1,098,339	32,553	11,218	10,082,201
6	Energy	36,702,730	5,608,836	112,797	26,461	36,702,730
7	Load Center Charges	849,936	65,448	6,020	2,066	849,936
8		47,634,867	6,772,623	151,370	39,746	47,634,867
9			-			
10	Distribution Costs					
11	<u>Demand Related</u>					
12	<u>Stations</u>	39,840	-	306	105	39,840
13	Lines	5,835,025	-	44,778	15,370	5,835,025
14	Transformers	699,923	-	1,977	679	699,923
15	Total Demand Realted	6,574,788	-	47,062	16,154	6,574,788
16			-			
17	<u>Consumer Related</u>					
18	Lines	4,306,529	126	5,150	3,141	4,306,529
19	Transformers	477,191	-	173	1,692	477,191
20	Services	2,176,806	-	20,657	5,612	2,176,806
21	Meters	2,356,489	-	-	-	2,356,489
22	Consumer Svc		-			
23	& Accouting	4,449,544	3,222	144,958	39,383	4,449,544
24	Total Consumer Related	13,766,558	3,348	170,938	49,828	13,766,558
25			-			
26	Outdoor Lighting	335,154		335,154		335,154
27	Street Lighting	230,266			230,266	230,266
28			-			
29	Total Costs	68,541,633	6,775,971	704,524	335,993	68,541,633
30			-			
31			-			
32	Purchased Power Demand Costs	10,932,137	1,163,787	38,573	13,284	10,932,137
33	Purchased Power Energy Costs	36,702,730	5,608,836	112,797	26,461	36,702,730
34	Distribution Demand Costs	6,574,788	-	47,062	16,154	6,574,788
35	Distribution Consumer Costs	13,766,558	3,348	170,938	49,828	13,766,558
36	Distribution Outdoor Lighting	335,154		335,154	230,266	565,419
37			-			
38	Total Costs	68,311,367	6,775,971	704,524	335,993	68,541,633
39						

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ENERGY AND DEMAND ALLOCATORS

Demand Related Costs and Energy Related Costs Allocators

f Consumers Individual Monthly Peak Demands										
	Farm & Home	Residential	Small	Large	Large	Industrial		-	-	
	Residential	Prepay	Commercial	Commercial	Industrial	5-10 MW	10 MW plus	Outdoor	Street	Total
	Rate 1	Rate 1P	Rate 2	Rate 3	Rate 4	Rate 10	Rate 11	Lights	Lights	
	320,409	11,765	17,186	9,777	20,257	-	-	1,084	368	380,846
	291,544	11,073	17,318	9,438	19,600	-	-	1,084	372	350,429
	286,497	11,243	17,688	9,083	19,720	-	-	1,084	372	345,687
	289,694	11,415	17,536	9,940	21,014	-	-	1,084	372	351,055
	291,909	11,522	16,856	9,713	19,727	-	-	1,084	372	351,183
	315,845	13,293	19,220	9,957	20,289	-	-	1,084	372	380,060
	365,093	15,515	18,279	11,080	22,103	-	-	1,084	372	433,526
	360,764	15,258	16,239	10,052	20,889	-	-	1,084	372	424,658
	329,904	13,692	15,981	10,147	19,717	-	-	1,092	376	390,909
	354,627	15,801	16,382	10,393	20,604	-	-	1,092	376	419,275
	339,826	14,775	17,056	10,959	22,424	-	-	1,092	376	406,508
	321,114	14,294	16,029	9,312	19,192	-	-	1,092	376	381,409
	3,867,226	159,646	205,770	119,851	245,536	-	-	13,040	4,476	4,615,545
	83.79%	3.46%	4.46%	2.60%	5.32%	0.00%	0.00%	0.28%	0.10%	100.00%

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Consumer Related Costs Allocators

A. Lines (poles and conduit)										
		Number of				Allocation				
		Consumers				Percent				
Schedule I - Residential		30,912				90.17%				
Schedule I - Prepay		1,376				4.01%				
Schedule 2 - Small Commercial		1668				4.87%				
Schedule 3 - Large Commercial		155				0.45%				
Schedule 4 - Industrial		103				0.30%				
Schedule 4-10 - Flint Ink		1				0.00%				
Schedule 4-11 - AGC		1				0.00%				
Schedule 5 - Security Lights		41				0.12%				
Schedule 6 - Street Lighting		25				0.07%				
		34,282				100.000%				
B. Transformers										
		Number of	Minimum	Relative		Alloaction			Total	
Rate Class		Consumers	Transformer	Weight	Weight	Percent	Number	Size	Unit/Cost	Cost
			Cost							
Schedule I - Residential		30,912	275.53	1.00	30,912.00	85.073%	1.00	10 KVA CSP	275.53	275.53
Schedule I - Prepay		1,376	275.53	1.00	1,376.00	3.787%	1.00	10 KVA CSP	275.53	275.53
Schedule 2 - Small Commercial		1,668	522.62	1.90	3,163.81	8.707%	1.00	25 KVA CSP	522.62	522.62
Schedule 3 - Large Commercial		155	792.39	2.88	445.76	1.227%	1.00	50 kVA	792.39	792.39
Schedule 4 - Industrial		103	792.39	2.88	296.21	0.815%	1.00	50 kVA	792.39	792.39
Schedule 4-10 - Flint Ink		-	-	-	-	0.000%	1.00	500 KVA	7,235.32	7,235.32
Schedule 4-11 - AGC		-	-	-	-	0.000%	1.00	500 KVA	7,235.32	7,235.32
Schedule 5 - Security Lights		41	88.75	0.32	13.21	0.036%	1.00	3 KVA CSP	88.75	88.75
Schedule 6 - Street Lighting		400	88.75	0.32	128.84	0.355%	1.00	3 KVA CSP	88.75	88.75
		34,655			36,335.83	100.0%				

Consumer Related Costs Allocators

C. Services									
Rate Class	# of Consumers	Minim Service Cost	Relative Cost	Weight	Allocation Percent	Number	Size	Unit/Cost	Total Cost
Schedule I - Residential	30,912	303.00	22.20	686,178.46	89.94%	150.00	4 TPX	2.02	303.00
Schedule I - Prepay	1,376	303.00	22.20	30,544.18	4.00%	150.00	4 TPX	2.02	303.00
Schedule 2 - Small Commercial	1,668	303.00	22.20	37,025.93	4.85%	150.00	4 TPX	2.02	303.00
Schedule 3 - Large Commercial	-	-	-	-	0.00%	312.00	2 TPX		-
Schedule 4 - Industrial	-	-	-	-	0.00%	312.00	2 TPX		-
Schedule 4-10 - Flint Ink	-	-	-	-	0.00%	279.00	2/0 TPX		-
Schedule 4-11 - AGC	-	-	-	-	0.00%	279.00	2/0 TPX		-
Schedule 5 - Security Lights	7,240	13.65	1.00	7,240.00	0.95%	15.00	2 TPX	0.91	13.65
Schedule 6 - Street Lighting	1,967	13.65	1.00	1,967.00	0.26%	15.00	2 TPX	0.91	13.65
	43,163		-	762,955.57	1.00				
D. Meters									
Rate Class	# of Consumers	Minimum Meter Cost	Relative Cost	Weight	Allocation Percent	Number	Size	Unit/Cost	Total Cost
Schedule I - Residential	30,912	209.28	1.00	30,912.00	89.28%		I210 Meter	209.28	209.28
Schedule I - Prepay	1,376	209.28	1.00	1,376.00	3.97%		I210 Meter	209.28	209.28
Schedule 2 - Small Commercial	1,668	209.28	1.00	1,668.00	4.82%		I210 Meter	209.28	209.28
Schedule 3 - Large Commercial	155	541.40	2.59	400.98	1.16%		3 PH Meter	541.40	541.40
Schedule 4 - Industrial	103	541.40	2.59	266.46	0.77%		3 PH Meter	541.40	541.40
Schedule 4-10 - Flint Ink	1	-	-	-	0.00%				
Schedule 4-11 - AGC	1	-	-	-	0.00%				
Schedule 5 - Security Lights	2,521	-	-	-	0.00%				
Schedule 6 - Street Lighting	711	-	-	-	0.00%				
	37,448			34,623.44	1.00				

Consumer Related Costs Allocators

E. Consumer & Accounting Services		Relative Weight		Relative Weight		Relative Weight		Relative Weight		Relative Weight		Relative Weight	
Rate Class	Number of Consumers	Meter Read	Cons Rcds	Cust Asst	Weights	Weight	Allocation Percent						
Schedule 1 - Residential	30,912	1.00	4.00	1.00	6.00	185,472	78.55%						
Schedule 1 - Prepaid	1,376	1.00	10.00	3.00	14.00	19,264	8.16%						
Schedule 2 - Small Commercial	1,668	1.00	4.00	2.00	7.00	11,676	4.94%						
Schedule 3 - Large Commercial	155	3.00	16.00	16.00	35.00	5,425	2.30%						
Schedule 4 - Industrial	103	3.00	14.00	24.00	41.00	4,223	1.79%						
Schedule 4-10 - Flint Ink	1	3.00	48.00	60.00	111.00	111	0.05%						
Schedule 4-11 - AGC	1	3.00	48.00	120.00	171.00	171	0.07%						
Schedule 5 - Security Lights	7,240	-	1.00	0.06	1.06	7,693	3.26%						
Schedule 6 - Street Lighting	1,967	-	1.00	0.06	1.06	2,090	0.89%						
						236,124	1						
Meter Reading		Relative Weight		Consumer Records		Consumer Assistance		Relative Weight		Relative Weight		Relative Weight	
	Factor	Weight	Factor	Weight	Factor	Weight	Factor	Weight	Factor	Weight	Factor	Weight	Weight
Schedule 1 - Residential	1.00	1.00	4.00	1.00	4.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00	1.00
Schedule 1 - Prepaid	1.00	1.00	5.00	1.00	10.00	1.00	3.00	1.00	3.00	1.00	3.00	1.00	3.00
Schedule 2 - Small Com	1.00	1.00	4.00	1.00	4.00	1.00	2.00	1.00	2.00	1.00	2.00	1.00	2.00
Schedule 3 - Large Com	3.00	1.00	7.00	2.00	14.00	8.00	2.00	3.00	2.00	3.00	16.00	3.00	16.00
Schedule 4 - Industrial	3.00	1.00	7.00	2.00	14.00	8.00	3.00	3.00	24.00	3.00	24.00	3.00	24.00
Schedule 4-10 - Flint Ink	3.00	1.00	12.00	4.00	48.00	10.00	6.00	6.00	60.00	3.00	60.00	3.00	60.00
Schedule 4-11 - AGC	3.00	1.00	12.00	4.00	48.00	10.00	12.00	12.00	120.00	3.00	120.00	3.00	120.00
Schedule 5 - Security Li	-	-	1.00	1.00	1.00	0.25	0.25	0.25	0.06	-	0.06	-	0.06
Schedule 6 - Street Light	-	-	1.00	1.00	1.00	0.25	0.25	0.25	0.06	-	0.06	-	0.06

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			Enviro	Farm & Home	Residential	Small	Large
			Watts	Residential	Prepay	Commercial	Commercial
		Total		Rate 1	Rate 1P	Rate 2	Rate 3
Normalized Revenue from Rates		\$62,842,390	6,485	\$39,745,982	1,683,504	2,754,318	1,945,405
Wholesale Demand Costs							
Generation		10,082,201	-	6,413,852	282,182	490,169	393,790
Distribution Substation		849,936	-	551,653	22,766	46,890	31,306
Total Wholesale Demand		10,932,137	-	6,965,505	304,947	537,059	425,096
Wholesale Energy Costs		36,702,730	5,600	22,487,071	903,726	1,254,712	1,115,120
Total Wholesale Costs		47,634,867	5,600	29,452,576	1,208,673	1,791,771	1,540,216
Gross Margin		15,207,523	884	10,293,406	474,831	962,547	405,189
Distribution Demand Costs							
Stations		39,840	-	28,016	1,156	2,381	1,590
Lines		5,835,025	-	4,103,198	169,330	348,767	232,855
Transformers		699,923	-	586,445	24,209	31,204	18,175
Total Distribution Demand		6,574,788	-	4,717,659	194,696	382,352	252,619
Distribution Consumer							
Lines		4,306,529	-	3,883,187	172,854	209,535	19,471
Transformers		477,191	-	405,961	18,071	41,550	5,854
Services		2,176,806	-	1,957,751	87,146	105,640	-
Meters		2,356,489	-	2,103,887	93,651	113,525	27,291
Consumer Services		4,449,544	-	3,495,046	363,012	220,023	102,229
Total Distribution Consumer		13,766,558	-	11,845,832	734,734	690,273	154,845
Outdoor Lighting		335,154					
Street Lighting		230,266					
Total Distribution Costs		20,906,766	-	16,563,490	929,430	1,072,625	407,465
Margin before Other Revenue		(5,699,242)	884	(6,270,084)	(454,599)	(110,078)	(2,275)

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			Farm & Home	Residential	Small	Large
		Enviro	Residential	Prepay	Commercial	Commercial
	Total	Watts	Rate 1	Rate 1P	Rate 2	Rate 3
Allocation of Other Elec. Revenue	888,918		782,707	33,153	54,240	
Allocation of Other Revenue	164,588	17	104,097	4,409	7,214	5,095
Allocation of Ft Knox Margins	1,013,124		892,072	37,785	61,819	
Net Margin	(3,632,611)	901	(4,491,208)	(379,252)	13,195	2,820
Interest Expense	1,710,275	-	1,360,940	62,253	90,973	33,532
OTIER	(2.33)		(3.61)	(6.30)	(0.21)	0.93
TIER	(1.12)		(2.30)	(5.09)	1.15	1.08
Return on Rate Base						
Rate Base	74,830,466		59,742,813	2,734,822	3,969,331	1,432,045
Return	-2.57%	0.00%	-4.18%	-0.42%	0.14%	0.05%
Cost Components						
Purchased Power Expenses						
Demand Related	10,932,137	-	6,965,505	304,947	537,059	425,096
Energy Related	36,702,730	5,600	22,487,071	903,726	1,254,712	1,115,120
Distribution Expenses						
Demand Related	6,574,788	-	4,717,659	194,696	382,352	252,619
Consumer Related	13,766,558	-	11,845,832	734,734	690,273	154,845
Number of Monthly Charges						
Customer Charges			375,274	15,439	20,281	1,834
Customer Charge			\$ 32.20	\$ 32.20	\$ 34.04	\$ 84.43
Total Purchased Power Costs	47,634,867	5,600	29,452,576	1,208,673	1,791,771	1,540,216
Total Distribution Costs	20,906,766	-	16,563,490	929,430	1,072,625	407,465
	68,541,633	5,600	46,016,067	2,138,103	2,864,396	1,947,681

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	Large Industrial	Industrial 5-10 MW	10 MW plus	Outdoor Lights	Street Lights
	Rate 4	Rate 10	Rate 11		
Normalized Revenue from Rates	5,698,294	2,717,312	7,031,026	955,611	304,420
Wholesale Demand Costs					
Generation	796,538	563,562	1,098,339	32,553	11,218
Distribution Substation	89,715	34,072	65,448	6,020	2,066
Total Wholesale Demand	886,253	597,634	1,163,787	38,573	13,284
Wholesale Energy Costs	3,325,007	1,863,399	5,608,836	112,797	26,461
Total Wholesale Costs	4,211,260	2,461,032	6,772,623	151,370	39,746
Gross Margin	1,487,035	256,280	258,403	804,241	264,675
Distribution Demand Costs					
Stations	4,556	1,730	-	306	105
Lines	667,302	253,424	-	44,778	15,370
Transformers	37,234	-	-	1,977	679
Total Distribution Demand	709,092	255,154	-	47,062	16,154
Distribution Consumer					
Lines	12,939	126	126	5,150	3,141
Transformers	3,890	-	-	173	1,692
Services	-	-	-	20,657	5,612
Meters	18,135	-	-	-	-
Consumer Services	79,578	2,092	3,222	144,958	39,383
Total Distribution Consumer	114,543	2,217	3,348	170,938	49,828
Outdoor Lighting				335,154	
Street Lighting					230,266
Total Distribution Costs	823,635	257,372	3,348	553,154	296,247
Margin before Other Revenue	663,400	(1,092)	255,055	251,087	(31,572)

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 Witness: James Adkins]
 Schedule K

	Large Industrial Rate 4	Industrial 5-10 MW Rate 10	10 MW plus Rate 11	Outdoor Lights	Street Lights
Allocation of Other Elec. Revenue				18,819	-
Allocation of Other Revenue	14,924	7,117	18,415	2,503	797
Allocation of Ft Knox Margins				21,448	
		-			
Net Margin	678,324	6,025	273,470	293,856	(30,775)
Interest Expense	78,432	24,723	65	43,111	16,247
OTIER	9.46	0.96	3,939.02	6.82	(0.94)
TIER	9.65	1.24	4,223.34	7.82	(0.89)
Return on Rate Base					
Rate Base	3,321,183	1,038,633	2,863	1,879,823	708,953
Return	1.01%	0.04%	0.37%	0.45%	-0.02%
Cost Components					
Purchased Power Expenses					
Demand Related	886,253				
Energy Related	3,325,007				
Distribution Expenses					
Demand Related	709,092				
Consumer Related	114,543	23,697	68,796		
Number of Monthly Charges					
Customer Charges	1,246	12	12		
Customer Charge	\$ 91.93	\$ 1,974.78	\$ 5,733.00		
Total Purchased Power Costs	4,211,260	2,461,032			
Total Distribution Costs	823,635	257,372			
	5,034,895	2,718,404			


NOL  ECC
Case No. 2016-00367
Unbundled Rate Base

Exhibit R
 First Revision
 Page 41 of 44
 Witness: James Adkins
 Schedule M

			Farm & Home Residential	Residential	Small	Large
			Residential	Prepay	Commercial	Commercial
		Amount	Rate 1	Rate 1P	Rate 2	Rate 3
<u>Function</u>	<u>Classification</u>					
Stations		435,458	306,215	12,637	26,028	17,378
Lines		41,761,797				
	Demand	23,431,699	16,477,207	679,980	1,400,543	935,074
	Consumer	18,330,098	16,528,207	735,728	891,856	82,876
Transformer		12,380,459				
	Demand	7,361,539	6,168,011	254,627	328,192	191,156
	Consumer	5,018,921	4,269,749	190,061	437,005	61,571
Services						
	Demand					
	Consumer	8,963,798	8,061,761	358,857	435,010	-
Meters						
	Demand					
	Consumer	6,055,713	5,406,575	240,665	291,737	70,132
Consumer Acct & Serv.		3,214,692	2,525,090	262,268	158,962	73,858
		-				
Outdoor Lighting		1,462,330				
Street Lighting		556,218				
Total		74,830,466	59,742,813	2,734,822	3,969,331	1,432,045

NOL RECC
Case No. 2016-00367
Unbundled Rate Base

Exhibit R
 First Revision
 Page 42 of 44
 Witness: James Adkins
 Schedule M

		Large	Industrial			
		Industrial	5-10 MW	10 MW plus	Outdoor	Street
		Rate 4	Rate 10	Rate 11	Lights	Lights
<u>Function</u>	<u>Classification</u>					
Stations		49,800	18,913	-	3,342	1,147
Lines						
	Demand	2,679,682	1,017,674	-	179,817	61,722
	Consumer	55,073	535	535	21,922	13,367
Transformer						
	Demand	391,616	-	-	20,798	7,139
	Consumer	40,915	-	-	1,824	17,796
Services						
	Demand					
	Consumer	-	-	-	85,061	23,110
Meters						
	Demand					
	Consumer	46,604	-	-	-	-
Consumer Acct & Serv.		57,494	1,511	2,328	104,729	28,453
Outdoor Lighting		-			1,462,330	
Street Lighting						556,218
Total		3,321,183	1,038,633	2,863	1,879,823	708,953

NOLIN RECC
CASE NO. 16-00367
SUMMARY OF INCREASE BY RATE CLASS

Exhibit R
 Filing Division
 Page 42 of 44
 Witness: James Adkins
 Schedule L

			Farm & Home	Residential	Small	Large
		Enviro	Residential	Prepay	Commercial	Commercial
	Total	Watts	Rate 1	Rate 1P	Rate 2	Rate 3
Revenue Requirements						
Total Costs	68,541,633	5,600	46,016,067	2,138,103	2,864,396	1,947,681
Plus Margin Requirements	1,710,275		1,360,940	62,253	90,973	33,532
Revenue Requirements	70,251,908	5,600	47,377,006	2,200,356	2,955,368	1,981,213
Minus Revenue from Rates	62,842,390	6,485	39,745,982	1,683,504	2,754,318	1,945,405
Increase Amount	7,409,517	(884)	7,631,024	516,853	201,050	35,808
Less: Other Revenue	2,066,631	17	1,778,876	75,347	123,273	5,095
Net Increase Amount	5,342,887	(901)	5,852,148	441,505	77,778	30,713
Less: Increase amount	5,342,919	0	\$4,743,281	\$194,780	\$125,337	\$93,251
Under (Over) Recovery	(32)	(901)	1,108,866	246,725	(47,559)	(62,538)
State of Oper with Increase						
Revenue from Rates	62,842,390	6,485	39,745,982	1,683,504	2,754,318	1,945,405
Rate Increase	\$5,342,919	\$0	\$4,743,281	\$194,780	\$125,337	\$93,251
Tota Rate Revenue	68,185,309	6,485	44,489,263	1,878,284	2,879,655	2,038,656
Purchased Power Costs	47,634,867	5,600	29,452,576	1,208,673	1,791,771	1,540,216
Gross Margins	20,550,442	884	15,036,687	669,611	1,087,884	498,440
Distribution Costs	20,906,766	-	16,563,490	929,430	1,072,625	407,465
Margins before Other Rev.	(356,323)	884	(1,526,803)	(259,819)	15,259	90,976
Plus Other Revenue	2,066,631	17	1,778,876	75,347	123,273	5,095
Net Margins with Increase	1,710,308	901	252,073	(184,472)	138,531	96,071
Interest Expense	1,710,275	-	1,360,940	62,253	90,973	33,532
TIER	2.00	#DIV/0!	1.19	(1.96)	2.52	3.87
OTIER	0.79	-	(0.12)	(3.17)	1.17	3.71
Rate Base	74,830,466		59,742,813	2,734,822	3,969,331	1,432,045
Return on Rate Base	4.57%	0.00%	2.70%	-4.47%	5.78%	9.05%

NOLAN RECC
CASE NO. 16-00367
SUMMARY OF INCREASE BY RATE CLASS

Exhibit R
 Filing Division
 Page 47 of 44
 Witness: James Adkins
 Schedule L

	Large	Industrial				
	Industrial	5-10 MW	10 MW plus	Outdoor	Street	Total
	Rate 4	Rate 10	Rate 11	Lights	Lights	Costs
Revenue Requirements						
Total Costs	5,034,895	2,718,404	6,775,971	704,524	335,993	68,541,633
Plus Margin Requirements	78,432	24,723	65	43,111	16,247	1,710,275
Revenue Requirements	5,113,327	2,743,126	6,776,036	747,635	352,239	70,251,908
Minus Revenue from Rates	5,698,294	2,717,312	7,031,026	955,611	304,420	62,842,358
Increase Amount	(584,967)	25,814	(254,991)	(207,976)	47,819	7,409,550
Less: Other Revenue	14,924	7,117	18,415	42,769	797	2,066,631
Net Increase Amount	(599,891)	18,698	(273,405)	(250,745)	47,022	5,342,919
Less: Increase amount	\$53,050	\$33,593	\$83,253	\$0	\$16,344	5,342,889
Under (Over) Recovery	(652,941)	(14,895)	(356,659)	(250,745)	30,678	30
State of Oper with Increase						
Revenue from Rates	5,698,294	2,717,312	7,031,026	955,611	304,420	62,842,358
Rate Increase	\$53,050	\$33,593	\$83,253	\$0	\$16,344	\$5,342,889
Tota Rate Revenue	5,751,344	2,750,905	7,114,280	955,611	320,764	68,185,247
Purchased Power Costs	4,211,260	2,461,032	6,772,623	151,370	39,746	47,634,867
Gross Margins	1,540,084	289,873	341,657	804,241	281,019	20,550,380
Distribution Costs	823,635	257,372	3,348	553,154	296,247	20,906,766
Margins before Other Rev.	716,449	32,501	338,309	251,087	(15,228)	(356,386)
Plus Other Revenue	14,924	7,117	18,415	42,769	797	2,066,631
Net Margins with Increase	731,374	39,618	356,723	293,856	(14,431)	1,710,245
Interest Expense						
Interest Expense	78,432	24,723	65	43,111	16,247	1,710,275
TIER	10.32	2.60	5,508.76	7.82	0.11	2.00
OTIER	10.13	2.31	5,224.44	6.82	0.06	0.79
Rate Base						
Rate Base	3,321,183	1,038,633	2,863	1,879,823	708,953	74,830,466
Return on Rate Base	24.38%	6.19%	12463.13%	17.93%	0.26%	4.57%

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

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.

Response

For the Actual Test Year, the TIER, excluding G&T should be (0.31). The formula was in error on the application.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

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

Response

The corrected "Exhibit T" is attached.

Nolin Rural Electric Cooperative
Case No. 2016-00367
Monthly Operating Budget
April 30, 2016

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	<u>May</u>	<u>June</u>	<u>July</u>	<u>August</u>	<u>September</u>	<u>October</u>	<u>November</u>	<u>December</u>	<u>January</u>	<u>February</u>	<u>March</u>	<u>April</u>	<u>Total</u>
Operating revenue	5,716,743	6,599,032	7,271,336	7,133,137	5,908,124	5,741,827	6,821,110	8,311,117	7,973,736	6,975,959	6,155,961	5,308,605	79,916,687
Operating expenses:													
Cost of power	4,124,989	4,707,940	5,167,061	5,124,583	4,275,964	4,176,069	4,871,462	5,847,788	5,709,865	5,003,174	4,488,606	3,895,938	57,393,439
Distribution-operations	360,900	360,900	360,900	360,900	360,900	360,900	360,900	360,900	364,906	364,906	364,906	364,906	4,346,824
Distribution-maintenance	355,154	355,154	355,154	355,154	355,154	355,154	355,154	355,154	383,013	383,013	383,013	383,013	4,373,284
Consumer accounts	226,733	229,619	231,686	230,853	227,192	226,738	230,525	235,611	217,958	214,946	211,873	209,124	2,692,858
Customer services	74,289	74,289	74,289	74,289	74,289	74,289	74,289	74,289	74,590	74,590	74,590	74,590	892,672
Sales													-
Administrative and general	342,855	342,855	342,855	342,855	342,855	342,855	342,855	342,855	381,666	381,666	381,666	381,666	4,269,504
Total operation and maintenance	5,484,920	6,070,757	6,531,945	6,488,634	5,636,354	5,536,005	6,235,185	7,216,597	7,131,998	6,422,295	5,904,654	5,309,237	73,968,581
Depreciation	338,861	339,502	340,143	340,786	341,431	342,076	342,724	343,372	342,677	342,671	342,664	342,658	4,099,565
Taxes-other													-
Interest on long term debt	237,807	230,136	232,506	232,506	225,006	228,416	221,048	228,416	384,715	347,485	384,715	367,742	3,320,498
Interest expense - other	342	342	342	342	342	342	342	342	234	234	234	234	3,672
Other deductions	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	2,000	24,000
Total cost of electric service	6,063,930	6,642,737	7,106,936	7,064,268	6,205,133	6,108,839	6,801,299	7,790,727	7,861,624	7,114,685	6,634,267	6,021,871	81,416,316
Utility operating margins	(347,187)	(43,705)	164,400	68,869	(297,009)	(367,012)	19,811	520,390	112,112	(138,726)	(478,306)	(713,266)	(1,499,629)
Nonoperating margins, interest	227,408	227,408	227,408	227,408	227,408	227,408	227,408	227,408	146,923	146,923	146,923	146,923	2,406,956
Nonoperating margins, other	6,125	6,125	6,125	6,125	6,125	6,125	6,125	6,125	1,308	1,308	1,308	1,308	54,232
Patronage capital:													
G & T													-
Others													-
Net margins	(113,654)	189,828	397,933	302,402	(63,476)	(133,479)	253,344	753,923	260,343	9,505	(330,075)	(565,035)	961,559

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

10. Refer to the application, Exhibit K.

- a. 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.

Response:

Nolin recorded an extraordinary loss of \$6,819,244 in the prior year to settle pending threatened litigation regarding Ft. Knox.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

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.

Response:

Nolin follows the Uniform System of Accounts for the initial installation of meters, i.e., the estimated installation cost is capitalized at the time of purchase. The offsetting entry is to credit Account 586, Meter Expense. Nolin is in the process of a system wide meter change to an AMI system as approved by this Commission in Case No. 2014-00436. The estimated installation cost is based on individual meter changes. Since Nolin is in a systematic meter change, the estimated installation cost should be much less. As a result, Nolin over-estimated the installation cost [credits to Account 586, Meter Expense]. Nolin recorded adjustments to this account based on updated estimated installation costs.

- 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.

Response:

Nolin is required to test meters as they are removed. This increase is attributable to the PSC authorized system meter change to AMI. When employees are not testing the meters, these meter technicians will normally record labor in Account 586, Meter Expense. [See PSC-2-11-a].

- 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.

Response:

Nolin is required to test power meters as they are removed. This increase is attributable to the PSC authorized system meter change to AMI. When employees are not testing the meters, these meter technicians will normally record labor in Account 586, Meter Expense. [See PSC-2-11-a]. The transactions charged to this account include in house labor as well as contract labor to perform the meter removal and testing.

- 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.

Response:

The transactions charged to this account include Nolin employees' labor to physically change out meters. The increase in this account is directly attributable to the PSC authorized system meter change to AMI. When employees are not changing meters, these meter technicians will normally record labor in Account 586, Meter Expense. [See PSC-2-11-a].

- 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.

Response:

The decrease in this account resulted from a change in tree trimming contractors and a change in the posting of labor to more accurately reflect the job performed. The prior year also included posting of un-reimbursable FEMA expenses from a previous year.

- 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.

Response:

The transactions charged to this account include labor, material and expenses incurred in maintenance of distribution line transformers and reclosers. The prior period reflects credits received from our testing company for junked transformers in previous years. The test period reflects the testing that was performed during the test period.

- 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.

Response:

The transactions charged to this account include labor, material and expenses incurred in the maintenance of street lighting. There was an increase in the number of street lights installed during this period.

- 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.

Response:

The transactions charged to this account include labor, material and expenses incurred in the maintenance of security lights, leased property on customers' premises. Nolin has placed more emphasis on our employees to accurately record their labor hours, which is reflected in the increase in 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.

Response:

The decrease in this account is a reflection of the credits received from East Ky power for their portion of our Direct Load Control program incentives.

- j. Account 908.53, Customer Serv Exp-Marketing decreased by \$171,441, from 4240,220 to \$68,778, from the prior year to the test period. Provide a detailed explanation for why this account decreased by this magnitude.

Response:

The decrease in this account is a reflection of the credits received from East Ky Power for their portion of our Button Up, Energy Star Appliance, Advanced Lighting, heat Pump, and Geothermal rebate programs.

- 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.

Response:

An additional employee was hired into the Accounting department in May 2015. This expense is reflected in account 920.00.

- 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.

Response:

In June 2015, we realized an error in the calculation for duplicate charges. The correction of that calculation resulted in the substantial decrease.

- 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.

Response:

During the prior year we experienced a sprinkler system failure. The repairs to the system as well as the general water damage repair and additional employee hours explain the decrease between the prior year and test period.

- 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.

Response:

Nolin recorded an extraordinary loss of \$6,819,244.00 in April 2015. The United States Government threatened litigation against Nolin regarding certain provisions of the contract. As a result of the investigation and negotiations, Nolin agreed to settle the threatened litigation in the amount of approximately \$6.8 million. This was recorded as a non-operating expense in 2015.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

12. Refer to the Application, Exhibit Z, page 1 of 2. The total capitalization for 2009 and 2010 do not sum to 100 percent. Please provide a corrected copy.

Response

The corrected "Exhibit Z," page 1 of 2 is attached.

Nolin Rural Electric Cooperative
Case No. 2016 - 00357
Comparative Capital Structure (Excluding JDIC)
For the Periods as Shown
"000" Omitted

Line No.	Type of Capital	2005 8th Year		2006 7th Year		2007 6th Year		2008 5th Year		2009 6th Year		2010 5th Year	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
1	Long Term Debt	30,073	57%	31,144	57%	31,008	55%	36,035	58%	34,434	54%	35,723	53%
2	Short Term Debt	0	0%	0	0%	575	1%	432	1%	1,058	2%	0	0%
3	Memberships	408	1%	413	1%	416	1%	420	1%	426	1%	430	1%
4	Patronage Capital	22,737	43%	23,016	42%	24,506	43%	25,757	41%	27,347	43%	30,893	46%
5	Other (Itemize by type)												
6	Total Capitalization	53,218	100%	54,573	100%	56,505	100%	62,644	100%	63,265	100%	67,046	100%

Line No.	Type of Capital	2011 2nd Year		2012 1st Year		2013 2nd Year		2014 1st Year		2015 Test year		Latest Quarter April 30, 2016		Average Test Year	
		Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio	Amount	Ratio
1	Long Term Debt	37,526	52%	37,921	50%	42,813	52%	91,805	57%	93,839	58%	97,878	59%	96,174	60%
2	Short Term Debt	0	0%	790	1%	0	0%	0	0%	0	0%	0	0%	0	0%
3	Memberships	430	1%	431	1%	432	1%	277	0%	275	0%	275	0%	275	0%
4	Patronage Capital	34,222	47%	36,569	48%	39,662	48%	70,366	43%	67,219	42%	66,429	40%	65,053	40%
5	Other (Itemize by type)														
6	Total Capitalization	72,178	100%	75,711	100%	82,907	100%	162,448	100%	161,333	100%	164,582	100%	161,503	100%

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

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.

Response

Nolin Board Policy #708.0 "Wage and Salary Plan" (see "Attachment 13A", page 9) states 'annual adjustments will be determined each year. Changes will include approved merit adjustments as well as market adjustments. Recommended increases will be based on Board approval.' We follow the adopted wage and salary plan to attract and retain qualified personnel. It ensures salary opportunities and reflects changes in competitive compensation trends and economic conditions.

The Wage and Salary increases are based on the Wage and Salary Plan developed for Nolin by Intandem and adopted by the Nolin Board of Directors. The plan is updated annually to reflect changes in state, regional and national trends. Periodically the plan is revised by Intandem to make sure the plan is reflective of the current market for each job.

Eighty-four per cent (84%) of Nolin's members live in Hardin County. As of 2015, Hardin County is the 6th largest county in Kentucky with a population of 106,439. Nolin competes for employees with large and medium size industrial and commercial companies. Also, Hardin County is located less than an hour's drive from Louisville, and Fort Knox is in Hardin County. All are competitors with Nolin for qualified personnel to fill positions at Nolin.

The modest wage and salary increases mentioned in this Request for Information were both fully justified by the Wage and Salary Plan (updated annually) and necessary in order to attract and retain the highly skilled and loyal workforce essential to Nolin's obligations to its Members to provide reliable service at reasonable rates.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

13. Refer to the application, Exhibit 1.
 - 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.

Response

The date should be 11/01/15. Board Policy #708.0 "Wage and Salary Plan" (see "Attachment 13A", page 9) states 'annual recommended increases will be based on Board approval and will become effective with the first pay period in November of each year.' Time reported for the first pay period runs from November 1 through November 15.

**Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
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13. Refer to the application, Exhibit 1.
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.

Response

235 Promotion
141 Job re-evaluation
167 Job re-evaluation
198 Step increase mid-year
229 Earned Bachelor's Degree
238 Job change; hourly to exempt
248 Job change
253 Job change
254 Job change
258 Step increase mid-year
260 Designated crew leader
262 Step increase mid-year
268 Promotion; hourly to exempt
274 Step increase mid-year
277 Step increase mid-year
289 Job re-evaluation
290 Job re-evaluation
295 Step increase mid-year
297 Step increase mid-year
301 Step increase mid-year
302 Job re-evaluation
303 Step increase mid-year
304 Job re-evaluation

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13. Refer to the application, Exhibit 1.
- 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.

Response

Some employees receive mid-year step increases in addition to the Board approved increase. Nolin's line technician apprenticeship program is a five step process over 48 months. Advancement through the program to each consecutive step is conditional upon satisfactory completion of all assigned course material, field work, on-call assignments, lab workshops, as well as positive recommendation by the Crew Leader and VP System Operations.

13. Refer to the application, Exhibit 1.
- 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.

Response

Board Policy #722.0 "Vacation Leave" states 'cash payment for unused vacation leave credits will be permitted when an employee terminates employment, an employee is laid off for lack of work, or because of unusually heavy workload, an employee is unable to use vacation leave credits within the required period of time.'

Amount shown in Dispatch column is an error; the amount should have been in the Regular column.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 708.0

SUBJECT: WAGE AND SALARY PLAN

I. PURPOSE:

- A. To establish a wage and salary plan which will attract and retain qualified personnel and encourage employee work performance, growth, and development.
- B. To provide a wage and salary plan which will enable management to provide wages and salaries on a fair, systematic, and controlled basis which will avoid unnecessary salary expense, and one which will permit management and the Board of Directors budget control of wage and fringe benefit cost requirements.
- C. To ensure that salary opportunities for employees reflect changes in competitive compensation trends and economic conditions.
- D. To determine salary increases and promotions on the basis of demonstrated individual performance.

II. POLICY:

It shall be the policy of Nolin RECC to establish a wage and salary plan for the organization and set forth the provisions pertaining to its administration.

III. PROVISIONS:

The following provisions and special conditions shall apply to this policy:

A. Conditions for Development of a Wage and Salary Plan

1. To meet the objectives of this Policy, the plan shall be developed by grouping positions as follows:
 - a. Exempt - Salaried (Management, Supervisory and Professional Positions) with the exception of the President & CEO. These are positions that meet the definition of exempt as set forth in the Fair Labor Standards Act, as amended, and are therefore exempted from the provisions of the act and not eligible for overtime.

- b. Administrative - Hourly. These positions provide administrative, technical and clerical support to the activities of the organization. These positions are defined as nonexempt as set forth in the provisions of the Fair Labor Standards Act and are therefore eligible for overtime compensation under the act.
 - c. Operations Skills - Hourly. These positions provide technical and trades and crafts support for the organization. They are defined as nonexempt as set forth in the provisions of the Fair Labor Standards Act, as amended, and are therefore eligible for overtime compensation under the act.
2. Salary ranges shall be established within each group based on position evaluation which considers the responsibility, knowledge, experience, skill, and effort required for each position. The salary range system will be reviewed every three (3) years.
 3. Salary structures will be developed within each position group. Each of these structures is designed in such a way as to respond to the unique characteristics and requirements of the jobs included in each of the groups. The following discussion refers only to the Exempt and Hourly Positions, which are covered under the same salary schedule.

Definitions of the Areas of a Salary Range

Each salary range consists of three basic parts: (1) lower third, (2) middle third, and (3) upper third, as well as the minimum, midpoint, and maximum.

Range Minimum - The minimum of a salary range is the minimum that Nolin RECC intends to pay for the position evaluated in that salary range. Each employee paid at or slightly above the minimum of the salary range will possess at least minimum qualifications for the position.

Lower Third - The lower part of the salary range will be used for the following employees: (1) the newly hired, (2) individuals recently promoted to a higher-level position, (3) less-experienced employees, and (4) individuals whose performance is below expectations, but who are still considered acceptable employees.

Range Midpoint - The midpoint of the salary range reflects the competitive value or worth of the position to Nolin RECC.

Middle Third - It is the objective of Nolin RECC to pay fully qualified, satisfactorily performing employees in the middle portion of the salary range at or near the midpoint. Such employees should progress to this area of the salary range within a reasonable period of time. It is expected that most employees will be paid in this area of the salary range.

Upper Third - The upper part of the salary range will be used for employees whose performance is consistently outstanding. Employees paid in this area of the salary range ordinarily will be an individual whose performance is consistently outstanding and exceeds performance standards.

Maximum Rate - Only in unusual circumstances will employees be paid above the maximum of their salary range. Any action that would place an employee above the salary range requires the explicit approval of the President & CEO.

B. Conditions for Administration

1. Positions will be reviewed and reevaluated whenever substantial changes are made to the duties and responsibilities within a position. At such time, the Vice President Administration and Finance and the Department Vice President will jointly evaluate the position. All new positions will also be jointly evaluated by the President & CEO and the Department Vice President.
2. General review and reevaluation of all positions will occur whenever there is substantial deviation from midpoint within salary range to market salary surveys.

C. Determination of Individual Pay Rates

All salary structures excluding the President & CEO will be part of the wage and salary plan. Determination of individual salaries upon recommendation of Department Vice Presidents in compliance with the plan will be made by the Vice President Administration and Finance. All salary decisions above the midpoint must be reviewed by the Vice President Administration and Finance and approved by the President & CEO.

1. Hiring Rate - All vacancies shall be filled on the basis of merit and in accordance with all state and federal equal opportunity and other legal requirements. Whenever there are employees within the system who are able to qualify, they will be considered for such vacancies. In making promotions, the MOST QUALIFIED INDIVIDUAL WILL BE SELECTED. Wherever vacancies occur, management may consider applications from those outside the system and will select the best-qualified applicant on the basis of merit.

New employees who meet or exceed minimum qualifications required for satisfactory performance will be paid at least the minimum of the salary range. However, new employees will normally be paid salaries between minimum and the midpoint of the range but will ordinarily be paid a salary within the lower third of the ranges. Decisions to hire above the minimum must be approved by the Department Vice President and reviewed by the Vice President Administration and Finance. Decisions to hire above the midpoint of the range must be reviewed by the Vice President Administration and Finance and approved by the President & CEO.

In some instances, it may be appropriate to hire a new employee who does not possess the minimum qualifications for the position, but who appears to have the potential for developing such qualifications in a short period of time. In such instances, an applicant may be hired below the minimum rate and placed in a lower salary range for the position. The salary of an employee hired under these conditions should be brought to the minimum of the salary range within three (3) months of the date of hiring.

Board Policy No. 708.0, page 5

All new employees will serve a 90 day performance evaluation period. The period will begin on the first day of the full-time assumption of duties. These employees will be continuously reviewed by their supervisors and again at the end of 90 days. At that time, a determination will be made as to employment status and salary adjustments, if appropriate.

2. Promotional Increases - Definition: A promotion is an assignment to a position with increased responsibilities in a higher salary range than the individual's current salary range.

Promotional increases will follow these guidelines: (1) a promotional increase ordinarily will be granted at the time of the promotion, (2) a promotional increase should generally bring the employee's salary at least to the minimum of the new salary range, (3) a promotional increase should be similar to a merit increase to recognize the greater duties and responsibilities an employee is assuming. Should a promotional increase occur at the same time as the merit increase, such promotional increase will be coordinated with the merit increase.

- a. Promotional increases in salary will be granted depending on salary position in the new salary range. Increases which place these individuals above the lower one-third of the new range must be reviewed by the Vice President Administration and Finance and approved by the President & CEO.
- b. Generally, a promotional increase should bring the individual to the minimum of the new salary range.
- c. In some cases it may be appropriate to withhold a promotional increase to evaluate an employee's suitability and performance in the new position. In such cases, a delay in granting a promotional increase will not be made for longer than 90 days. By the end of this period, a promotional increase may be granted. An employee not performing as expected shall be reassigned to a more appropriate position or terminated.

3. Lateral Transfers

A lateral transfer is the transfer of an employee to a position in the same salary range as his or her current position.

These transfers do not provide an increase in salary. The employee's performance normally will be reviewed and a merit increase considered under the established merit increase policies.

When extenuating circumstances are present, a justification for an increase in salary for a lateral transfer may be present. The Vice President Administration and Finance must review and the President & CEO must approve all such salary actions for employees who are given lateral transfers.

4. Demotions

A demotion may be due to unsatisfactory performance or result of an organizational change. If a demotion results from unsatisfactory performance, the salary of the employee will normally be reduced to the appropriate salary range, and the new salary will not exceed the maximum of said salary range, except as set out below. If the salary prior to demotion is within the salary range of the new position, it may be reduced to an appropriate level. Upon the recommendation of the Department Vice President and the Vice President Administration and Finance and upon approval of the President & CEO, a demoted individual whose salary exceeds the maximum of the new range may remain at his or her current rate.

A demoted employee will receive further salary consideration according to the policies and procedures governing merit increases. All actions which reduce an employee's salary must be reviewed by the Vice President Administration and Finance and approved by the President & CEO.

5. Merit Increases

A merit increase is an increase based on an employee's performance and is an increase within the assigned salary range.

- a. The size of a merit increase awarded to an employee will be based upon: (1) performance in accomplishing the duties and responsibilities of the assigned position, (2) the time interval since employment or the last merit or promotional increase, (3) the position in the range of the employee's current salary, and (4) the ability of Nolin RECC to provide an increase.

The financial parameters approved by the Board of Directors, the President & CEO, based on the recommendation of the Vice President Administration and Finance will annually determine merit increase guidelines. These guidelines will be communicated to all Department Vice Presidents for their use in determining merit increase amounts for employees under supervision.

- b. Merit increases for personnel hired during the current plan year will be determined using the following formula:
- (1) Hirings that occur during the first quarter -- a $\frac{3}{4}$ portion of the merit will be granted based on performance.
 - (2) Hirings that occur during the second quarter -- a $\frac{1}{2}$ portion of the merit will be granted based on performance.
 - (3) Hirings that occur during the third quarter -- a $\frac{1}{4}$ portion of the merit will be granted based on performance.

D. Salary Probation

An employee whose performance is considered unsatisfactory may be denied an increase and placed on salary probation. The employee will be reviewed again at the end of a 90 day period.

If performance continues to be unsatisfactory at the time of review, the employee may be terminated or may be continued on salary probation for an additional 90 days. Performance will again be reviewed; and if performance continues to be unsatisfactory, appropriate action will be taken, up to and including termination of employment.

If performance improves during the probation period, the employee will be released from salary probation and will be reviewed on his or her regular review date. Appropriate salary action may be taken when salary probation is lifted or at the employee's review date. All salary probation actions must be fully documented.

IV. APPROVAL OF SALARY ACTION:

- A. Salary actions that fall within the guidelines defined in this policy will be reviewed by the Vice President Administration and Finance after approval by the affected employee's direct supervisor and the Department Vice President to whom such supervisor reports.

Salary actions that do not fall within the policies defined in this Policy require the approval of the President & CEO in addition to the above approvals.

V. IMPLEMENTATION -- DISCUSSION AND REVIEW:

A. Salary Adjustments

1. Exempt and Nonexempt Salaried. Annual adjustments will be determined each year. These changes will include approved merit adjustments as well as market adjustments. Informal performance reviews will be conducted annually. Ninety (90) day reviews will be conducted for all newly hired employees. All merit recommendations will be made by Department Vice Presidents each year. These merit recommendations will be reviewed by the Vice President Administration and Finance for conformance with policy. The reviewed recommendations will be compiled, including cost data, and submitted to the President & CEO. These recommended increases will be based on Board approval and will become effective with the first pay period in November of each year.

VI. INDIVIDUAL MOVEMENT THROUGH THE SALARY RANGES OF THE OPERATIONS SKILLS GROUPS:

Meeting Job Specifications:

Every individual must meet the job specifications prior to being moved into a specific salary range. (It will be the objective of Nolin RECC to develop formal training programs and documentation for every work group that involves technical expertise. These programs, which at some time in the future every Operations skills group employee of the Cooperative must complete, will require certification prior to moving from one step to another within the salary schedule.) Until such time that this program is implemented, the individual supervisor and the Department Vice President, in conjunction with the Vice President Administration and Finance, will determine the qualifications of the individual employees.

VII. REVIEW AND UPDATE OF WAGE AND SALARY PLAN:**Adjustment to Salary Ranges:**

In September of each year, the President & CEO will recommend any revisions necessary in the wage and salary plan. These recommendations will be based on wage and salary surveys, economic conditions, the rate of inflation, the financial condition of the system, and any other pertinent factors. If such a recommendation is adopted by the Board, a general adjustment to the wage and salary schedules will be made each year.

VIII. CLARIFICATION:

Nothing contained in this plan shall be considered or construed as an employment contract or a term of an employment contract for any employee, since employees of Nolin RECC are not employed pursuant to employment contracts.

Nothing contained in this plan shall be construed as a guarantee to any employee of a certain wage or salary, and all final decisions concerning the wages and salaries of employees shall remain within the discretion of management pursuant to the guidelines set forth in this plan.

IX. RESPONSIBILITY:

President & CEO.

This policy supersedes any existing policy, which may be in conflict with the provisions of this policy.

Adopted: 01-14-1993

Revised: 10-21-1998

Revised: 02-15-2001

Revised: 02-01-2010

Revised: 06-28-2011

Revised: 08-15-2014

Revised: 11-12-2015

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

Response:

Refer to Exhibit 1 of the application. Nolin separated the payroll between Nolin operations and Ft. Knox operations. The adjustment for payroll taxes is proportional to the wages and salaries that are directly reported for Nolin operations and Ft. Knox operations.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

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.

Response:

Nolin reviews its depreciation on an annual basis in conjunction with the annual audit. There have been no issues that would require Nolin to perform a depreciation study. Nolin has changed its rate for metering as the technology has changed over time. This Commission, in Case No. 2014-00436, has approved using a 12 year life for Nolin's latest metering technology. Nolin has incorporated those rates in this application.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information

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 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.

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- 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).

Response

Refer to Attachment 16A.

Nolin Rural Electric Cooperative Corporation ("Nolin")
 CONFIDENTIAL - Class NO: 2016-0337
 Salary & Benefit Data by Employee - 2011

Employee Number	Title	Regular	Overtime	Bonnet/Other	Sub-Total	Health Benefit Cost		Dental Benefit Cost		Vision		Life Insurance		AD&D		#OTC		Retirement		Totals	
						Non-Employee	Employee	Non-Employee	Employee	Non-Employee	Employee	Non-Employee	Employee	Non-Employee	Employee	Non-Employee	Employee	Non-Employee	Employee	Non-Employee	Employee
[REDACTED]																					

North Rural Electric Cooperative Corporation ("NREC")
 CENTRAL - 00000001 - 01/01/2014 - 12/31/2014
 Salary & Benefit Data by Employee - 2012

Employee Number	Trn	EmpId	OrgCode	BranchCode	SubType	Health Benefits Cost	Dental Benefit Cost	Vision	Life Insurance	AD&D	401K	Retirement	Yrly
						Non-Employee	Non-Employee	Non-Employee	Non-Employee	Non-Employee	Non-Employee	Non-Employee	Non-Employee
[REDACTED]													

North Rural Electric Cooperative Corporation ("NRECC")
 CONFIDENTIAL - Case NO: 2016-0037
 North Rural Electric Cooperative Corporation ("NRECC")
 CONFIDENTIAL - Case NO: 2016-0037
 North Rural Electric Cooperative Corporation ("NRECC")
 CONFIDENTIAL - Case NO: 2016-0037
 Salary is determined by Employer - 2014

Employee Number	Employee Name	Employee Title	North Rural Electric Cooperative Corporation ("NRECC")		Central Electric Cooperative ("CEC")		Union		Life Insurance		401K		Retirement		Other
			North Rural Electric Cooperative Corporation ("NRECC")	Central Electric Cooperative ("CEC")	Union	Life Insurance	401K	Retirement	Other						
			North Rural Electric Cooperative Corporation ("NRECC")	Central Electric Cooperative ("CEC")	Union	Life Insurance	401K	Retirement	Other						

North Rural Electric Cooperative Corporation ("NREC")
 Case No: 2018-0007
 Salary & Benefit Data by Employee - 2015

Employee Number	Title	Regular	Overtime	Seasonal/Other	Sub-Total	Health Insurance Cost		Dental Health Cost	Vision	Life Insurance		AD&D	CPLC	Retirement	Any Other	Total
						Health	Other			Health	Other					
[REDACTED]																

North Rural Electric Cooperative Corporation ("NRECC")
 CONFIDENTIAL - Case No: 2016-00387
 Salary & Benefit Data for Employees - 2016
 CONFIDENTIAL - Case No: 2016-00387
 Salary & Benefit Data by Employee - 2016

Employee Number	Ytd	Regular	Overtime	Standby	Sub-Total	Health Benefits Cost	Dental Benefits Cost	Visa	Life Insurance	401K	Retirement	Employee	Any Other	Total
						None	None	None	None	None	None	None	None	None
[REDACTED]														

Neelin Rural Electric Cooperative Corporation ("Neelin")
 CONFIDENTIAL - Case No: 2018-00387
 Salary & Benefit Data by Employee - Test Year

Employee Number	Title	Regular	Overtime	Bonus/Other	Sub-Total	Health Benefits Cost	Dental/Benefit Cost	Vision	Life Insurance	AD&D	401K	Retirement	Vol Comp/504K	Totals
						None Employee	None Employee	None Employee	None Employee	None Employee	None Employee	None Employee	None Employee	None Employee
[REDACTED]														

Nolin Rural Electric Cooperative Corporation
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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.

Response

Nolin Board Policy #722.0 "Vacation Leave" (see "Attachment 17A", page 3) states 'an employee who earns twenty (20) days (160 hours) of vacation leave per year and has accrued thirty (30) days (240 hours) can request cash payment of up to five (5) days in lieu of taking the days of leave.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 722.0

SUBJECT: VACATION LEAVE

I. PURPOSE:

The Cooperative recognizes the desirability for all regular full-time employees to have an extended period of time, which will enable them to:

- A. Relieve the stress of daily operational tasks.
- B. Gain new perspective toward employees' jobs.
- C. Return to their jobs with renewed interest and energy.

It also realizes that such breaks in the work routine are useful only when they can be taken without loss of pay to the employee.

II. POLICY:

It shall be the policy of Nolin Rural Electric Cooperative Corporation to grant to its regular full-time employees periods of vacation leave with pay under the provisions of this policy. Part-time, temporary and contract employees are not eligible for vacation.

III. PROVISIONS:

The following provisions and procedures shall apply to this policy:

Employment before January 01, 1984

	<u>Vacation Earned</u>
1st through 5th years	14 days (112 Hours)
6th through 10th years	18 days (144 Hours)
11th through 15th years	22 days (176 Hours)
16th year and over	26 days (208 Hours)

Employment after January 01, 1984

	<u>Vacation Earned</u>
4th month to Dec. 31 of hire year	1 day (8 hours) per month
1st through 5th years	12 days (96 Hours)
6th through 10th years	16 days (128 Hours)
11th through 15th years	20 days (160 Hours)
16th year and over	24 days (192 Hours)

Board Policy No. 722.0, page 2

- A. Employees who have worked less than three months will not accrue annual leave. Annual leave accrual begins at the fourth month and may be taken as it is earned (exceptions noted in D below).
- B. Annual leave continues to accrue during periods of paid leave such as annual and sick, where the employee returns to active employment. Annual leave will also accrue during periods of active duty military deployment. The accrual will be the same as if the person was on the job working.
- C. The use of annual leave normally requires approval, in advance, by the Department Vice President or Supervisor. Annual leave in excess of two consecutive weeks requires the approval of the President/CEO.
- D. Annual leave must be earned prior to absence. In extenuating circumstances, annual leave may be advanced by the Vice President of the Department, with concurrence of the President/CEO. The advancement normally will not exceed one-half (1/2) of the employee's current yearly accrual of annual leave.

In the event an employee is advanced annual leave and terminates employment; any annual leave taken that was not earned will be deducted from the employee's final pay.
- E. A maximum of five (5) days (40 hours) of annual leave may be carried forward from one calendar year to the next with a maximum accrual of 30 days (240 hours).
- F. After the second full year of employment, employee's earning annual leave are required to take at least five (5) consecutive days (40 hours) of annual leave within a calendar year. Exceptions may be made by the Department Vice President.
- G. If a holiday falls within the annual leave period, it will not be charged against annual leave and will count toward the required 40 consecutive annual hours.
- H. Cash payment for unused vacation leave credits will be permitted in the following circumstances:
 - 1. When an employee terminates employment, either by retirement, resignation or involuntarily.
 - 2. When an employee is laid off for lack of work.
 - 3. When, because of unusually heavy workload or the convenience of the Cooperative, an employee cannot use his/her vacation leave credits within the required time period, the employee may be paid in cash for unused leave.

Board Policy No. 722.0, page 3

4. An employee who earns twenty (20) days (160 hours) of vacation leave per year and has accrued thirty (30) days (240 hours) can request cash payment of up to five (5) days in lieu of taking the days of leave. The criteria and procedure are as follows:
 - a. The employee must have 240 hours of vacation “on the books” carried over from the previous year.
 - b. The employee must be earning at least 160 hours vacation during the year that the trade is being made.
 - c. If the employee has 240 hours accrued vacation that is “carried over” from the previous year, and if he/she earns at least 160 hours vacation per annum, the employee may return a maximum of five (5) vacation days back to the Cooperative in lieu of taking days off work.
 - d. Taxes will be withheld the same as with any payroll check.
 - e. Employees must complete a **Nolin RECC Request for Payment of Vacation Days** form requesting the sale of accrued vacation in lieu of taking time off work. The request must be in writing, signed by the employee, submitted no sooner than December 1st, and approved by the Departmental Vice President and CEO.
- I. Employees recruited or hired that were directly employed by an electric utility will be credited with service time earned at the former utility provided employment begins at Nolin within six (6) months of termination at the former utility. These years of service will be applied toward service at Nolin for the purpose of establishing annual leave.
- J. Employees who voluntarily terminate employment with Nolin and return to Nolin full time employment at a later date will be allowed to count total service time at Nolin toward annual leave requirements and length of service awards.

IV. RESPONSIBILITY:

The President & CEO and the Vice Presidents.

This policy supersedes any existing policy, which may be in conflict with the provisions of this policy.

Adopted: 10-09-1986
Revised: 02-15-2001
Revised: 10-11-2001
Revised: 02-09-2006
Revised: 03-12-2009
Revised: 05-16-2011
Revised: 11-12-2015

**Nolin Rural Electric Cooperative Corporation
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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 no, explain why.

Response:

The legal costs in the amount of \$1,990.57 for attending legal seminars should have been removed for rate-making purposes

- 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.

Response:

The entries were originally recorded outside the test year in Account 923, Professional Services. During the test year, these amounts were reversed to Account 370, Meters. Both amounts have been removed as part of the (\$3,097.04)

- 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.

Response:

The payments reflected on Page 4 are costs associated with ARC Flash Studies, Work Order Field Inspections, and Substation Data retrieval. Nolin will continue to enlist the services of outside contractors to perform these studies and inspections.

- d. Page 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.

Response:

The payments reflected on pages 4 and 5 are costs associated with Sectionalizing Studies, Long Range Plan compilation, and other recurring expenses. Nolin will continue to enlist the services of outside contractors to perform these studies.

- 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.

Response:

Nolin Board Policy #708.0 "Wage and Salary Plan" (see "Attachment 13a", page 2) states 'salary range system will be reviewed every three (3) years.' This expenditure is Compensation Plan comprehensive review \$15,500.00; accommodation and meals \$641.43; air fare and ground transportation \$784.56 for consultant Winston Tan of Intandem, LLC.

The Commission has historically required that a company's wage and salary plan be periodically updated in order to ensure that company wage and salary decisions are made using current data. For this reason, Nolin believes this to be a normal recurring expense.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Response to Commission Staff's Second Data Request

19. Refer to the application, Exhibit 8.
- a. Identify Nolin's designated NRECA representative.

Response

CEO Michael Miller is currently the NRECA voting delegate to NRECA regional and annual meetings.

- 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.

Response

Nolin's Board of Directors attends the Nolin RECC Annual Meeting, greets members, listens to member's concerns and suggestions and prepares and reports to the members at the business meeting. Immediately following the business meeting the board meets to conduct any necessary business and to reorganize and elect board officers. Director attendance at the annual meeting is a very important part of a director's job.

- 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.

Response

These two lengthy board meetings were held to discuss confidential personnel matters.

- 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.

Response

NRECA Group Life and LTD is group insurance included in the complete package of benefits for employees and directors that is provided through Nolin's National Association (NRECA).

The Employee Assistance Program (EAP) from the Wayne Corporation provides all employees, directors and their household members with professional help with issues such as:

- Emotional Difficulties
- Stress
- Relationship Problems
- Parent/Child/Family Conflicts
- Marital Distress
- Alcohol/Drug Problems
- Financial and Legal

NRECA RE Magazine is published monthly by Nolin's National Association (NRECA) and sent to employees and directors. This publication carries timely articles and news about what is happening in the electric cooperative industry. RE Magazine is informative and educational and is helpful to employees and directors to do our jobs better.

- 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.

Response

KAEC Annual Meeting, KAEC Annual Business Meeting, KAEC Board Meeting:
Attendance by five Nolin Board Members. Meals and Mileage = \$904.00

NRECA Director Seminar. Attended by one board member. = \$741.00

NRECA Director Seminar Winter School. Attended by one board member = \$808.32

Other KAEC Meetings/training. Attended by one board member. = \$402.00

These meetings and training opportunities are an important part of the continuing education of Nolin directors.

- 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.

Response

\$2554.57 of these charges are for meals for directors during monthly and special board of directors meetings. The Nolin board normally meets from 9:00 am until 2:00 or 3:00 pm on board meeting days and lunch is provided.

\$679.49 is for meals for directors attending the CFC Forum, NRECA Annual Meeting, NRECA Director Seminars/Training KAEC Meetings.

Lunches During Monthly Board and Special Meetings. = \$2554.57

Other meals:

CFC Forum = \$171.59

NRECA Annual Meeting = \$ 61.86

NRECA Director Seminars = \$523.96

KAES Board Meeting = \$155.53

Total Director's Meals = \$3234.06

- 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.

Response

Director Grimes attended the National Rural Utilities Cooperative Finance Corporation (CFC) Forum for CFC borrowers to learn how finances, interest rates, the economy etc. effect Nolin RECC. Updates were presented as well as the financial condition of CFC. Individual discussion was held with Nolin and CFC personnel concerning the Nolin financial condition and the rate case.

Refer to "Attachment 19A" for the agenda and location of this meeting.

- 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.

Response

Director Grimes attended the NRECA Director Seminar. Refer to "Attachment 19B" for the details of this Seminar.

Electric Cooperative directors are required to be knowledgeable and up to date on current trends and how all this effects Nolin. Nolin wants and needs the best trained directors available.

- 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.

Response

Mileage for Director Grimes of \$27.00 was related to her attendance at the KAEC Board Meeting and Legislative Reception in Frankfort.

The meal charge for Director Grimes of \$61.86 is related to the NRECA Director Seminar discussed in response to 19h.

- 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.

Response

Director Thomas attended NRECA training and seminars as shown on the attached "Attachment 19C." Refer to the explanation in the response to 19h.

- 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.

Response

Director Thomas attended NRECA training and seminars as shown on the attached "Attachment 19B." See explanation on response 19h.

- I. 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.

Response

Director Thomas attended NRECA training and seminars as shown on the attached Attachment ___. See explanation on 19h.

- m. Explain the references to RCCU.

Response

RCCU = Rural Cooperatives Credit Union, the issuer of the Visa credit cards used by Nolin. Most of these charges are for meals, etc., charged to this credit card for lunches during the monthly board meetings. The board normally meets from 9 am until 2 or 3 pm on board meeting days and lunch is provided.



Forum 2015

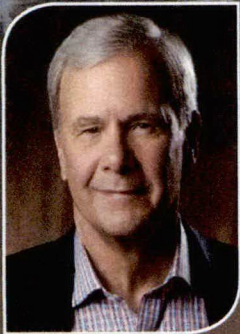
June 7-10 | Hilton Chicago

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SCHEDULED SPEAKERS



Tom Brokaw

Legendary Newsmen,
NBC News, and New York Times
Best-selling Author



Trish Regan

Anchor, Bloomberg Television



Sheldon C. Petersen

CEO, CFC



Tom Ricketts

Owner, Chicago Cubs, and
Chairman, InCapital, LLC



Daniel Yergin

Leading Energy Expert,
IHS Vice Chairman and Pulitzer
Prize-Winning Author



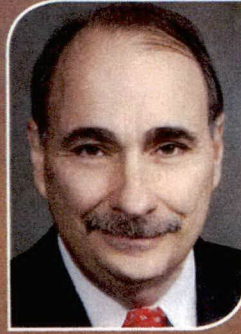
Austan Goolsbee

Professor of Economics,
University of Chicago Booth
School of Business



R. Glenn Hubbard

Dean and Russell L. Carson
Professor of Finance and
Economics, Columbia
Business School



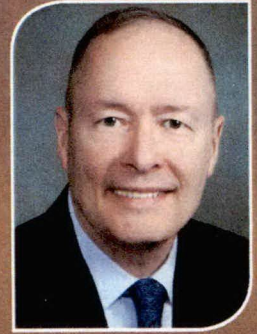
David Axelrod

Senior Adviser to President Obama
(2009–2011); Director, University of
Chicago, Institute of Politics



Lyndon Rive

Co-founder and CEO, SolarCity



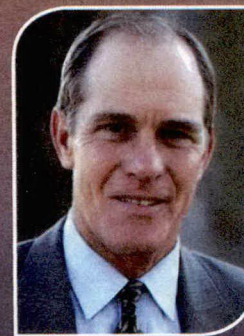
General Keith Alexander

Commander, U.S. Cyber
Command (2010–2014) and
Director, National Security
Agency/Chief, Central Security
Service (2005–2014)



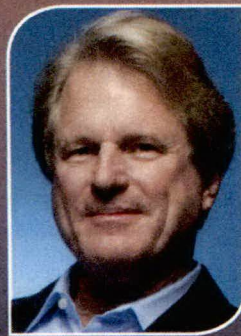
Kenneth Duberstein

Former Chief of Staff
to President Reagan



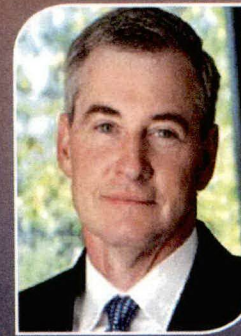
Steven Ford

Actor and Son of Former
President Gerald Ford



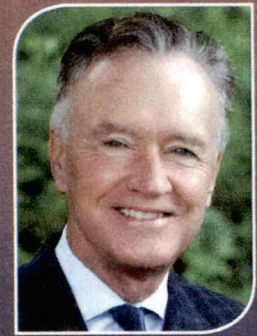
Roy Spence

Founder, Chairman and CEO,
GSD&M Idea City and
The Purpose Institute



Joe Brannan

Executive Vice President and
CEO, North Carolina EMC



Mike Williams

President/CEO,
Texas Electric Cooperatives

To learn more and register, visit nrucfc.coop. Questions: E-mail us at events@nrucfc.coop.

CFC Forum Agenda at a glance

NDAY, JUNE 7

8 a.m.–5:30 p.m.

Forum and NCSC Registration

1:30–4:30 p.m.

Pre-Conference Workshops:

Pre-registration required.

- The Art of Compromise: Financial Forecasting
- Leadership Workshop
- Trust But Verify: Auditing

MONDAY, JUNE 8

7 a.m.–5:30 p.m.

Forum and NCSC Registration

8–11 a.m.

Pre-Conference Workshops:

Pre-registration required.

- Insider's View of CFC
- CFC Financial Workshop

1–2:30 p.m.

Evening General Session featuring Tom Ricketts, Mike Williams and Roy Spence

2:45–3:45 p.m.

Breakout Sessions

CFC Forum breakout sessions featuring timely topics important to CEOs, CFOs and directors.

4–5:45 p.m.

General Session featuring General Keith Alexander

5:45 p.m.

Evening on Your Own—An Opportunity to Relax with Co-op Friends

TUESDAY, JUNE 9

7 a.m.–5:30 p.m.

Forum and NCSC Registration

7–8 a.m.

Continental Breakfast

8–9:45 a.m.

General Session featuring Aldon C. Petersen, Austan Goolsbee, Glenn Hubbard and Trish Regan

10:15–11:15 a.m.

Breakout Sessions

CFC Forum breakout sessions featuring timely topics important to CEOs, CFOs and directors.

11:30 a.m.–1:45 p.m.

NCSC Annual Meeting and Luncheon Featuring Tom Brokaw

2:15–3:15 p.m.

Breakout Sessions

CFC Forum breakout sessions featuring timely topics important to CEOs, CFOs and directors.

3:30–5:30 p.m.

General Session featuring David Axelrod, Kenneth Duberstein, Duane Noland and Steven Ford

5:30 p.m.

Evening on Your Own—An Opportunity to Relax with Co-op Friends

WEDNESDAY, JUNE 10

7 a.m.–1 p.m.

Forum Registration

7–8 a.m.

Continental Breakfast

8–9:30 a.m.

General Session featuring Joe Brannan, Lyndon Rive and Daniel Yergin

9:45–10:45 a.m.

Breakout Sessions

CFC Forum breakout sessions featuring timely topics important to CEOs, CFOs and directors.

11 a.m.–Noon

Closing General Session

Noon–1 p.m.

CFC Financial Webinar (Live)

Pre-registration required.

Customized for cooperative staff (CEOs and CFOs), experience the popular CFC Financial Webinar Series live.

1 p.m.

Forum Adjourns

INDUSTRY TOPICS

Economic Outlook

Purposeful Leadership

Political Outlook

Financial Tools

Cyber Security

New and Emerging Technologies

Multi-Generational Management

Cooperative Communications

Electric Rates



2016 NRECA ANNUAL MEETING & EXPO

February 11-18
New Orleans, Louisiana

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THE NEXT GREATEST THING

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NRECA



SCHEDULE

Subject to Change



Thursday, February 11

8:00 a.m. – 4:00 p.m.

Director Education

Friday, February 12

8:00 a.m. – 4:00 p.m.

Director Education

Saturday, February 13

8:00 a.m. – 4:00 p.m.

Director Education

8:00 a.m. – 4:00 p.m.

Community Service Project:
Rebuilding Together New Orleans

2016 NRECA ANNUAL MEETING & EXPO

2

Sunday, February 14

8:00 a.m. – 4:00 p.m.

Director Education

9:00 a.m. – 6:00 p.m.

Registration

10:00 – 11:30 a.m.

SEDC Member Enrichment Meeting

11:30 a.m. – 1:30 p.m.

NISC Annual Meeting & Luncheon

3:30 – 5:00 p.m.

NRTC Annual Meeting

4:00 – 5:00 p.m.

Proposed Resolutions Forum

5:30 – 7:30 p.m.

The Big Easy Welcome Reception
Sponsored by CoBank

Monday, February 15

7:00 a.m. – 5:00 p.m.

Registration

7:30 – 8:30 a.m.

CFC/Federated Continental Breakfast

7:30 – 8:30 a.m.

ACRE Breakfast

9:00 – 11:00 a.m.

Opening General Session

11:15 – 11:45 a.m.

Educational Forums/Roundtable
Discussions

11:45 a.m. – 12:45 p.m.

CFC/Federated Lunch

1:00 – 2:00 p.m.

Educational Forums

2:15 – 3:15 p.m.

Educational Forums

3:30 – 5:00 p.m.
CFC Annual Meeting

4:30 – 7:00 p.m.
TechAdvantage Expo Opening Reception

Tuesday, February 16

7:00 a.m. – 7:00 p.m.
Registration

7:30 – 8:30 a.m.
CFC/Federated Continental Breakfast

8:30 – 11:00 a.m.
Second General Session
(includes Business Meeting)

11:30 a.m. – 4:30 p.m.
TechAdvantage Expo Open

11:30 a.m. – 1:00 p.m.
International Lunch
Sponsored by CoBank

11:30 a.m. – 1:00 p.m.
CFC/Federated Lunch

1:30 – 2:30 p.m.
Educational Forums

2:45 – 3:15 p.m.
Educational Forums

3:45 – 4:45 p.m.
Federated Rural Electric Insurance
Exchange Annual Meeting

7:30 p.m.
Entertainment Night with Lonestar
and LeAnn Rimes
Doors open at 7:00 p.m.

Wednesday, February 17

7:00 – 10:00 a.m.
Registration

8:30 – 10:00 a.m.
Closing General Session

11:00 a.m. – 2:00 p.m.
TechAdvantage Expo Open



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THE NEXT GREATEST THING

KEYNOTE SPEAKERS

(As of November 1, 2015)



CHIP HEATH

Co-Author of the best-sellers *Decisive*, *Switch* and *Made to Stick*

Chip Heath is a professor at Stanford Graduate School of Business, teaching courses on business strategy and organizations. He is the co-author, with his brother Dan, of three *New York Times* bestsellers: *Made to Stick*, *Switch* and—most recently—*Decisive*. *Switch* was named one of the “Best Non-Fiction Books of the Year” by Amazon when it was published. The Heaths’ books have been translated into over 30 languages. Chip and Dan were named to the Thinkers 50, a ranking of the world’s 50 most influential management thinkers.



SALIM ISMAIL

Technology strategist, executive director of Singularity University and former vice president of Yahoo!

Salim Ismail is the best-selling author of *Exponential Organizations* – required reading at the world’s top brands. The executive director at Singularity University and a former Yahoo! executive who built and sold his company to Google, Ismail consults on innovation and growth. Believing that “if you aren’t disrupting your business or industry, someone else is,” he will discuss how breakthroughs in technologies like artificial intelligence, robotics, biotech, sensors, neuroscience and energy will impact both society and business.

MORE TO COME!

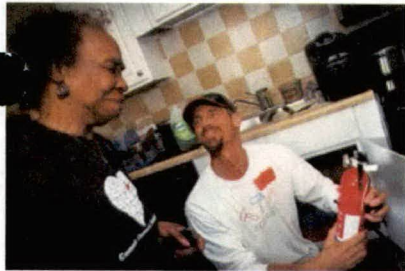
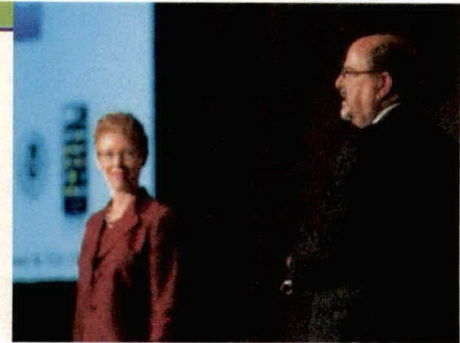
Visit cooperative.com/annual for the latest updates on general session speakers and other program information.

EDUCATIONAL FORUMS

Monday, February 15 • 11:15 – 11:45 a.m., 1:00 – 2:00 p.m. and 2:15 – 3:15 p.m.

Tuesday, February 16 • 1:30 – 2:30 p.m. and 2:45 – 3:15 p.m.

With the introduction of shorter general sessions, there will be more time in the program for educational forums. Organized into tracks (based on job role or interest area) and offered in time blocks of 30 minutes or one hour (with some sessions repeated), these educational sessions will cover a diverse array of topics of interest to co-op leadership and staff.



COMMUNITY SERVICE PROJECTS

This year, Annual Meeting participants will have opportunities to give back to New Orleans **before AND during the event:**

Saturday, February 13 • 8:00 a.m. – 4:00 p.m.

For those who can come early, join Touchstone Energy® Cooperatives and NRECA as we team up with Rebuilding Together New Orleans to provide low-income homeowners with critical home repairs, accessibility modifications and energy efficient upgrades. Participation will be capped at 100 volunteers, so visit cooperative.com/annual to register today to participate!

Monday-Tuesday • February 15-16

Ongoing at the Convention Center

For those who are looking for another way to give back, we've added a new community service opportunity that will be located at the convention center and available to volunteers throughout the course of the Annual Meeting.

Check cooperative.com/annual for the latest information on this new opportunity!

THE NEXT GREATEST THING

Rick



2015 WINTER SCHOOL FOR DIRECTORS



AGENDA AT-A-GLANCE *(subject to change)*

Registration: 7:00 a.m. - 8:00 a.m.

Class Hours: 8:00 a.m. - 4:00 p.m. (unless otherwise noted)

Winter School | Nashville, TN | December 11 - 16

FRIDAY December 11	SATURDAY December 12	SUNDAY December 13	MONDAY December 14	TUESDAY December 15	WEDNESDAY December 16
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BOARD LEADERSHIP CERTIFICATE COURSES (BLC)

901.1 Rules & Procedures for Effective Board Meetings	903.1 The Role of the Board Chair in Conducting Effective Meetings	951.1 How to Evaluate and Improve Board Performance	919.1 Cooperative Structure: A Strategic Advantage <i>(New Course)</i>	925.1 Co-op Bylaws: Guiding Principles & Current Issues	914.1 Cooperative Communications and Public Opinion: The Director's Perspective
913.1 Cooperative Foundations: Co-op Legacy, Principles & Impact on Communities	921.1 Risk Oversight: The Board's Role in Risk Management	958.1 Succession Planning: Developing the Purpose-Driven Organization	929.1 Current Governance Issues in Policy Development	956.1 Crucial Conversations in the Boardroom	918.1 Maximizing Your Grassroots Strategy
951.2 Developing Effective Boardroom Decision Making (1½ day course)	924.1 When Disaster Strikes: Continuity Management and Emergency Response Planning for Directors	964.1 Communicating the New Energy Landscape <i>(New Course)</i>	935.1 Appraising and Compensating the CEO	971.1 Rate Strategies for 21st Century Challenges	930.1 Ethics and Governance: Implementing the New Accountability
955.1 Your Board's Culture: Its Impact on Effectiveness	963.1 Strategic Technologies and their Impact on The Cooperative <i>(New Course)</i>		975.1 Capital Credits, Legal & Financial Issues		

CREDENTIALLED COOPERATIVE DIRECTOR COURSES (CCD)

2600 Director Duties & Liabilities	2620 Board Operations & Process	2640 Financial Decision Making (1½ day course) [Day 3 - Full Day] 8 a.m. - 4 p.m. [Day 4 - ½ Day] 8 a.m. - 12 p.m.	2610 Understanding the Electric Business	2630 Strategic Planning
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Visit COOPERATIVE.COM for more information

Agenda
CFC Financial Workshop for
Directors of Kentucky Rural Electric Cooperatives

Friday, January 15**Hotel Location TBD**

- 9 a.m. Welcome and Housekeeping**
- 9:15 a.m. Economic Update**
Get an update on the latest economic trends including unemployment, GDP growth and interest rates.
- 10:15 a.m. Break**
- 10:30 a.m. Understanding Financial Statements**
This session will help directors better understand financial statements and be able to zero-in on key areas, such as the Statement of Operations and Balance Sheet. Understand several important ratios such as Times Interest Earned Ratio (TIER) and Equity to Assets.
- 11:45 a.m. Lunch**
- 1 p.m. Understanding Financial Statements (Continued)**
- 2 p.m. Break**
- 2:15 p.m. Equity Management**
At the end of this session, you will better understand equity level benchmarks and how healthy levels will help you better mitigate risk and maximize opportunities
- 3:30 p.m. Break**
- 3:45 p.m. Electric Rates: New Approaches to Ratemaking**
This session will focus on cost-based rates, decoupling, purchased power adjustments, prepaid service and time-varying rates. Learn about the seven suggestions found in the recent rate guide published by CFC and NRECA.
- p.m. Adjourn**

**Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information**

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 service provided, including how the financial transactions are recorded on Nolin's books.

Response

Starting in 1996, Nolin RECC (Nolin) began contracted work at Fort Knox under what is known as Utility Energy Services Contracts (UESC). Through this arrangement, Nolin served as prime contractor for many energy efficiency improvement projects at Fort Knox. These projects included improvements such as building envelope renovations, insulation, lighting upgrades, window replacements, and installation of ground loop heat pump systems. In 2013 any new activity under UESC ended. Since 2013, the existing projects dwindled to three, soon to be one, of the original projects. All UESC contracts and all associated revenue to Nolin will expire in 2019. Nolin's margins are a pre-negotiated percentage management fee.

In 2001, Nolin bid on and received the Utility Privatization (UP) contract for Fort Knox's electrical distribution system. The terms of this agreement stipulate that Nolin shall own, operate, and maintain all infrastructure associated with the electrical distribution system for the life of the contract. As this is a "cost plus" contract, all expenses incurred by Nolin in its efforts to sustain and maintain electrical service to Fort Knox are recovered. Nolin also receives a pre-determined percentage profit margin.

Revenues and expenses associated with Fort Knox Operations are segregated within Nolin's accounting system under Department 9.

**Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information**

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.

Response

Nolin paid the RUS debt with proceeds from CFC during 2012. Up through 2012 Nolin did not meet the RUS debt service requirements to be able to make a general refund of capital credits to its members. After the 2013 refund, Nolin's financial condition deteriorated to a point where it was not financially feasible for a general refund of capital credits.

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

Response

The capital credit payment authorized in 2013 included balances left from partial years previously retired for 1987. The disbursement also included the full retirement of capital credits allocated for 1988, 1989, and 2012.

- 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.

Response

Nolin has attempted to pay capital credits for which members could not be located. The amount of the checks that remain uncashed or are returned to our office as undeliverable are held in account 217 – Retired Capital Credits until the member contacts the office or returns to our service area.

- 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.

Response:

The balance of unclaimed checks from the 2013 general retirement is \$1,079,447.24.

CAPITAL CREDITS REFUNDED – GENERAL RETIREMENT	DATE REFUND AUTHORIZED	YEARS REFUNDED
0	2010	
0	2011	
0	2012	
5,498,188	2013	Remainder 1987, 1988,1989 and full 2012
0	2014	
0	2015	

**Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Commission Staff's Second Request for Information**

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.

Response

Nolin allocates all employee benefits.

22. Refer to the application, Exhibit 21.
- 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.

Response

Refer to "Attachment 22A" Nolin's Employee Benefit Package sheet.

Nolin RECC Employee Benefit Package

As of January 1, 2016

information is not a guarantee of benefits. It is only intended to identify the benefits of Nolin Rural Electric Cooperative Corporation - not to describe the provisions of the Health Insurance Contract or any other contract entered into between the Cooperative and any applicable carrier.

MEDICAL BENEFITS – SELF FUNDED (CUST SVC 866-767-8972)

Group #000KRU834 **Benefits 90 days after hire date**

Medical PPO Plan – Plan Year January - December

PHP Third Party Administrator

Individual Deductible – in-network	\$400
Family Deductible – in-network	\$1200
Individual annual out-of-pocket maximum – in-network	\$1,200
Family annual out-of-pocket maximum – in-network	\$2,400
Individual annual out-of-pocket maximum – out-of-network	\$3,000
Family annual out-of-pocket maximum – out-of-network	\$6,000
Office visits in-network	\$25 Copay
Co-insurance paid on all covered services out-of-network after deductible has been satisfied (R&C charges apply)	70%
Co-insurance paid on all covered services after annual out- of-pocket has been satisfied	30%
Annual Physical (EE&Spouse) in-network	100%
Annual Physical (EE&Spouse) out-of-network	0% up to \$500 30% after \$500
Adult Immunizations, in-network	100%
Well-child exams in-network	100%
Well-child school immunizations in-network	100%
Maximum Calendar Year Benefit	\$3,000,000

Prescription Drug Benefit – Cost

Retail/Local (34-day supply):

Tier 1	\$10 Copay
Tier 2	\$25 Copay
Tier 3	\$40 Copay

Mail-Order, Retail/Local (90-day supply):

Tier 1	\$20 Copay
Tier 2	\$50 Copay
Tier 3	\$80 Copay
Protein Pump Inhibitors OTC	\$0 Copay for 30 days
Non-sedating Antihistamines OTC	20 % Copay
Annual Prescription maximum out-of-pocket	\$2,000
Specialty Prescription annual out-of-pocket limit	\$1,500

Employee Premium Cost Per Pay Period

All Group Health Coverage(s)

DELTA DENTAL (Ty Puyear 270-737-2828)

Dental Care Plus Policy # **Benefits begin 90 days after hire date**

Insurance Specialists – Administrator

Plan Year: Jan - Dec

Deductible	\$0
Annual individual and/or family deductible	100%
Annual maximum benefit (except ortho)	\$1,000
Orthodontics Lifetime maximum benefit	\$1,000

Employee Premium Cost Per Pay Period

Employee	\$11.45
EE + One Dependent	\$26.55
Family	\$49.55

ABILITY BENEFITS (50% of basic mo. earnings with \$15,000/mo. max)

Benefits begin 90 days after hire date

Long-term disability benefits begins after 13 weeks of total disability Premium paid by Employee	100%
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SURVIVOR BENEFITS – LIFE INSURANCE (Doug Fiero 859-533-6618)

Benefits 90 days after hire date

National Rural Electric Cooperative Association

Term Group Life Insurance (4 x salary)	Nolin Pays
Accidental Death (8 x salary)	Nolin Pays
Dismemberment	See Summary Plan Description
Spouse Group Term Life Insurance (\$10k - \$100 k) ...	Employee Pays
Child Group Term Life Insurance (\$10,000)	Employee Pays

RETIREMENT BENEFITS (Doug Fiero) **Benefits 1 year after hire date**

Retirement Security Pension Plan (NRD 30 yrs OR age 62)

Retirement Plan Provision	30 years/age 62
Fully vested in Plan	5 years
Quasi-Retirement Option	Yes
Available after 30 years in the Plan OR age 62	
Contributions paid by Nolin RECC	100%
401(k) Pension Plan (NRD age 62)	
Nolin RECC match	Up to 2%
Employee required contribution to receive Nolin match	2%
Maximum number of loans	2 (up to 1/2 of total account)

Retiree Health

Paid at prorated amount based on years of service **at Nolin RECC.**

ADDITIONAL BENEFITS

Vacation (Accrual rate 1 day/mo)

Max accrual 30 days (240 hrs)

Anniversary date for each leave year	January 1
1 year of service, through 5 years of service	12 days
6 years of service, through 10 years	16 days
11 years of service, through 15 years	20 days
After 16 years	24 days

If hired before 01/01/84 see policy manual

Sick Leave (Accrual rate 9.33 hrs/mo; taken in whole hr increments)

Accrued each month, not to exceed 90 days in a calendar year	14 days
Payout at retirement, death, or termination (first 1,000 hours)	0%
Payout at retirement, death, or term. (all hours over 1,000)	0%
After accruing 90 days	
Annual attendance awards are given (after 90 day max)	\$250

AFLAC (Matt Hudson 812-620-1661) (Benefits begins 90 days after hire date)

Holidays

New Year's Day	Labor Day	Christmas Eve
Memorial Day	Thanksgiving Day	Christmas Day
Independence Day	Day After Thanksgiving	

If a recognized holiday falls on a Saturday, Friday will be observed as the holiday. If a recognized holiday falls on a Sunday, Monday will be observed as the holiday.

COBRA REGULATIONS

Continuation of coverage is available to employees and family members in the case of death, termination, divorce, or loss of dependent status, at group rates, from 18-36 months, depending on qualifying benefits.

CBA (Flex Spending) Fax 402-483-9388
EAP (Tony Hall) 502-451- 8262

Nolin Rural Electric Cooperative Corporation
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Response to Commission Staff's Second Data Request

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.

Response:

Schedule 4 – Industrial Rate meets the criteria in this question.

- b. For any rate class identified in part a., explain why Nolin believes it acceptable for that rate class to pay a demand charge for that rate class.

Response:

Two primary reasons exist for not changing the demand rate. One, Nolin wanted to consolidate the three step energy rate into a single step energy rate. And two, an increase in revenue was not warranted for this rate class but some increase is being requested. Additionally, it should be noted, that the wholesale power supplier's demand charge is applied to its coincident peak. The billing demand that Nolin applies to this rate class is based on sum of the peak demands for members in this rate class. For this rate class for the normalized test year and based on the COSS, Schedule 4 – Industrial Rate has billing demand revenue of \$1,063,894 and purchased power demand costs of \$886,253. So it seems to adequately recover its wholesale demand related costs through its demand charge.

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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.

Response

The kWh listed on Exhibit J, page 1 of 747,082,104 is the correct number. The kWh listed in the Staff's First Request, Item 18.b. are all correct. However, the formula to add the kWh did not include the kWh for Envirowatts in the amount of 235,800. This would total the 747,082,104 as listed in Exhibit J of the application.

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
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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.

Response:

See page 2 of this response.

Nolin Rural Electric Cooperative Corporation
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Response:

Vendor – East Ky Power Cooperative Corporation

Month	kWh purchased	kw purchased	Demand Charge	Energy Charge	Metering Point/ Sub / Wheeling Charge	Fuel Adj/ Environmental Surcharge	DLC / Green Power Charges	TOTAL CHARGES
May-14	58036929	119429	\$712,857.00	\$2,755,924.00	\$70,828.00	\$640,768.00	-\$3,914.00	\$4,176,463.00
Jun-14	64416846	140221	\$838,027.00	\$3,087,876.00	\$70,828.00	\$818,654.00	-\$4,446.00	\$4,810,939.00
Jul-14	65604271	144405	\$863,214.00	\$3,147,109.00	\$70,828.00	\$828,513.00	-\$4,509.00	\$4,905,155.00
Aug-14	68609029	144406	\$863,219.00	\$3,291,394.00	\$70,828.00	\$802,996.00	-\$4,702.00	\$5,023,735.00
Sep-14	57997975	139585	\$834,528.00	\$2,759,285.00	\$70,828.00	\$625,046.00	-\$4,771.00	\$4,284,916.00
Oct-14	54242045	115289	\$688,453.00	\$2,523,355.00	\$70,828.00	\$424,951.00	-\$4,852.00	\$3,702,735.00
Nov-14	71298050	165524	\$990,348.00	\$3,349,523.00	\$70,828.00	\$501,391.00	-\$4,861.00	\$4,907,229.00
Dec-14	74183012	153445	\$917,634.00	\$3,503,754.00	\$70,828.00	\$691,131.00	-\$4,882.00	\$5,178,465.00
Jan-15	87241977	222472	\$1,333,175.00	\$4,123,144.00	\$70,828.00	\$437,650.00	-\$4,870.00	\$5,959,927.00
Feb-15	87498327	216171	\$1,295,245.00	\$4,140,849.00	\$70,828.00	\$455,743.00	-\$4,880.00	\$5,957,785.00
Mar-15	69190108	196647	\$1,177,712.00	\$3,247,976.00	\$70,828.00	\$202,934.00	-\$4,882.00	\$4,694,568.00
Apr-15	51749544	107219	\$644,824.00	\$2,406,629.00	\$70,828.00	\$22,489.00	-\$4,971.00	\$3,139,799.00

Nolin Rural Electric Cooperative Corporation
Case No. 2016-00367
Response to Commission Staff's Second Data Request

26. Refer to Nolin's 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").

Response:

No programs outside of the DSM programs proposed by EKPC are being offered by Nolin.

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

Response:

Nolin regularly reviews its DSM offerings and would consider any program that may benefit the cooperative and its members. At this time, Nolin has no plans for a DSM offering that is independent of EKPC's offerings.

- 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.

Response:

In order to describe the level of customer interest, a total number of participants for each program in calendar year 2016 has been listed below.

All residential DSM programs are voluntary and have been advertised monthly utilizing each of Nolin's communication channels. It is assumed that all 34,918 Nolin residential members have an interest in the provided programs since they have an opportunity to participate if they so desire. The same assumption is made for Nolin's 1,960 commercial & industrial accounts as they could be eligible for the lighting retrofit program offered.

DSM PROGRAM	MEMBER PARTICIPATION
COMMERCIAL AND INDUSTRIAL ADVANCED LIGHTING	21
COMMERCIAL COMPRESSED AIR AUDIT	0
APPLIANCE RECYCLING - Refrigerator & Freezer	210
BUTTON UP	73
FREE ENERGY AUDIT - Commercial & Residential	296
ENERGY STAR Air Source Heat Pump	211
ENERGY STAR Central Air Conditioner	11
ENERGY STAR Clothes Washer	269
ENERGY STAR Dishwasher	253
ENERGY STAR Freezer	40
ENERGY STAR Heat Pump Water Heater	26
ENERGY STAR Refrigerator	295
HEAT PUMP RETROFIT	53
RESIDENTIAL LIGHTING - CFL & LED	3500
TOUCHSTONE ENERGY HOME	38
DIRECT LOAD CONTROL - AC & WH	1380

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

Response

The 2016 total cost of Nolin's DSM programs was \$76,382.65.

Nolin Rural Electric Cooperative Corporation
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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.

Response

Warren RECC conducted a salary survey using information from the following Cooperatives. The results are returned in a blind spreadsheet. Nolin used this survey to compare salaries, wages, and benefits.

Cumberland Electric Membership Cooperative
Kenergy
Nolin RECC
Pennyrile RECC
South KY RECC
Tri County Electric Cooperative
Warren RECC

**Nolin Rural Electric Cooperative Corporation
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Commission Staff's Second Request for Information**

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.

Response:

The electronic versions of all exhibits and schedules are attached as part of this filing.

Nolin Rural Electric Cooperative Corporation
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Response to Commission Staff's Second Data Request

29. Explain why Nolin did not provide testimony for its filed COSS.

Response:

The Testimony of James R. Adkins provided some testimony on the COSS in this Application. It followed the same process as the other COSS's presented by Mr. Adkins in the rate applications of other utilities. The COSS in Nolin's Application followed the same three step process of functionalization, classification and allocation. The Functionalization process includes the assignment of Nolin's adjusted expenses to several functions including purchased power, lines, poles and conductor, transformers, services, meters and consumer/accounting services. All expenses incurred for Nolin's Fort Knox activities have been removed because the main purpose of this COSS is the expenses incurred by Nolin to serve its member consumers.

The second step in this process is the classification of these functionalized expenses for Nolin's members into either a demand related, energy related or customer related classification. Purchased power energy expenses are classified as energy related costs. Purchased power demand expenses are classified as demand related costs. Many distribution expenses are classified as either demand related or customer related on the basis of regression equation that looks at the size of distribution investment units, the per unit cost, and the number of units. Poles, conductor and transformers are split into a demand or customer component. All other distribution plant investment is considered to be customer related. Expenses for administrative and general expenses and consumer records and consumer assistance type of expenses are all considered to be customer related.

The third step is the allocation of the classified expenses to each rate class. Demand related purchased power expenses are allocated on the basis of the rate class proportional contribution to the power supplier's billing demand. Purchased power energy expenses are allocated to rate class proportional on the basis of their retail sales of energy. Distribution demand related line expenses are allocated proportional on the basis of the sum of the monthly peak demands for each rate class. The demand related expenses for transformers is normally allocated proportionally on the basis of the sum to the monthly peak demands for each rate class or proportionally on the basis of the sum of the each customers peak demand within each class. Customer related costs are allocated differently for each function based on the weighted minimum size investment for each rate class and number of consumers for each rate class.

The end result is that you have the demand related, energy related and customer related expenses for each rate class. The allocated expenses for each rate class are utilized to determine the amount of increase in revenue for each rate class and the design of the rates for each class. Both the amount of increase and the rate design is a function of several different factors including the results of the COSS, the preferences of the cooperative's board of directors, the preferences of management, or some combination of the above.

Nolin Rural Electric Cooperative Corporation
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Response to Commission Staff's Second Data Request

30. Provide a table illustrating each 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.

Response:

Provided below is the requested table.

	Current	Proposed	COSS
Rate Class	Customer Charge	Customer Charge	Customer Related Costs
Schedule 1, Farm and Home	\$ 9.04	\$ 20.00	\$ 32.20
Schedule 1P, Prepay Service	\$ 9.04	\$ 20.00	\$ 32.20
Schedule 2, Sml Comm & Sml Pow	\$ 16.82	\$ 23.00	\$ 34.04
Schedule 3, Large Power Rate	\$ 28.50	\$ 35.00	\$ 84.43
Schedule 4, Industrial Rate	\$ -	\$ 42.50	\$ 91.93
Schedule 10, Large Industrial Rate	\$ 1,219.84	\$ 1,974.78	\$ 184.73
Special Contr Rates & Rate 15 (Interrup)	\$ 1,188.66	\$ 5,733.00	\$ 5,454.00

Nolin Rural Electric Cooperative Corporation
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31. Provide a table illustrating each rate class's return on rate base at current and propose rates.

Response:

Provided below is the request table on rates of return on rate base.

Rate Class	Actual Return on Rate Base	Return on Rate Base w/Increase
Schedule 1, Farm and Home	-4.18%	2.70%
Schedule 1P, Prepay Service	-42%	-4.47%
Schedule 2, Sml Comm & Sml Pow	0.14%	5.78%
Schedule 3, Large Power Rate	0.05%	9.05%
Schedule 4, Industrial Rate	1.01%	24.38%
Scheduel 10, Large Industrial Rate	0.04%	6.19%
Special Contr Rates & Rate 15 (Interrup)	0.37%	12463%
Schedule 5, Security Lights	0.45%	17.93%
Schedule 6, Outdoor Lighting service	-0.02%	0.26%
Overall	-2.57%	4.57%

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32. Provide a table illustrating each rate class's contribution to TIER and OTIER at current and proposed rates.

Response:

Provided below is the requested table.

Rate Class	Current Rates		Proposed Rates	
	TIER	OTIER	TIER	OTIER
Schedule 1, Farm and Home	-2.3	-3.61	1.19	0.12
Schedule 1P, Prepay Service	-5.09	-6.3	(1.96)	(3.17)
Schedule 2, Sml Comm & Sml Pow	1.15	-0.21	2.52	1.17
Schedule 3, Large Power Rate	1.08	0.93	3.87	3.71
Schedule 4, Industrial Rate	9.65	9.46	10.32	10.13
Scheduel 10, Large Industrial Rate	1.24	0.96	2.60	2.31
Special Contr Rates & Rate 15 (Interrup)	4223.34	3939.02	5,508.76	5,224.44
Schedule 5, Security Lights	7.82	6.82	7.62	3.82
Schedule 6, Street Lighting	-0.89	-0.94	0.11	0.06
Overall	-1.12	-2.33	2.00	0.79

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33. Provide Nolin's current nepotism policy and indicate when it was most recently updated.

Response

Refer to "Attachment 33A" Board Policy #729.0 "Anti-Nepotism (Prohibition of Favoritism Toward Relatives)" amended 06/15/16.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY #729.0

SUBJECT: ANTI-NEPOTISM (PROHIBITION OF FAVORITISM TOWARD RELATIVES)

I. PURPOSE:

- A. To state the policy of the Cooperative with regard to the employment of “close relatives” of members of the Board of Directors and of existing employees of the Cooperative. “Close relatives” are defined in the Corporate Bylaws.
- B. To avoid the possible undesirable conflicting interests of family relationships.
- C. To make employment opportunities available to as many different families as possible in view of the public service nature of the Cooperative’s business.
- D. To minimize absenteeism resulting from common activities of related personnel.

II. POLICY:

It shall be the policy of Nolin Rural Electric Cooperative Corporation that no person who is a “close relative” of an active member of the Board of Directors or of any full-time regular employee of the Cooperative shall be eligible for employment with the Cooperative. The term “close relative” means a person who is related to the principal person to the third degree or less; for example, a spouse, child, step-child, grandchild, great-grandchild, parent, step-parent, grandparent, great-grandparent, brother, sister, aunt, uncle, nephew or niece related by blood or in-law of the principal.

III. PROVISIONS:

The following provisions apply to this policy:

- A. No person who is a “close relative” of an active member of the Board of Directors or of any full-time regular employee of the Cooperative shall be eligible for employment with the Cooperative. However, this policy shall not preclude the provisions of Article IV, Section 2, of the Cooperative Bylaws with respect to relatives of Directors.

Board Policy No. 729.0, page 2

III. PROVISIONS continued:

- B. If two employees marry, both may continue to work for the Cooperative only if they are not in the same supervisory unit. If they are, one of the couple must resign. This "spousal" relationship also applies to persons living together in a conjugal or an unmarried/domestic partner relationship but not legally married.
- C. If two management employees become immediate family by marriage or otherwise and are in the same department/supervisory unit, one of them will be requested to transfer to a different department or terminate employment. The two employees cannot work in the same supervisory unit. If the affected employees cannot decide which of them will terminate, the employee with the least seniority at Nolin shall have employment terminated.
- D. Except under emergency conditions as provided in Article IV, Section 2, a "close relative" of a member of the Board of Directors may not be employed by the Cooperative. If a Director desires to allow a qualified relative to secure employment with the Cooperative, the Director must resign before the employment can be finalized.
- E. This policy shall not apply to, or be enforced against, two or more such "close relatives" who are presently employed by the Cooperative on the initially effective date of this policy or to the employment of temporary employees.

IV. RESPONSIBILITY:

The President and CEO.

This policy supersedes any existing policy that may be in conflict with the provisions of this policy.

Adopted: 05-08-1986
Amended: 05-15-1992
Amended: 02-15-2001
Amended: 01-01-2010
Amended: 06-13-2011
Amended: 06-15-2016

Nolin Rural Electric Cooperative Corporation
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Commission Staff's Second Request for Information

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.

Response:

Nolin recorded an extraordinary loss (non-operating expense) of \$6,819,244 in April 2015 associated with the above-referenced Agreement. This loss caused Nolin's TIER and MDSC ratio to decrease for 2015, as well as impacted Nolin's cash on the asset side of its balance sheet and equity on the liabilities and equities side of its balance sheet. Importantly, however, the primary impact of the ~ \$6.8 million loss was experienced by Nolin prior to the test year; additionally, the test year does not include certain subsequent expenses incurred by Nolin associated with the above-referenced Agreement, as those expenses have been removed from the test year. Despite these facts, Nolin's TIER and MDSC ratio (excluding G&T capital credits) for the test year were (.31) and .35, respectively, which is unacceptably low in light of operational and mortgage requirements. Nolin based its decision to file this case on a number of factors, but chiefly because its recovery of expenses and financial metrics, as observed during the test year, supported a need for an adjustment of the rates that have been in place for roughly a decade.

Notably, Nolin would have needed to increase its rates to its members some time before the present case was filed if it did not derive positive net margins from its ongoing relationship with Fort Knox (see Nolin's Response to PSc-2-20). A review of Exhibit S to Nolin's Application, page 1 of 4, indicates that Nolin made positive net margins from its Fort Knox activities in excess of one million dollars during the test year. These net margins are included in the test year and essentially reduce the revenue Nolin seeks to recover through increased rates (see Exhibit S to Application, page 4 of 4, and Nolin's Response to AG-1-36).

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35. Provide copies of all Nolin's pension plans, including but not limited to, defined benefit, defined contribution 401(k), and post-employment retirement.

Response

Refer to "Attachment 35A – Nolin Policy #717" and "Attachment 35B – Nolin Policy 720."

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 717.0

SUBJECT: RETIREMENT

I. PURPOSE:

The purposes of this policy are to:

- A. Establish the normal retirement date, as set forth in the Cooperative's Retirement Program, for Cooperative employees.
- B. Provide for early retirement for employees electing to do so under the Cooperative's Retirement Program.
- C. Maintain conformity with applicable federal statutes and the provisions of the Retirement Program contract.

II. POLICY:

It shall be the policy of Nolin Rural Electric Cooperative Corporation to maintain for its employees a Retirement Program with a normal retirement date coincident with the attainment of age sixty-two (62) or 30 years benefit service. No employee, however, shall be compelled to retire.

III. PROVISIONS:

The following procedures and conditions shall apply to the administration of this policy:

A. Normal Retirement

The normal retirement age is 62. However, under our plan, employees are eligible for full retirement benefits after 30 years of benefit service regardless of age. Employees electing retirement should consult with the Human Resources Manager regarding anticipated benefits, and give the Cooperative at least the six months notice of their intent to retire on the normal date.

Board Policy No. 717.0, page 2

B. Early Retirement

The Cooperative's Retirement Program permits early retirement at any time after the attainment of age fifty-five (55). In such case, retirement benefits are actuarially reduced as outlined in the Retirement Plan. Employees desiring early retirement should counsel with the Human Resources Manager regarding anticipated benefits and give at least six (6) months notice to the Cooperative of their intent to take early retirement under the provisions of the Retirement Program.

C. Retirement after Age Sixty-Two (62)

The Cooperative contributes into the Retirement Program for 30 years regardless of age. After 30 years, contributions stop. Employees may continue to work beyond age sixty-two (62) or 30 years as long as they are fully able to carry out the duties and responsibilities of their positions.

D. Retirement of Employees on Permanent Long Term Disability

Employees on permanent long-term disability shall retire under the same guidelines as active employees. Employees on disability should consult with the Human Resources Manager regarding available options.

E. Employees are required to return all company property (i.e. tools, keys, badges, etc) to their supervisor prior to their last working day.

IV. RESPONSIBILITY:

The President/CEO.

This policy supersedes any existing policy that may be in conflict with the provisions of this policy.

Adopted: 10-09-1986
Revised: 02-15-2001
Revised: 10-17-2002
Revised: 05-02-2011
Revised: 09-06-2012

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

BOARD POLICY NO. 720

SUBJECT: EMPLOYEE INSURANCE PROGRAMS

I. PURPOSE:

The Cooperative feels a responsibility to see that employees are adequately covered by insurance, which will protect them and their families in the event of unfortunate and unforeseen circumstances.

II. POLICY:

It shall be the policy of Nolin RECC to maintain group insurance coverage for its employees as detailed under the provisions of this policy.

III. PROVISIONS:

The following coverage and provisions shall apply to this policy:

A. Worker's Compensation

1. This insurance protection provides benefits for the employee who is injured while on duty (Board Policy No. 718.0).
2. The Cooperative pays all premiums for this protection.
3. An employee is covered by this insurance immediately upon commencing employment.

B. Long Term Disability

1. This insurance protection assures an employee a partial income during any long-term disability (accident, illness, etc.).
2. Benefits paid are equal to 50% of the employee's regular monthly pay and are not integrated with Social Security payments.
3. Payments begin after thirteen (13) weeks of disability.
4. The employee, not the Cooperative, elects this coverage and payment for monthly premiums is the employee's responsibility. Coverage is effective after 90 days of employment.

Board Policy No. 720, page 2

C. Life Insurance

1. Nolin RECC maintains a comprehensive life insurance program for active, regular full-time employees.
2. The Cooperative pays the entire premium for this coverage.
3. The insurance coverage also provides for Accidental Death or Dismemberment (AD&D) at a level corresponding to the life insurance coverage.
4. A full-time employee is covered by this plan after 90 days of employment or upon working 1,000 hours in a year.

D. Major Medical Group Insurance

1. The Cooperative maintains group health insurance coverage for active, regular full time employees and their dependents.
2. The Cooperative shall pay the premiums for this protection.
3. A full-time employee is covered by this plan after 90 days of employment.

E. Major Medical Group Insurance for Retirees

1. Regular and Early Retirement

All full-time employees hired before 02-09-2006 who have 31 years utility service and are covered under the medical insurance plan at retirement will be eligible for medical insurance coverage during retirement. Years of service for employees hired after 02-09-2006 must be years of service at Nolin RECC. The following scale is used to determine the percentage of the medical insurance premium payable for the retiree and dependents. (Note: Dependents must also be covered on the medical insurance at the time the employee retires.) In percentages less than 100%, the retiree will be responsible for the remaining percentage of the premium.

Years of Service	Percentage Payable by Co-op
31 or more	100%
26 through 30	80%
21 through 25	60%
16 through 20	40%
11 through 15	20%

Board Policy No. 720, page 3

The Cooperative will continue paying medical insurance premiums for the retiree and his/her dependents until the retiree's death. Upon the death of the retiree, covered surviving dependents may purchase the medical insurance as outlined in the Summary Plan Description.

If the employee has no dependents at retirement but acquires one or more dependents after retirement, he/she will have the option of adding the dependent(s) at his/her expense.

2. Termination of Employee

If an employee is terminated by the Cooperative for any reason other than retirement, regardless of age, the Cooperative will make no contribution for medical insurance premiums. Medical insurance coverage ceases upon the day of termination. However, the former employee may purchase the coverage at his/her own expense, if qualified, under the COBRA provision of the medical insurance plan.

3. Normal Retirement of Disabled Employee (as defined by the retirement plans)

When an employee becomes disabled (as defined by the retirement plan in the section titled "Disability Benefits"), the Cooperative will pay 100% of the medical insurance premium for the employee and all dependents that were covered prior to the disability, for the remainder of the year in which disability was declared and the following calendar year. After that time, the disabled employee may purchase the medical insurance at his/her cost as outlined in the Summary Plan Description.

If the disabled employee remains on the medical insurance plan by making his/her premium payments until the normal retirement age, the Cooperative will use the scale shown on page 2 to determine what percentage of the medical insurance premium to pay for the retiree and dependents (Note: Dependents must also be covered on the medical insurance prior to the disabled employee's retirement). The Cooperative will use only years of active service in calculating the premium percentage payable. Years of disability will not qualify as years of service. In percentages less than 100%, the retiree will be responsible for the remaining percentage of the premium.

Board Policy No. 720, page 4

The Cooperative will continue contributions to the medical insurance premium for the retiree and his/her dependents until the retiree's death. Upon the death of the retiree, covered surviving dependents will then have the option of purchasing the medical insurance as outlined in the Summary Plan Description.

If the disabled employee has no dependents at retirement but acquires one or more dependents after retirement, he/she will have the option of adding the dependent(s) at his/her expense.

If the disabled employee fails to meet the requirements for disability as outlined in the Summary Plan Description, medical insurance will terminate and cannot be reinstated at any future date except under the qualifications of COBRA.

F. Retirement and Security Program

This defined benefits program provides retirement income for the employee and his/her family in addition to the benefits provided by Social Security.

1. Nolin RECC participates in the NRECA Retirement & Security (R&S) Program. This is a defined benefit plan under ERISA, fully funded by Nolin RECC.
2. Full time employees are automatically enrolled in the R&S Program on the first day of month following the one-year anniversary date of hire.
3. The R&S program contribution rate is actuarially determined annually based on the program's design as well as the benefit level selected by the Nolin RECC Board of Directors.

G. SelectRE Pension Plan 401(k)

This is a voluntary contribution retirement program that provides an avenue for employees to save money for retirement on a pre-tax or after-tax basis in addition to the benefits provided under the Retirement and Security program and Social Security.

1. Employees are eligible for participation in the SelectRE Pension 401(k) on the first day of the month following their one-year anniversary date of hire.
2. Participants have the opportunity to contribute a percentage of their annual base salary into the plan. Maximum contribution limits are determined by Internal Revenue Service regulations. Nolin will contribute a matching amount as designated from time to time by the Board of Directors.

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H. Section 125 Cafeteria Plan

The plan provides for the payment of eligible benefits to be deducted from wages earned before taxes are withheld (pre-tax), subject to plan specifications and restrictions placed by the Internal Revenue Service. All active, regular full time employees are eligible to participate during the annual open enrollment. New, regular full time employees may elect to participate in Section 125 after 90 days of employment.

Participants are responsible for any fees associated with the administration of the Section 125 Plan.

I. Accident Insurance

1. The Cooperative shall maintain accident insurance designed to protect its Directors and employees.
2. The Cooperative pays all premiums for the types of policies listed below:

- a. Business Travel Accident insurance provides payment for accidental death or dismemberment for Directors, the Cooperative attorney, and all employees while traveling on Cooperative business, in accordance with the provisions of the policy.

J. Supplemental Insurance

The Cooperative shall maintain supplemental insurance available for regular full time employees to purchase. Participants are responsible for total cost, including any associated fees.

IV. RESPONSIBILITY:

The President/CEO and Vice-President Administration and Finance.

This policy supersedes any existing policy, which may be in conflict with the provisions of this policy.

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