

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ATTORNEY GENERAL’S SUPPLEMENTAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Supplemental Request for Information to Nolin Rural Electric Cooperative Corporation (“Nolin” or “Company”) to be answered by the date specified in the Commission’s Order of Procedure, and in accord with the following instructions:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness(es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Nolin with an electronic version of these data requests, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

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

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex

messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL



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Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Dr. Talina R. Mathews, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail to:

Honorable John J. Scott
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Mark David Goss
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this 2nd day of March, 2017.



Assistant Attorney General

1. Reference Nolin's response to AG 1-2 to answer the following questions:
 - a. Continue to provide updates to this information during the pendency of the case.
 - b. What is the total projected rate case expense for the present case, and the amount of rate case expense thus far?
 - c. Provide invoices containing breakdowns of the total amount due.
 - d. Explain whether the monetary amounts on the restaurant receipts are included or excluded for ratemaking purposes and/or in rate case expense. Explain fully why these expenses should not be removed for ratemaking purposes.
 - e. Provide a detailed narrative explaining Nolin's policy regarding payment for meals for Nolin's employees and expert witnesses/consultants, and whether Nolin is contractually bound to provide meals to its expert witnesses/consultants.

2. Reference Nolin's response to AG 1-3 to answer the following questions:
 - a. Reference the meeting minutes, page 60 of 87, and provide a copy of the policies that were revised including the following: Policy No. 209 Confidentiality of Information and Conflict of Interest, Policy No. 209A Gifts and Gratuities, Policy No. 307 Purchasing Practices and Procedures, Policy No. 313, Construction and Maintenance Contracts, Policy No. 729 Anti-Nepotism, Policy No. 704 Appendix A-Apprenticeship Program, and Policy No. 745 Whistleblower Reporting Procedure and Anti-Retaliation Policy.
 - b. Reference the meeting minutes, page 75 of 87, and provide a copy of the previous Policy No. 202 Directors' Fees and Expenses as well as the revised version that allows directors to receive full or partial compensation for time worked outside of regular board meetings. Additionally, provide a detailed narrative explaining why

this revision was necessary, exactly what type of work outside of the regular board meetings the directors are being paid for, and whether any other Kentucky rural electric cooperative corporation has a policy allowing directors to be paid for fees and expenses outside of regular board meetings.

- c. Reference the meeting minutes, page 79 of 87, and provide a copy of the revised Policy 707 Work Hours & Pay for Non-Exempt Hourly Employees.
 - d. Provide any and all Board of Directors' meeting minutes prior to October 13, 2016 where the rate increase was discussed. If none exists, why was the need for a rate increase/case not discussed prior to October 13, 2016, which is the same date that the Board resolved to seek a rate increase with the Commission?
 - e. Reference the October 13, 2016 and the December 8, 2016 Board of Directors' meeting minutes. Why does the Board resolve to request a rate increase of \$4,613,116 dollars per year in the October 13, 2016 meeting, but then at the December 8, 2016 meeting the Board resolves to request \$5,342,889 dollars per year in additional revenue? Explain the reasons for this discrepancy in full detail.
3. Reference Nolin's response to AG 1-7. The Attorney General requested the per capita income for the residents of each of the eight (8) counties that the Company provides with electricity service. It appears that Nolin provided the median household income. As originally requested, provide the per capita income. Further, provide the sources that Nolin relies upon for the per capita income and the unemployment rate data.
 4. Reference Nolin's response to AG 1-8. The answer is inadequate and does not respond to the question originally posed. According to the Company, the rate increase request is due to increased cost of power, materials, equipment, labor, taxes, and other fixed and variable

costs. As originally requested, provide a detailed explanation of each specific cost that has risen, and a succinct chart/table that provides a complete breakdown by item/account of the \$5,342,889 rate increase. For example, if Nolin is requesting an increase in depreciation expense then list depreciation, the amount of increase requested for that item, and an explanation as to why the depreciation expense is increasing.

5. Reference Nolin's response to AG 1-9 to answer the following:
 - a. Nolin asserts that the Board considered alternatives to a rate increase. Explain in full detail what alternatives the Board considered, and why they were not pursued instead of a rate case.
 - b. Did Nolin's Board of Directors discuss alternatives to filing a rate increase such as freezing/reducing wage and salary increases, raises, and/or bonuses, increasing employee contributions for benefits such as health insurance, etc? Explain the answer in full detail.
6. Reference Nolin's response to AG 1-10.
 - a. Provide a detailed explanation for each and every job position where Nolin pays the employee a higher salary/wage than the maximum amount recommended by the Intandem Salary Survey.
 - b. Explain in full detail how Nolin intends to address the issue of employees being paid more than the maximum salary/wage recommended by the Intandem Salary Survey.
7. Reference Nolin's response to AG 1-11(a) and (b). Provide the information for salaried employees and hourly employees in separate charts and designate as such. Further, include

the percent pay increase for each of the employees for the past ten (10) years as originally requested.

8. Reference Nolin's response to AG 1-11(a), (b), and (c) to answer the following questions:
 - a. Provide a detailed list of each and every bonus that Nolin awards to its employees, designate whether the bonus is available to salary and/or wage employees, the criteria utilized by Nolin to award each bonus, and full justification for each and every bonus Nolin awarded that was more than \$250 for years 2015 and 2016.
 - b. Provide a detailed breakdown of the amounts paid to the Board of Director's for year 2015 and 2016. Additionally, provide a list of each Nolin Board of Director's job title with salary, overtime if any, percent pay increase, all benefits, bonuses, awards, etc. for 2016 as well.
 - c. Provide the premium amount that Nolin employees contribute to health insurance coverage per month.
 - d. Provide the premium amount that Nolin pays for dental benefits per month.
 - e. Confirm that Nolin does not offer vision insurance to its employees. Explain the answer in full detail if Nolin does provide vision insurance to its employees along with the premium contributions.
 - f. Provide the premium amount that Nolin employees contribute to life insurance per month.
 - g. Confirm that Nolin does not pay for or subsidize the costs of Accidental Death or Dismemberment policies for its employees. Explain the answer in full detail.

- h. Provide a detailed description of Nolin's 401K policy. Provide any matching information including maximum caps, whether Nolin or the employee pays for the 401K administrative fees, etc.
 - i. Provide a detailed description of Nolin's Retirement policy. Provide details on whether employees contribute toward retirement, and if not why not, the monetary amount that employees contribute toward retirement, what amounts/percentages Nolin contributes towards employee retirements, working years required to retire, retirement age, etc.
9. Reference Nolin's response to AG 1-13. As originally requested, provide the general wage and salary increases in percentage form for Nolin employees for each year between 2007-2017.
10. Reference Nolin's response to AG 1-14 to answer the following questions: This answer is inadequate and does not completely respond to the question originally posed.
 - a. Provide a detailed narrative as to the criteria that Nolin relies upon when determining to provide a wage/salary increase to an employee, how the amount of wage/salary increase that is given to each employee is determined, and whether or not a performance evaluation is the basis for the increase.
 - b. Provide a detailed explanation as to whether Nolin conducts performance evaluations on wage and/or salary employees, frequency of reviews, and connection, if any, to an increase in wage/salary.
11. Reference Nolin's response to AG 1-17. This answer is inadequate and does not completely respond to the question originally posed. Has Nolin raised premiums paid by its employees

in order to assist in keeping the insurance costs as low as possible? Explain the answer in full detail.

12. Reference Nolin's response to AG 1-18. Provide the MDSC ratio, TIER, and OTIER for 2016 and thus far for 2017.
13. Reference Nolin's response to AG 1-20(a), (b), (c), (d), (e), and (f). Confirm that Nolin's proposal to significantly increase the monthly customer charge violates the principle of gradualism. Explain the answer in full detail.
14. Reference Nolin's response to AG 1-22, and provide a copy of the 2016 audit when available.
15. Reference Nolin's response to AG 1-23(a). Provide a detailed explanation of the United States Government's threatened litigation against Nolin regarding certain provisions of a contract, and specify which contract Nolin is referencing. If a copy of the referenced contract has not been provided already, then provide a copy of the same.
16. Reference Nolin's response to AG 1-23(b). Provide a copy of the Settlement Agreement, and explain in detail why Nolin was required to hire a Corporate Ethics Monitor.
17. Reference Nolin's response to AG 1-24, Board Policy No. 720A to answer the following questions:
 - a. Nolin pays the entire premium for Comprehensive Life Insurance and Accidental Death or Dismemberment for Directors and the Cooperative Attorney. Provide information on these policies such as the monthly premium amount borne by Nolin, the policy specifics such as the amount of coverage, etc.
 - b. According to the above referenced Board Policy, Nolin pays Directors and the Cooperative Attorney a stipend in lieu of health insurance costs in an amount

determined from time to time by the Board of Directors, unless the Directors and Attorney choose to be grandfathered in under the current policy as permitted by that plan.

- i. Has the Board ever discussed either not providing health insurance stipends to Directors that already have health insurance through retirement benefits, employer sponsored health insurance, etc., or reducing the stipend?
- ii. Provide specific details on how often the Board reviews what amount the stipend should be in lieu of health insurance costs.
- iii. Provide the stipend that has been given to the Directors and the Cooperative Attorney each year for the past five (5) years.
- iv. Provide a detailed explanation as to the other option that Directors and the Attorney have to be grandfathered in under a current policy.

18. Reference Nolin's response to AG 1-25. Provide the number of customers Nolin services, and the number of customers that attended the annual meeting for the years 2011-2016. Additionally, provide the annual meeting cost for 2016.

19. Reference Nolin's response to AG 1-27, where Nolin states that the Vice President of Marketing and Member Services has a brother-in-law that is employed by Nolin. Provide the job title of the brother-in-law at Nolin. Also, provide each of the referenced employees hire dates and whether exceptions had to be made to the Anti-Nepotism Policy when the employees were hired. Explain the answer in full detail.

20. Reference Nolin's response to AG 1-30, where Nolin asserts that there are five pair of employees that are related in-laws by marriage. Provide a detailed list of each pair of employees that are related including job title, hire date, whether one relative has a

supervisory position over the other relative, and whether exceptions were made to the Anti-Nepotism Policy when the employees were hired. Explain the answer in full detail.

21. Reference Nolin's response to AG 1-33(b). Provide a detailed explanation for each depreciation rate that is above the RUS High Rate.
22. Reference Nolin's response to AG 1-35. Confirm that if the Commission grants Nolin's \$20 per month residential customer charge request, out of the thirty (30) Kentucky electric utilities listed on the chart, the Company will have a larger customer charge than twenty-seven (27) utilities.
23. Reference Nolin's response to AG 1-36. Do Nolin's ratepayers have to pay for any of the costs that Nolin incurs from its arrangement with Fort Knox? Do Nolin's ratepayers receive any benefit from its arrangement with Fort Knox? Explain the answers in full detail.
24. Reference Nolin's Application and Responses to the Commission and Attorney General's Requests for Information, and provide unredacted hard copies of all Confidential Information filed in the case thus far. The Attorney General reserves the right to file additional requests for information once Nolin has provided all Confidential Information to his office for review.