

Rural Electric Cooperative Corporation

A Touchstone Energy® Cooperative 

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PUBLIC SERVICE  
COMMISSION

June 5, 2017

**VIA FED-EX**

Dr. Talina Mathews  
Executive Director  
Kentucky Public Service Commission  
P.O. Box 615  
211 Sower Boulevard  
Frankfort, Kentucky 40602

Re: IN THE MATTER OF APPLICATION OF NOLIN RURAL ELECTRIC  
COOPERATIVE CORPORATION FOR AN ADJUSTMENT OF EXISTING  
RATES  
**Case No. 2016-00367**

Dr. Mathews:

Please find enclosed and accept for filing on behalf of Nolin Rural Electric Cooperative Corporation ("Nolin"); an original and ten (10) copies of Nolin's Response to Attorney General's Post Hearing Request for Information propounded May 23, 2017.

Pursuant to applicable regulation, I certify that copies of this letter and the enclosed Responses have been served this same date via Fed-Ex upon the Attorney General, by and through his Office of Rate Intervention, at his offices in Suite 20 of the Kentucky State Capitol.

Please note that the letter dated June 2, 2017 erroneously stated that Nolin's Response to Attorney General's Post Hearing Request for Information was filed in conjunction with Nolin's response to Commission Staff's Post-Hearing Request for Information. Only the response to the Commissions Staff's request was filed at that time. Please accept our apologies for any inconvenience this may cause. I appreciate your assistance with this matter, and please do not hesitate to contact me with any questions or concerns.

Respectfully,

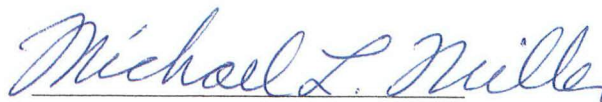
Michael L. Miller  
President/CEO  
Nolin Rural Electric Cooperative Corp

Enclosures

**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 30<sup>th</sup> day of May, 2017.

  
Notary Public

My Commission Expires:

08-07-18

**Nolin Rural Electric Cooperative Corporation**  
**Case No. 2016-00367**  
**Response to Attorney General's Post-Hearing Data Requests**

1. Do any Nolin directors have life insurance coverage in excess of \$50,000? If so:
  - a. Provide the amount that Nolin pays for that portion of the premium attributable to coverage over \$50,000; and
  - b. State whether any portion of this amount is included for purposes of ratemaking.

**Response:**

Nolin's Directors do not have life insurance coverage in excess of \$50,000.

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2. Do any Nolin employees have life insurance coverage in excess of \$50,000? If so:
- a. Provide the amount that Nolin pays for that portion of the premium attributable to coverage over \$50,000; and
  - b. State whether any portion of this amount is included for purposes of ratemaking.

**Response:**

Nolin provides basic life insurance coverage for each of its employees in an amount four times (4x) the employee's salary; as a result, all Nolin employees have life insurance coverage provided by Nolin in excess of \$50,000.

- a. Nolin paid a total of \$71,552.45 during the test year for employee life insurance coverage over \$50,000.

Although not requested, in light of the Commission's recent order in Case No. 2016-00325, *In the Matter of Electronic Application of North Mercer Water District for Rate Adjustment Made Pursuant to 807 KAR 5:076* (Ky. P.S.C. May 19, 2017), Nolin states that it paid \$55,654.85 during the test year for employee life insurance coverage over \$100,000.

- b. The amount Nolin pays for the portion of the life insurance coverage in excess of \$50,000 is included for purposes of ratemaking.

**Nolin Rural Electric Cooperative Corporation**  
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3. Referring to Nolin's response to AG 2-2 (b), Attachment 2H, p. 2, subpart C, item numbers 3 and 4, state when the policies discussed in numbers 3 and 4 were enacted.
  - a. Did Nolin include any expenses incurred during the test year for paying directors under these policies? If so, specify the amounts.

**Response:**

The referenced item number 3 was enacted 06/08/2000, and the referenced item number 4 was enacted 09/14/2016.

- a. Nolin included expenses of \$17,849.53 incurred during the test year for meetings/trainings/conferences encouraged by Policy #202.0, item number 3. No expenses were included in the test year for expenses under Policy #202.0, item number 4.

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4. Referring to Nolin's response to AG 1-3, Item No. 3, p. 50 of 87, state the limit of coverage on Nolin's Directors, Officers and Managers' policy prior to the increase approved in the March 18, 2016 regular meeting of the Board of Directors.

**Response:**

The limit of coverage on Nolin's Directors, Officers and Managers' policy prior to the increase approved in the March 18, 2016 regular meeting of the Board of Directors was \$5,000,000.

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5. Referring to Nolin's response to PSC 3-2 (d), Revised Exhibit 1, p. 1:
- a. Was the 3.25% salary increase given to employees an average increase, or an across-the-board increase?

**Response:**

As stated in Nolin's response to AG 2-9, Nolin does not award general, across-the-board wage and salary increases to its employees; rather, consistent with its established compensation plan/policies, compensation adjustments are made based primarily on market forces, changes in position/duties and demonstrated merit at the individual level. The 3.25% figure referenced in Revised Exhibit 1 represents the increase to total payroll expense approved by Nolin's Board of Directors for 2016. This total increase is then allocated among Nolin's individual employees in concert with the cooperative's compensation plan and regular evaluations by supervisors.

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6. Referring to Nolin's response to PSC 3-2, Confidential Attachment 16A (as revised), under the column "Bonus and Other," provide the amount of actual bonuses paid during the test year.

**Response:**

The actual amount of bonuses that were awarded during the test year was \$23,896.00.



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7. Refer to Nolin's response to PSC 3-3 (d), and Attachment 3-B (Revised Exhibit 10) of that request. Verify that there are five (5) items of expense pertaining to E-Town Laundry included for ratemaking purposes.
- a. If verified, provide the total for these five expenses.

**Response:**

Nolin verified five (5) items of expense pertaining to E-Town Laundry included for ratemaking purposes. These expenses total \$805.61. These verified entries are found in Nolin's response to PSC 3-3 (d) Revised Exhibit 10 on the following lines.

Page 2 of 7 Line 8 - \$288.65  
Page 2 of 7 Line 51 - \$157.41  
Page 4 of 7 Line 144 - \$102.29  
Page 5 of 7 Line 192 - \$108.12  
Page 6 of 7 Line 25 - \$149.14

Nolin utilizes E-Town Laundry for a variety of services, and there are several items included on the separate invoices listed above. Specifically, a total of \$297.33 relates to the rental of tablecloths that are used at Nolin's Semi-Annual Member Advisory Council meetings. Members from this Council also make up the board Nominating Committee. A total of \$167.48 relates to the rental of tablecloths used at the annual Christmas awards meeting for Nolin's Board members and employees. One invoice totaling \$149.14 is for the rental of mats and linens used during the Annual Meeting. These mats are used to cover extension cords and insure the safety of our employees and members. The expense of \$108.12 was for the rental of tablecloths used during an Employee Appreciation breakfast. Finally, the laundry of tablecloths used during retirement receptions and regular board meetings total \$83.54. These expenses total \$805.61 and are used for ratemaking purposes.

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8. Refer to Nolin's response to PSC 3-3 (r), and Attachment 3-B (Revised Exhibit 10) of that request. How many employees receive "RE Magazine?"

**Response:**

The Rural Electric Magazine is subscribed to by 32 Nolin employees, 6 Nolin Directors, and Nolin's attorney. A total of 39 receive the magazine.

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9. Refer to Nolin's response to PSC 4-7 (c), Exhibit 10, p. 6, line 41. Confirm that for ratemaking purposes, Nolin is not seeking recovery of any expenses associated with "bill credits" or "prizes" if those items appear anywhere else within Nolin's application, exhibits or schedules.

**Response:**

Nolin confirms that it is not seeking recovery of any expenses associated with "bill credits" or "prizes" if those items appear anywhere else within Nolin's application, exhibits or schedules.

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10. Refer to Nolin's response to PSC 4-13, Attachment 13-F. Provide a detailed breakdown of the costs attributable to Mr. Ryan's attendance, and Ms. Whitehead's attendance.

**Response:**

The total costs attributed to Mr. Ryan and Mrs. Whitehead's attendance at the NRECA Connect Conference in Minneapolis, MN as referenced in PSC 4-13, Attachment 13-F are \$3,883.90. These costs are detailed in the chart below.

EMPLOYEE	MEALS	HOTEL	TRANSPORTATION	AIRFARE	REGISTRATION	TOTAL
PATSY WHITEHEAD	\$94.47	\$602.16	\$58.76	\$407.20	\$800.00	\$1,962.59
RICK RYAN	\$53.19	\$602.16	\$58.76	\$407.20	\$800.00	\$1,921.31
TOTAL	\$147.66	\$1,204.32	\$117.52	\$814.40	\$1,600.00	\$3,883.90

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11. Refer to Nolin's response to PSC 4-13, Attachment 13-H.
- a. Provide the total expenses associated with attendance by Messrs. Harrington, Mattingly, Heuser, Ryan and Miller.

**Response:**

PSC 4-13, Attachment 13-H references the 2016 NRECA Annual Meeting and the NRECA TechAdvantage, which took place sequentially in New Orleans, Louisiana, in February of 2016.

- Mr. Harrington: Nolin paid the registration fee of \$628.00 for Mr. Harrington to attend the NRECA Annual Meeting; however, Mr. Harrington subsequently chose to separate employment from Nolin and did not attend the meeting. In his stead, Director Linda Grimes attended the meeting. Please note that the registration fee paid for Mr. Harrington (but actually used by Director Grimes) is not included with Directors expenses in the application.
- Mr. Mattingly: Nolin incurred expenses totaling \$2,448.41 for Mr. Mattingly to attend only the NRECA TechAdvantage.
- Mr. Heuser: Nolin incurred expenses totaling \$2,772.81 for Mr. Heuser to attend both the NRECA Annual Meeting and the NRECA TechAdvantage.
- Mr. Ryan: Nolin incurred expenses totaling \$2,538.94 for Mr. Ryan to attend the NRECA Annual Meeting and Touchstone Energy Board Meeting.
- Mr. Miller: Nolin incurred expenses totaling \$2,909.82 for Mr. Miller to attend only the NRECA Annual Meeting. The total expenses associated with the attendance of Messrs. Harrington (Director Grimes), Mattingly, Heuser, Ryan and Miller are \$10,669.98.

- b. Identify the programs/events that each of the individuals identified in subpart (a) of this question attended.

**Response:**

Please see response to question 11A.

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12. Refer to Nolin's response to PSC 4-13, Attachment 13-L. State when the NRECA Touchstone NET Conference was held.

**Response:**

The NRECA Touchstone Energy NET Conference was held February 2, 2016 through February 4, 2016.

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13. Refer to Nolin's response to PSC 5-2, Attachment 2, p. 1. Provide the total costs for Mr. Heuser to attend the NRECA International Program in Washington, D.C.

**Response:**

The total costs attributed to Mr. Heuser's attendance at the NRECA International Program in Washington, D.C. are \$763.21.

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14. Refer to Attorney General's hearing exhibit 3 (Nolin's revised Exhibit 5 from Case No. 2014-00436), p. 4, in which Nolin depicts cost savings projected to occur as a result of implementing its AMI program. In the same format utilized in the chart provided below, for each item provide Nolin's figures pertaining to that item, using the same calculations as the amounts provided in AG Exhibit 3 for: (i) the test year; and (ii) the twelve months preceding the start of the test year.

<b>Item</b>	<b>12-months Preceding Test Year</b>	<b>Test Year</b>
Addressing complaints re: high bills		
Meters not reporting		
Energy theft		
No-voltage calls		
Transformer damage		
Connects and disconnects		
Meter re-reads		
Line loss (phase balancing)		
End of line voltage recordings		
Outage management		
Contract meter reading		

**Response:**

Nolin is unable to provide a valid and reliable response to this Data Request for the reasons stated in Attachment 14A, Affidavit of Michael L. Miller, Nolin's President and Chief Executive Officer."



**AFFIDAVIT OF MICHAEL L. MILLER, CASE NO. 2016-00367**  
**RELATING TO RESPONSE NO. 14 TO**  
**ATTORNEY GENERAL'S POST-HEARING DATA REQUESTS**

Comes now the Affiant, Michael L. Miller, President and Chief Executive Officer of Nolin Rural Electric Cooperative Corporation ("Nolin"), and, after being duly sworn, does hereby state and depose as follows:

1. My name is Michael L. Miller. I am the President and Chief Executive Officer of Nolin.
2. The Attorney General's Post-Hearing Data Request No. 14 refers to AG's Hearing Exhibit 3 and requests that Nolin provide a host of calculations depicting various categories of net savings which it has realized or expects to realize as a result of the implementation of its Advanced Metering Infrastructure ("AMI") system approved by the Commission in Case No. 2014-00436.
3. The Attorney General's request directs Nolin to provide this data for both the test year, May 1, 2015 through April 30, 2016, and the twelve months preceding the test year, May 1, 2014 through April 30, 2015.
4. Nolin is unable to provide this data for the following reasons:
  - a. Deployment of Nolin's new AMI meters that are part of the analysis used in AG Hearing Exhibit 3 initially began during December 2014, prior to the beginning of the test year in this case. They were not fully deployed until July, 2016, well after the end of the test year.
  - b. Because this deployment was transitional in nature and straddled the two time periods defined in this Data Request, and, indeed, continued even several months beyond, Nolin is completely unable to provide data that can be reliably attributable to these respective time periods.
  - c. Any analysis of meter costs/savings data for the early months of the twelve-month period preceding the test year would necessarily include information for the now obsolete Nolin AMR system. The inclusion of such data would be confusing and unhelpful to the issues in this case.
  - d. In AG Hearing Exhibit 3 reference is made to a comparison of the costs/savings of AMI versus AMR with a projection of overall present value savings of \$3,260,975. Assuming hypothetically that this amount is accurate, the

estimated annual savings over a twelve-year period (which is the depreciable life for the AMI meters ordered by the Commission in Case No. 2014-00436) is \$272,000. However, after only ten months of costs/savings experience under Nolin's belt for the fully-deployed AMI system, it is premature to develop any sort of valid comparative net savings assessment between AMR and AMI.

5. If the Attorney General's position is that any net savings resulting from deployment of AMI should be used to decrease the revenue requirement sought by Nolin in this case, it is Nolin's position that for the reasons stated above there are currently no reliable net savings figures in evidence in the case to use. Furthermore, Nolin would remind the Commission and Attorney General that testimony in this case establishes that Nolin's margins from the Ft. Knox relationship will decrease approximately \$300,000-\$400,000 per year going forward. Any net savings which might be realized by Nolin from its deployment of AMI will surely be more than offset by this decrease in Ft. Knox margins.
6. Further, the Affiant sayeth naught.

The foregoing Affidavit is true and accurate to the best of my knowledge, opinion and belief, this 5<sup>th</sup> day of June, 2017.



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Michael L. Miller, President and Chief Executive Officer,  
Nolin RECC

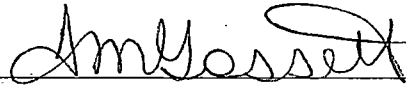
STATE OF KENTUCKY )

COUNTY OF HARDIN )

Acknowledged, subscribed and sworn to before me by the foregoing Affiant, Michael L. Miller, President and Chief Executive Officer, Nolin RECC, to be true and correct to the best of his knowledge and belief.

Witness my hand this the 5<sup>th</sup> day of June, 2017.

My Commission Expires: 08-07-18.



NOTARY PUBLIC, State at Large

516818

Notary Public ID No.