

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

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

Nolin Rural Electric Cooperative Corporation ("Nolin"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before March 15, 2017. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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

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

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

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

1. Refer to the application, Exhibit Q, page 23, and Exhibit V, page 2.
 - a. Explain/reconcile the amounts reported for plant in service as reported on the above exhibits for 2016.
 - b. Explain/reconcile the amounts reported for accounts payable as reported on the above exhibits for 2016.
 - c. Provide revised Exhibits Q or V as necessary.
2. Refer to the application, Exhibit 1, page 5, and Nolin's Responses to Commission Staff's Second Request for Information ("Staff's Second Request"), Items 2.b., attachment Revised Exhibit 1, and 16, Attachment 16A confidential.
 - a. Confirm that employee number 219 retired on May 30, 2015, one month into the test year.
 - (1) If confirmed, explain why employee number 219 is included in the normalized test year wages as a full-time employee.
 - (2) If confirmed, explain whether the correct number of regular and overtime hours are provided for employee number 219 for the test year.

b. Confirm that employee number 95 retired on March 31, 2016, three months into 2016. If confirmed, explain why employee number 95 is listed as having regular wages for 2016 that are 50 percent of this employee's 2015 regular wages.

c. Confirm that employee number 231 retired on January 1, 2016, one month into 2016. If confirmed, explain why employee number 231 is listed as having regular wages for 2016 that are 28 percent of this employee's regular wages for 2015.

d. If necessary, provide a revised version of Exhibit 1 of the application and Nolin's Responses to Staff's Second Request, Item 16, Attachment 16A confidential in Excel spreadsheet format with all columns and rows unprotected and accessible.

3. Refer to the application, Exhibit 10, pages 1 through 6.

a. Page 1 shows an amount for Industry Association Dues of \$120,405.08. In the same format as used on pages 2 through 6, provide a schedule of the items that make up this amount. Provide the schedule in Excel spreadsheet format with all columns and rows unprotected and accessible.

b. Page 1 shows a total for Miscellaneous expense of \$193,263.60, and page 5 shows a total for Miscellaneous expense of \$184,646.73. Explain and reconcile the discrepancy in these two amounts. Provide corrected schedules as necessary in Excel spreadsheet format with all columns and rows unprotected and accessible.

c. Pages 1 and 6 show Annual Meeting expense of \$100,971.78. Page 5 shows Annual Meeting expense of \$109,588.65. Explain and reconcile the

discrepancy in these two amounts. Provide corrected schedules as necessary in Excel spreadsheet format with all columns and rows unprotected and accessible.

d. Pages 2 through 5 show four payments to Elizabethtown Laundry Co in the amount of \$656.47. Provide a detailed explanation for each payment and why Nolin believes this amount should be included for ratemaking purposes.

e. Pages 2 through 5 show payments for coffee purchases from John Conti Coffee Company (\$490.77), Canteen Owensboro (\$254.79), and Canteen (\$257.14) in the amount of \$1,002.70. Provide a detailed explanation for these expenses and why Nolin believes these amounts should be included for ratemaking purposes.

f. Pages 2 through 5 show 15 payments to NISC for computer allocation and software license in the amount of \$41,437.61. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

g. Page 2 shows a payment to NRECA for R Meredith in the amount of \$1,950.00. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

h. Pages 2 through 5 show 11 payments to Wayne Corporation for employee counseling in the amount of \$1,304.74. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

i. Page 3 shows a payment to Land's End Business Outfitters for employee clothing purchases in the amount of \$5,704.30. Provide a detailed

explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

j. Page 3 shows a payment to Little Red Barn for work apparel in the amount of \$283.02. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

k. Pages 3 through 5 show three payments to Heartland Catering for catering in the amount of \$3,906.60. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

l. Page 2 shows a payment to Affirmative Action Plan USA Inc. in the amount of \$1,300.00. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

m. Page 2 shows a payment to McCream's Ice Cream for ice cream in the amount of \$125.00. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

n. Page 3 shows a payment to Hardin Professional Services for flu vaccination-employees in the amount of \$1,020.00. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

o. Page 4 shows a payment to Kentucky State Treasurer for software in the amount of \$1,838.30. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

p. Page 4 shows a payment to Alfred Akridge for Contract Labor Safety Demo in the amount of \$1,457.26. Provide a detailed explanation for this

expense and why Nolin believes this amount should be included for ratemaking purposes.

q. Page 4 shows a payment to NRECA Group Benefits Trust for BTA in the amount of \$261.00. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

r. Pages 4 and 5 show payments to NRECA for REM Magazine in the amount of \$897.00. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

s. Page 6 shows two payments to Duke's Sporting Goods for employee shirts in the amount of \$3,089.69. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

t. Page 6 shows a payment to Expressions for printing supplies—value added sheets in the amount of \$948.70. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

u. Page 6 shows eight payments to various vendors for advertising in the amount of \$10,727.31. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes. Also provide copies of all ads or transcripts for the items listed.

v. Page 6 shows a payment to NISC for supplies ballots in the amount of \$14,259.05. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

w. Page 6 shows a payment to NISC for supplies postage in the amount of \$11,117.33. Provide a detailed explanation for this expense and why Nolin believes this amount should be included for ratemaking purposes.

x. Page 2 shows a Visa payment on Check No. 90109680 for CFC Forum Meals in the amount of \$171.60. On Exhibit 8, Directors Expenses, page 8 references the same check number for CFC Forum Meals in the amount of \$171.59. These appear to be duplicate entries. Confirm that they are duplicate entries, and if confirmed, explain if Nolin agrees that this expense should be removed from either Exhibit 8 or Exhibit 10.

4. Refer to the application, Exhibit 11, pages 2 and 3 of 4.

a. Provide copies of all invoices, ads, or transcripts of each advertisement described as Safety or Conservation. If the same advertisement is repeated, a copy will not be required for each time it occurs, but the dates that the same advertisement is repeated should be noted.

b. Explain each amount listed as "Reimbursements" on pages 2 and 3 of 4.

5. Refer to Nolin's Responses to Staff's Second Request, Items 3 and 34, and the Attorney General's Initial Request for Information ("AG's First Request"), Item 18.a. Provide the calculation of Nolin's modified debt service coverage ("MDSC") ratio for the past five years, the test year, and the test year including the proposed increase in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible. If available, provide the MDSC ratios for total company and without Ft. Knox activities.

6. Refer to Nolin's Response to Staff's Second Request, Item 4. Provide the criteria that Nolin believes results in a reasonable increase.

7. Refer to Nolin's Response to Staff's Second Request, Item 5. Also refer to Exhibit S, page 1 of 4. Reconcile the adjustments needed to remove the Fuel Adjustment Clause and Environmental Surcharge purchase power expenses. Provide any necessary corrections to any affected exhibits.

8. Refer to Nolin's Response to Staff's Second Request, Item 7.i.

a. Explain why the number of consumers for Schedule 5 – Security Lights is 41 for Lines and Transformers but 7,240 for Services and Consumer & Accounting Services and 2,521 for Meters.

b. Explain why the number of consumers for Schedule 6 – Street Lighting is 25 for Lines, 400 for Transformers, 1,967 for Services and Consumer & Accounting Services, and 711 for Meters.

9. Refer to Nolin's Responses to Staff's Second Request, Item 11.g. Confirm that the majority of the 203 percent increase in this expense account from the prior year to the test period was caused by an increase in new street light installations.

10. Refer to Nolin's Responses to Staff's Second Request, Item 11.h. Confirm that the majority of the 435 percent increase in this expense accounting from the prior year to the test period was caused by employees' more accurate reporting of labor hours.

11. Refer to Nolin's Responses to Staff's Second Request, Items 11.k. and 16. Confirm that the accounting employee hired in May 2015 is employee number 302. If confirmed, explain why this employee's salary is recorded in account number 920.00,

Administrative Salaries and not recorded in account number 09.920, Administrative Salaries.

12. Refer to Nolin's Responses to Staff's Second Request, Item 13.d. and the application, Exhibit 1, pages 7–9. The percent increase calculated in Exhibit 1 is not equal to the 3.25 percent increase approved by the Board of Directors for 2015 for any given employee. For each employee listed, explain why the percent increase is either higher or lower than 3.25 percent.

13. Refer to Nolin's Responses to Staff's Second Request, Items 13.e., 17.a., Attachment 17A, and the application, Exhibit 1, pages 4–6.

a. Explain the criteria for "unusually heavy workload" as it relates to vacation payouts.

b. Confirm that employees may only carry over a maximum of 5 days or 40 hours of vacation time from one calendar year to the next.

c. Refer specifically to Attachment 17A, pages 1–3 of 3. Explain how employees become eligible for vacation payouts given the requirements that: 1) a maximum of five days or 40 hours of vacation time can be carried forward from one calendar year to the next; 2) the maximum number of vacation days an employee can possibly earn in one year is 26 days or 208 hours and; 3) an employee must have 30 days or 240 hours of accrued vacation leave in order to request cash payment of up to five days in lieu of taking the days of leave.

d. Confirm that the dollar amounts of vacation payout listed in the application, Exhibit 1, for each employee that did not retire or terminate employment during the test year are for a maximum of five days.

e. Confirm that vacation leave hours accrued by an employee and not used carried over to the next calendar year, or received by the employee as a cash payment, are no longer available to the employee.

14. Refer to Nolin's Responses to Staff's Second Request, Items 16, Attachment 16A confidential.

a. Confirm that the job title for employee number 87 is incorrect in 2016 and the test year.

b. Confirm that the job title for employee number 104 is incorrect in 2015.

c. Confirm that the job title for employee number 263 is incorrect in 2015.

15. Refer to Nolin's Responses to Staff's Second Request, Items 16, Attachment 16A confidential and 35.b., Attachment 35B.

a. Explain why some employees have employer contributions to their 401(k) without a corresponding employee contribution.

b. Confirm that the matching contribution rate for 401(k) accounts is the same for every eligible employee during the year.

c. Confirm that employees can elect either a percentage or a dollar amount contribution to their 401(k) account.

d. Confirm that Nolin provides employees with Accidental Death or Dismemberment ("AD&D") insurance through its life insurance policy.

e. Confirm that the column labeled "AD&D" shows employees' contributions to "Long Term Disability Insurance."

f. Explain why the amounts in column AD&D for 2014 are listed as an employer-paid expense when, in all other years provided, it is an employee-paid expense.

g. Provide an explanation of the totals in column "Veh Comp/50K" and confirm that these amounts are paid by Nolin.

h. Explain whether Nolin has considered decreasing its expenses by having employees contribute to their health insurance premiums.

16. Refer to Nolin's Responses to Staff's Second Request, Item 16, Attachment 16A confidential and the application, Exhibit 6. Explain why employee number 109 is listed in Exhibit 6 as having a 0.00 percent R&S Rate, but has an amount provided for Nolin's contribution to Retirement.

17. Refer to Nolin's Responses to Staff's Second Request, Item 16, Attachment 16A confidential and Nolin's Responses to Commission Staff's First Request for Information ("Staff's First Request"), Item 8.a., Attachment 8A.

a. Explain how the annual savings provided in Attachment 8A are calculated for each employee who left employment with Nolin during the test year.

b. Explain why employee number 95 was included in Attachment 8A given that the employee's position was filled.

18. Refer to Nolin's Responses to Staff's Second Request, Item 16, Attachment 16A confidential and Nolin's Responses to Staff's First Request, Item 53, Attachment 53A, page 3 of 10 and Attachment 53C – 2016 Compensation Plan Review.

a. Confirm that Journeyman Lineman and Senior Line Technician are different titles for the same employee position. If this cannot be confirmed, explain the difference in these job titles.

b. Provide a list of employees who are paid above the maximum rate, the date the President & CEO approved the pay rate, and any related documentation.

19. Refer to Nolin's Responses to Staff's Second Request, Item 18.e., and Nolin's Responses to Staff's First Request, Item 53.b. Confirm whether Nolin reviews its wage and salary plan annually or every three years. If the plan is reviewed every three years, explain why Nolin is not proposing to include one third of the expense to review its wage and salary plan.

20. Refer to Nolin's Responses to Staff's Second Request, Item 19.

a. Explain why NRECA expenses for any Board of Directors member other than Nolin's designated representative should be included for ratemaking purposes.

b. Refer to Nolin's Response to Staff's Second Request, Item 19.c. Provide the minutes of the special board meetings held to discuss confidential personnel matters. Explain why these matters required a special board meeting that could not have been discussed at a regularly scheduled monthly board meeting.

c. Refer to Nolin's Response to Staff's Second Request, Item 19.e.

(1) Explain why the meeting fees of \$158.00 for director Lawrence Ireland to attend the Kentucky Association of Electrical Cooperatives ("KAEC") annual meeting should be included for ratemaking purposes since he is not the designated representative for KAEC.

(2) The response indicates that meeting fees of \$741.00 (David Brown) and \$808.32 (Raymond Thomas) were incurred by directors to attend NRECA seminars. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered in the seminars and training and how it benefits Nolin and its customers. Provide the date and location of the seminars and training.

(3) The response indicates that meeting fees of \$402.00 were incurred by one director to attend Other KAEC Meetings/Training. Exhibit 8 indicates that the meeting fees were incurred by directors Rosenberger and Thomas. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered in the seminars and training and how they benefit Nolin and its customers. Provide the date and location of the seminars and training.

d. Refer to Nolin's Response to Staff's Second Request, Item 19.f. Provide the calculation of the NRECA Director Seminars meals that total \$523.96. Provide a detailed narrative or documentation describing fully the agenda and the nature of the topics covered in the seminars and training and how they benefit Nolin and its customers. Provide the date and location of the seminars and training.

e. Refer to Nolin's Response to Staff's Second Request, Item 19.h. State which training opportunities Director Grimes attended at the NRECA annual meeting. State whether Nolin is aware of the Commission's practice of allowing only the expenses for the cooperative's designated representative at NRECA's annual meeting.

f. Refer to Nolin's Response to Staff's Second Request, Item 19.i.

(1) Provide the attachment reference that Nolin intended for this response.

(2) State which NRECA training and seminars Director Thomas attended. If this expense was incurred at NRECA's annual meeting, state whether Nolin is aware of the Commission's practice of allowing only the expenses for the cooperative's designated representative at NRECA's annual meeting.

21. Refer to Nolin's Response to Staff's Second Request, Item 21.b. Explain why Nolin retired 2012 capital credits in 2013, rather than continuing with the next sequential year, 1990.

22. Refer to Nolin's Response to Staff's Second Request, Item 22. Confirm that Nolin employees pay 100 percent of dental premiums.

23. Refer to Nolin's Response to Staff's Second Request, Item 30.

a. For Rate Class: Schedule 10, Large Industrial Rate, the proposed customer charge is \$1,974.78. The official notice as filed in Exhibit D of the application proposed a customer charge of \$1,219.84. Reconcile this difference.

b. Confirm that the COSS customer related costs for Schedule 10, Large Industrial Rate is \$184.73.

c. For Rate Classes: Special Contract Rates and Rate 15, the proposed customer charge is \$5,733.00. The official notice as filed in Exhibit D of the application proposed a customer charge of \$5,454.00. Reconcile this difference.

d. Confirm that the COSS customer related costs for Special Contract Rates and Rate 15 is \$5,454.00.

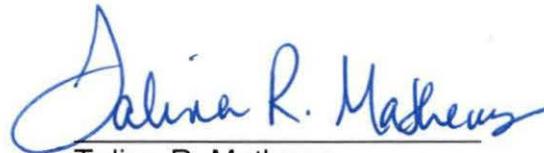
e. Provide an updated table if necessary.

24. Refer to Nolin's Responses to Staff's Second Request, Item 33, and the AG's First Request, Items 27 and 30.

a. Provide when the referenced related employees began employment with Nolin, when they became related if it occurred after employment, and if any these employees were granted an exemption from Nolin's anti-nepotism policy.

b. Confirm that the related employees are not in the same supervisory unit. If this cannot be confirmed, explain why this exception to Nolin's anti-nepotism policy is allowed.

26. Provide a table illustrating each rate class's contribution to total revenue at current and proposed rates.



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DATED MAR 02 2017

cc: Parties of Record

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