

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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JAN 24 2017

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 INITIAL 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 Initial 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  
Attorney for Nolin Rural Electric Cooperative Corporation  
108 E. Poplar Street  
P.O. Box 389  
Elizabethtown, Kentucky 42702-0389

Mark David Goss  
M. Evan Buckley  
Goss Samford, PLLC  
Attorneys for Nolin Rural Electric Cooperative Corporation  
2365 Harrodsburg Road, Suite B-325  
Lexington, Kentucky 40504

this 24<sup>th</sup> day of January, 2017.

  
\_\_\_\_\_  
Assistant Attorney General

1. Reference the Nolin Application generally. Provide all tables and exhibits referenced in or supporting the Application and testimony in their native electronic format (i.e. Microsoft Word, Microsoft Excel), with data including formulae in all cells and rows fully intact and fully accessible.
  - a. Provide all relevant and supporting worksheets in electronic format with data including formulae in all cells and rows fully intact and fully accessible.
2. Reference the Nolin Application generally. Provide all invoices from outside experts, consultants, and legal counsel related to the current rate case, as well as the total amount expended thus far. Provide this information on an ongoing basis.
3. Reference the Nolin Application generally. Provide full copies of the Board of Directors' ("BOD") meeting minutes for every BOD meeting that has taken place from 1/1/2015 up until the present time.
4. Reference the Nolin Application generally. Provide copies of any and all documents, agendas, meeting notices, and/or annual reports relating to or distributed via bill inserts or at any and all meetings with customers between 1/1/2015 and the present time, which address or otherwise discuss the need for a rate adjustment.
5. Reference the Nolin Application generally. Provide copies of any and all documents, correspondences, newsletters, and/or annual reports mailed or provided electronically to Nolin's customers from 1/1/2015 up to the present time, which address or otherwise discuss the need for a rate adjustment.
6. Reference the Nolin Application generally. Has Nolin conducted a study to compare the Company's salary, benefits, raises and bonuses per employee with the standard salary,

benefits, and raises by the workforce in the counties that it services? If so, provide copies of all such studies. If not, explain why a study has not been performed.

7. Reference Nolin's Application, Paragraph (1), and provide the per capita income for the residents of each of the eight (8) counties that the Company provides with electricity service. Additionally, provide the unemployment rate for each county as well.
8. Reference Nolin's Application, Paragraph (3), where the Company states that increased cost of power, materials, equipment, labor, and other fixed and variable costs are the reasons behind the Company's rate increase request of \$5,342,889. Provide a detailed explanation of the reasons that these specific costs have risen. Additionally, provide a succinct chart/table that provides a complete breakdown by item/account of the \$5,342,889 rate increase.
9. Reference Nolin's Application, Paragraph (10). Did the Nolin Board of Directors ever discuss alternatives to filing a rate increase? For example, did the BOD discuss either freezing or reducing wage and salary increases/raises and/or bonuses, or increasing employee contributions for benefits such as health insurance?
10. Reference the Nolin Application generally. Provide copies of any salary surveys/studies or analysis of prevailing wage and salary amounts in the Nolin service area, or any other documents utilized in the process of determining the amount of compensation for wage and salaried employees.

11. Reference the Nolin Application generally to answer the following:

- a. Provide a list of each Nolin salaried employee's job title with yearly salary, overtime if any, percent pay increase for each of the past ten (10) years, and also include all benefits, bonuses, awards, etc.
- b. Provide a list of each Nolin hourly employee's job title with yearly salary, overtime if any, percent pay increase for each of the past ten (10) years, and also include all benefits, bonuses, awards, etc.
- c. Provide a list of each Nolin Board of Director's job title with salary, overtime if any, percent pay increase for each of the past ten (10) years, and also include all benefits, bonuses, awards, etc.
- d. Provide a list of each Nolin Officer's job title with yearly salary, overtime if any, percent pay increase for each of the past ten (10) years, and also include all benefits, bonuses, awards, etc.

12. Reference the Nolin Application generally. Provide copies of all studies that Nolin has conducted addressing the impact that the proposed rate design will have on the elderly, low income, fixed income and home bound segments of its ratepayer base. Provide detailed information for each specified group.

13. Reference the Nolin Application generally. Provide the general wage and salary increases that have been given, or will be given, to all Nolin employees for each year between 2007 - 2017.

14. Reference the Nolin Application generally. Provide the policies and procedures that Nolin relies upon when making the determination as to providing a wage and/or salary increase to an employee, and whether or not a performance evaluation is the basis for the increase.
15. Reference the Nolin Application generally. Provide a detailed list of each and every raise or bonus that an employee may be entitled to, the criteria for awarding the raise or bonus, and whether or not a performance evaluation is the basis for each.
16. Reference the Nolin Application generally. Provide a detailed description of the benefits package that Nolin offers its employees. Include all benefits including but not limited to health, dental, vision, disability, and life insurance plans, pension plans, 401K plans, sick time, vacation time, overtime, etc. and include all dollar amounts paid by the employee and the employer contribution of the same. Include all relevant premiums, co-pays, deductibles, etc.
17. Reference the Nolin Application generally. Has the Company raised premiums for employees or raised co-pays for doctor visits and/or pharmacy prescriptions in order to assist in keeping the insurance costs as low as possible?
18. Reference the Nolin Application generally and the Direct Testimony of Michael L. Miller, Question/Answer #6 to answer the following questions:
  - a. Nolin asserts that it has not met its mortgage requirements with the National Rural Utilities Cooperative Finance Corporation for 2017. Provide any and all mortgage requirements that Nolin must meet for all creditors.

- b. Provide the Times Interest Earned Ratio (“TIER”) for the last five (5) years.
  - c. Provide the Operating Times Interest Earned Ratio for the last five (5) years.
  - d. Provide the Net TIER for the last five (5) years. Also, provide a description of how the Net TIER was calculated.
19. Reference the Nolin Application generally. Provide the rationale and justification for applying the large bulk of the rate increase upon the customer charge instead of upon the usage charge.
- a. Confirm that by placing a large percentage of the rate increase upon the customer charge it will prevent its customers from having the ability to reduce their bills through less energy usage.
  - b. Does Nolin admit that by placing a large percentage of the rate increase upon the customer charge it reduces the incentive to conserve energy?
20. Reference Nolin’s Application, Exhibit D, “Official Notice” which provides the present and proposed rate structure to answer the following questions.
- a. Confirm that Nolin is proposing to increase the customer charge for Farm and Home ratepayers by 121%, in addition to increasing the energy charge per kWh.
  - b. Confirm that Nolin is proposing to increase the customer charge for Prepay ratepayers by 121%, in addition to increasing the energy charge per kWh.
  - c. Confirm that Nolin is proposing to increase the customer charge for Small Commercial and Small Power Service ratepayers by 23%, but keep the energy charge the same.

- d. Confirm that Nolin is proposing to increase the customer charge for Large Power ratepayers by 23%, and the demand charge from \$4.95 to \$6.02.
  - e. Confirm that Nolin is proposing to increase the customer charge for Industrial ratepayers from \$0 per month to \$42.50.
  - f. Confirm that Nolin is proposing to increase the customer charge for the Special Contract Rate and Rate 15 (Interruptible) ratepayers by 359%.
21. Reference Nolin's Application, Exhibit N, Audit. Mr. Zumstein recommended correction action due to one of the bank accounts being reconciled by an employee authorized to sign checks, and prepare checks. Did Nolin rectify this issue by having the reconciliation prepared by an employee removed from these functions as Mr. Zumstein advised? If yes, provide the date that Nolin rectified the issue.
22. Reference Nolin's Application generally. Provide a copy of Mr. Zumstein's 2016 Audit.
23. Reference the Nolin Application, Exhibit 7. Provide a detailed explanation for the following expenses:
- a. Fort Knox Legal Defense,
  - b. Corporate Ethics Monitor,
  - c. Engineering Studies.
24. Reference the Nolin Application, Exhibit 7, and provide an explanation of the legal duties, and evidence of the same, that Attorney Scott performed in exchange for the monthly retainer of \$750. Additionally, explain in full what the multiple \$1,000 payments to Attorney Scott represent that are described as Medical Allotments.

25. Please reference Nolin's Application, Exhibit P, concerning the Annual Meeting Costs for the years 2011-2015. The average cost of the annual meeting for these years was approximately \$108,372.80. Explain in full why Nolin did not attempt to reduce the amount of the annual meeting budget in order to conserve funds if it is experiencing financial hardships.
26. Does Nolin anticipate any changes in any existing contracts as a result of the new rates it seeks to implement in this filing (e.g., engineering, information technology, maintenance, etc.)? If so, identify each such change.
27. State whether any relative, by blood or marriage, of Nolin's Board of Directors or executive management team holds, or will hold any type or sort of position, whether as employee, officer, board member, contractor or consultant, with Nolin. If so, provide the name of the position(s) involved.
28. Does Nolin maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to Nolin's officers, members of its Board, its employees, its independent contractors or consultants? If yes:
- a. Provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and
  - b. State whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.
29. Does Nolin have anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.

30. Does Nolin employ the relatives of:

- a. Any Nolin Board Member;
- b. Any Nolin Officer;
- c. Any Nolin Consultant; and/or
- d. Any other Nolin Employee?

If so, provide specific details.

31. Reference the Direct Testimony of James R. Adkins, Question/Answer #10, page 5 of 7.

Provide Nolin's rationale in requesting "customer service charge" to be changed to "member cost of service charge."

32. Reference the Direct Testimony of Michael L. Miller, Question/Answer #7, page 3 of 5.

Mr. Miller states that "[l]oad growth has slowed the last few years due to the downturn in the economy causing fewer housing and commercial starts."

- a. Explain in full detail the downturn in the economy that has occurred in Nolin's service territory.

33. Reference Nolin's Application, Exhibit 3 concerning Depreciation to answer the following questions:

- a. Confirm that Nolin is not requesting to change its depreciation rates in the present case. If Nolin is requesting to change its depreciation rates, provide a comparison chart between the current rates, proposed rates, and the RUS Low and High rates.

- b. Provide a chart listing the Company's current depreciation rates for each category and the RUS Low and High rate.
- 34. Reference Nolin's Application generally. Provide an explanation as to whether EKPC pays capital credits to Nolin. If not, explain why not.
- 35. Reference Nolin's Application generally. Provide the current average residential bill with customer charge for all RECC's and IOU's operating in Kentucky. Ensure to include Nolin's current average residential bill as well as the proposed average residential bill.
- 36. Reference Nolin's Application, Exhibit 13 where it states that the Company is proposing to remove the Fort Knox operations from the test year to normalize the Nolin only operations, even though it records positive net margins from Fort Knox.
  - a. Did Nolin remove the Fort Knox operations from the test year in the last rate case?
  - b. Provide a detailed explanation justifying the removal of the Fort Knox operations from the test year in the present case.
  - c. Provide an explanation of the arrangement that Nolin has with Fort Knox, and provide any and all contracts that exist between Nolin and Fort Knox.
- 37. Reference the Nolin Application generally. Identify the test year, filing date, rate effective date, and rate increase (both dollar and percentage) for the Company's last three (3) rate cases.
  - a. Provide the level of rate case expense incurred for the last three (3) rate cases. Also, indicate which cases were settled and which were litigated. For the settled cases, also indicate at which stage they were settled.