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August 26, 2010

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Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

RECEIVED

AUG 26 2010

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2010-00178

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of the responses of Nolin Rural Electric Cooperative Corporation to the Commission Staff's Second Information Request, dated August 12, 2010.

Very truly yours,



John J. Scott

Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

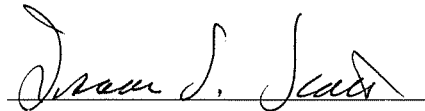
IN THE MATTER OF:

NOLIN RURAL ELECTRIC COOPERATIVE)	
CORPORATION PASS-THROUGH OF EAST)	CASE NO.
KENTUCKY POWER COOPERATIVE, INC.)	2010-00178
WHOLESALE RATE ADJUSTMENT)	

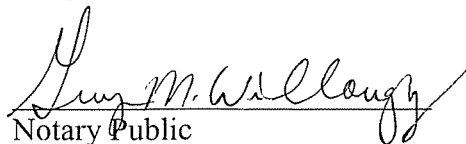
CERTIFICATE

STATE OF KENTUCKY)
)
 COUNTY OF CLARK)

Isaac S. Scott, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's Second Information Request in the above-referenced case dated August 12, 2010, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 24th day of August, 2010.


 Notary Public

MY COMMISSION EXPIRES NOVEMBER 30, 2013
 NOTARY ID #409352

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

NOLIN RURAL ELECTRIC COOPERATIVE)	
CORPORATION PASS-THROUGH OF EAST)	CASE NO.
KENTUCKY POWER COOPERATIVE, INC.)	2010-00178
WHOLESALE RATE ADJUSTMENT)	

**RESPONSES TO COMMISSION STAFF'S SECOND
INFORMATION REQUEST
TO NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
DATED AUGUST 12, 2010**

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION
PSC CASE NO. 2010-00178
SECOND INFORMATION REQUEST RESPONSE

COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 08/12/10
REQUEST 1

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: Nolin Rural Electric Cooperative Corporation

Request 1. Refer to Exhibit 3 of the application, page 5 of 6, and East Kentucky Power Cooperative Corporation, Inc. ("EKPC") Case No. 2010-00167, Volume 5 of the application, Tab 58, page 10 of 13. Explain why the current and proposed rates in Exhibit 3 for the Special Contract customer differ from those shown in the EKPC filing on page 10 of 13.

Response 1. The rates shown for Rate G in EKPC's application, Tab 58, page 10 of 13 are for two customers: Fleming-Mason's Inland Electric and Nolin's AGC Automotive Americas ("AGC"). Consequently, the amounts shown in the EKPC application for Rate G will not match those shown in Exhibit 3, page 5 of 6 of Nolin's application. Please see Nolin's response to the Commission Staff's First Information Request dated July 15, 2010, Item 1, page 18 of 20 for a breakdown of EKPC's Rate G between Fleming-Mason and Nolin.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2010-00178

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 08/12/10
REQUEST 2**

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: Nolin Rural Electric Cooperative Corporation

Request 2. Refer to Exhibit 3 of the application, page 5 of 6, and Nolin's response to Item 1 of Commission Staff's First Information Request, page 3 of 20.

a. Item 1, page 3 of 20, shows the proposed total increase for Nolin's Special Contract customer to be \$285,879 while Exhibit 3, page 5 of 6, shows the increase to be \$276,841. State the correct amount of the increase for the Special Contract customer.

b. Refer to Exhibit 3, page 1 of 6. This page shows the increases to each of Nolin's rate classes, including the increase of \$276,841 to the Special Contract customer. If the Special Contract customer is actually to receive a \$285,879 increase, explain why the increases to the other classes should not be reduced so as not to exceed the \$3,006,277 wholesale increase that EKPC is allocating to Nolin.

Response 2a. Based on the Commission's April 1, 2007 Order in Case No. 2006-00484 and Nolin's understanding of KRS 278.455 and 807 KAR 5:007, Nolin states the correct amount of increase for AGC, the Special Contract customer, is \$276,841.

Response 2b. Nolin would agree that if the increase to AGC was \$285,879 the increases proposed for the remaining rate classes should be reduced so as to not exceed the \$3,006,277 wholesale increase that EKPC is allocating to Nolin. However, Nolin filed its application in this

case pursuant to the authority of KRS 278.455 and 807 KAR 5:007 and does not believe the \$285,879 reflects an increase that is consistent with the statute and regulation. In its April 1, 2007 Order in Case No. 2006-00484, the Commission stated the following concerning KRS 278.455(2) and 807 KAR 5:007, Section 2(2):

Both the statute and administrative regulation are quite clear that the allocation of the wholesale rate increase must not change the retail rate design currently in effect and that the wholesale rate increase must be allocated to each retail class and within each retail tariff on a proportional basis. There is no provision in either KRS 278.455 or 807 KAR 5:007 requiring that there be a correlation between the proposed wholesale rate design and the proposed retail rate design. Moreover, there is no provision or requirement that the process utilized to develop the wholesale rates must be followed or duplicated in the retail rates.

What is required is an allocation of the wholesale rate increase to the retail rates, on a proportional basis to each retail class and within each retail tariff, in a manner that does not change the existing distribution cooperative rate design. Contrary to the arguments of Nolin and EKPC, the Commission finds that the statute and administrative regulation require the distribution cooperative to follow a “strict adherence” to the existing proportion of revenues at retail, by rate mechanism component. (April 1, 2007 Order, pages 3-4.)

Consequently, based on this previous determination by the Commission, Nolin followed a proportional allocation approach and increased the current rates for AGC by \$276,841 rather than using the EKPC proposed rates. The allocation approach utilized in this application is consistent with the allocation approach used in Case No. 2008-00420, which the Commission accepted in its March 31, 2009 Order.

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2010-00178

SECOND INFORMATION REQUEST RESPONSE

**COMMISSION STAFF'S SECOND INFORMATION REQUEST DATED 08/12/10
REQUEST 3**

RESPONSIBLE PERSON: Isaac S. Scott

COMPANY: Nolin Rural Electric Cooperative Corporation

Request 3. State whether Nolin charges an adder to the EKPC rates charged to its Special Contract customer. If yes, provide the amount of the adder per kW or kWh, whichever is applicable.

Response 3. Nolin does not charge AGC an adder to the EKPC rates. Pursuant to the terms of the contract between EKPC, Nolin, and AGC dated May 27, 2009 and approved by the Commission effective July 1, 2009, paragraph 4, sections d. through f., Nolin charges AGC a specified demand charge, energy charge, and customer charge.