

# Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292  
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

RECEIVED

NOV 15 2010

PUBLIC SERVICE  
COMMISSION

November 8, 2010

Mr. Jeff Derouen, Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
PO Box 615  
Frankfort, Kentucky 40602

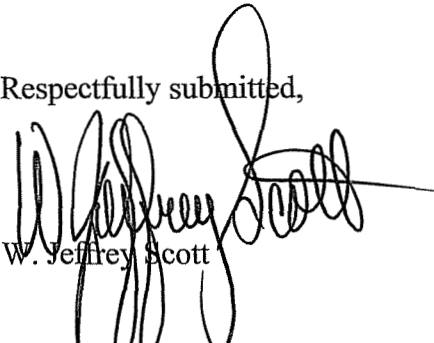
2010-00441

Re: Application for "Certificate of Convenience and Necessity"

Dear Mr. Derouen:

Enclosed is one (1) original and ten (10) copies of the Application of Grayson Rural Electric Cooperative Corporation for a certificate of convenience and necessity pursuant to KRS 278.020 and 807 KAR 5:001 Section 9 and related sections, authorizing certain proposed construction. Three (3) copies of the 2009-2012 work plan with system maps are furnished with this filing.

Respectfully submitted,



W. Jeffrey Scott

Copy to: Carol H. Fraley, President & CEO  
Grayson Rural Electric Cooperative

COMMONWEALTH OF KENTUCKY  
BEFORE THE  
PUBLIC SERVICE COMMISSION  
IN THE MATTER OF:

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PUBLIC SERVICE  
COMMISSION

Case No. 2010-00441

THE APPLICATION OF GRAYSON RURAL ELECTRIC  
COOPERATIVE CORPORATION FOR A CERTIFICATE  
OF CONVENIENCE AND NECESSITY PURSUANT TO  
KRS 278.020 AND 807 KAR 5:001 SECTION 9 AND RELATED  
SECTIONS AUTHORIZING CERTAIN PROPOSED  
CONSTRUCTION

In support of its application, entitled above, Grayson Rural Electric Cooperative Corporation (hereafter called "Grayson"), respectfully states:

I.

Grayson proposes to construct property for the following purposes:

- Distribution lines to serve **1,600** new consumers;
- **42.55** miles of conductor upgrading and replacement;
- Miscellaneous distribution equipment and pole changes. This includes voltage regulators, capacitors, sectionalizing equipment, meters, transformers, and increased service capacity upgrades;
- Security lights, and;
- Line relocations.

No franchise or permits from any public authority are required for the proposed new construction and extensions.

## II.

The full name and post office address of the Applicant is as follows:

Grayson Rural Electric Cooperative Corporation  
109 Bagby Park  
Grayson, Kentucky 41143

## III.

The Applicant, Grayson, is an electric cooperative corporation duly organized and existing under Chapter 279 of the Kentucky revised Statutes with authority to do all acts hereinafter stated as done or proposed to be done.

A certified copy of the Articles of Incorporation of Grayson has heretofore been filed with this Commission in Case No. 2008-00254, and reference is respectfully made thereto.

## IV.

Grayson, as of September 30, 2010, distributes electric energy to some **15,700** consumers in the Kentucky counties of Carter, Elliott, Greenup, Lawrence, Lewis, and Rowan.

## V.

Grayson's property consists of approximately **2,471** miles of electric distribution lines and other property necessary and incidental to the operations of its system in the foregoing counties. The original cost of the Applicant's property as of September 30, 2010, is as follows:

Total Utility Plant	<b>\$60,439,834</b>
---------------------	---------------------

Applicant files herewith the following financial statement:

- A. No amount or kinds of stock are authorized.
- B. No amount or kinds of stock are issued or outstanding.
- C. No preferred stock has been issued or outstanding.

- D. Exhibit 1 lists the outstanding notes and mortgages that have been executed by Grayson as Mortgagor and delivered to the United States of America, and the National Rural Utilities Cooperative Finance Corporation, as Mortgages as of the date of this application. The balance outstanding, as of September 30, 2010.
- E. No bonds are authorized or issued.
- F. Grayson has not other indebtedness, except current liabilities which accrue in the ordinary course of business and which are unsecured.
- G. No dividends have been paid during the 5 previous fiscal years.
- H. One-hundred percent (100%) of the financing of this work plan will be with the United States Rural Utilities Services (RUS). Pursuant to KRS 278.300(10) the Commission's approval of evidences of indebtedness in connection with this loan will not be required.

## VI.

It is estimated that the new construction and extension will not compete with any public utility, corporations, or person.

## VII.

Estimated costs of operation after the facilities are completed would not change materially from operating costs shown on our September 30, 2010, Statement of Operations included in this filing as Exhibit II, as required by 807 KAR 5:001, Section 9(2)(f).

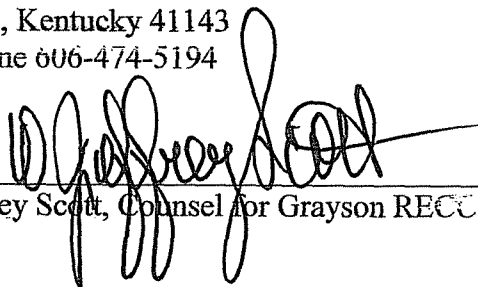
A copy of the following items are attached herewith and made a part hereof:

1. The 2009-2012 three-year work plan maps. Three sets are required under 807 KAR 5:001, Section 9(2)(d).
2. Board of Directors Resolution adopting same as a course of action.
3. Statement of Operations for the 12 months ending September 30, 2010.

The attached Exhibit List and Exhibits are hereby incorporated by references in this application and made a part hereof.

WHEREFORE, the Applicant, Grayson Rural Electric Cooperative Corporation asks that the Public Service Commission of Kentucky make its order issuing a certificate of convenience and necessity as requested herein, and for such other relief as the Commission may deem appropriate as to which Grayson may appear entitled.

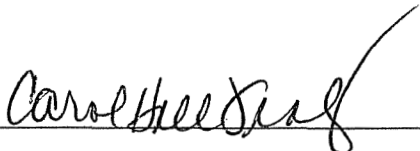
W. Jeffrey Scott  
PO Box 608  
Grayson, Kentucky 41143  
Telephone 606-474-5194

A handwritten signature in black ink, appearing to read "W. Jeffrey Scott", is written over a horizontal line. The signature is stylized and cursive.

W. Jeffrey Scott, Counsel for Grayson RECC

**VERIFICATION**

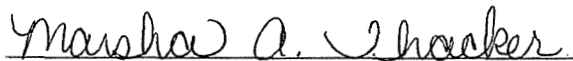
The undersigned, Carol H. Fraley, being duly sworn that she is the President and CEO of Grayson Rural Electric Cooperative Corporation; that she has the personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of her knowledge, information, and belief.

  
\_\_\_\_\_  
Carol H. Fraley, President & CEO

State of Kentucky  
County of Carter

Subscribed, sworn to, and acknowledged before me by CAROL H. FRALEY this  
8th day of November, 2010

My commission expires 1-9-2011

  
\_\_\_\_\_  
Notary Public, State of Kentucky at Large

(Seal)

## EXHIBIT LIST

<u>Number</u>	<u>Description</u>
I	List of loans outstanding as of September 30, 2010
II	September 30, 2010, Statement of Operations
III	Balance Sheet as of September 30, 2010
IV	Resolution of the Board of Directors adopting the 2009-2012 Three Year Work Plan as the course of action.
Binders	2009-2012 Three Year Work Plan with system maps and voltage drop studies. Three copies are included with this application.

**LONG TERM DEBT - RUS**

**Complete Schedule Showing Total Obligation to RUS**

Note No. (a)	Interest Rate (b)	Date (c)	Original Balance (d)	Plus		Less		Balance Long Term Debt (h)
				Interest Accrued (e)	Principal Payments (f)	Funds Unadvanced (g)		
1B340	5%	08/12/77	\$ 311,500.00		\$ 278,870.60		\$ 32,629.40	
1B342	5%	12/21/77	\$ 311,500.00		\$ 278,870.60		\$ 32,629.40	
1B350	5%	08/03/78	\$ 270,000.00		\$ 226,552.62		\$ 43,447.38	
1B352	5%	02/19/79	\$ 270,000.00		\$ 226,552.62		\$ 43,447.38	
1B360	5%	08/16/79	\$ 773,500.00		\$ 607,956.82		\$ 165,543.18	
1B362	5%	02/13/81	\$ 773,500.00		\$ 607,956.82		\$ 165,543.18	
1B370	5%	10/04/82	\$ 640,000.00		\$ 426,638.88		\$ 213,361.12	
1B373	5%	04/01/85	\$ 640,000.00		\$ 416,691.04		\$ 223,308.96	
1B380	5%	08/30/85	\$ 525,000.00		\$ 276,732.92		\$ 248,267.08	
1B382	5%	03/09/87	\$ 525,000.00		\$ 276,732.92		\$ 248,267.08	
1B390	5%	02/29/88	\$ 667,500.00		\$ 290,384.50		\$ 377,115.50	
1B392	5%	11/30/89	\$ 499,500.00		\$ 217,303.71		\$ 282,196.29	
1B393	5%	02/28/90	\$ 168,000.00		\$ 70,358.31		\$ 97,641.69	
1B400	5%	06/18/91	\$ 755,500.00		\$ 253,587.61		\$ 501,912.39	
1B403	5%	02/28/94	\$ 755,500.00		\$ 239,731.18		\$ 515,768.82	
1B410	5%	09/19/94	\$ 1,100,000.00		\$ 274,367.04		\$ 825,632.96	
1B411	5%	12/12/94	\$ 197,000.00		\$ 49,136.52		\$ 147,863.48	
1B412	5%	03/20/95	\$ 512,000.00		\$ 127,705.41		\$ 384,294.59	
1B413	5%	04/24/95	\$ 500,000.00		\$ 124,712.24		\$ 375,287.76	
1B414	5%	05/22/95	\$ 285,000.00		\$ 71,085.93		\$ 213,914.07	
1B420	5%	03/30/96	\$ 1,975,000.00		\$ 404,268.55		\$ 1,570,731.45	
1B421	5%	01/24/97	\$ 1,000,000.00		\$ 204,692.78		\$ 795,307.22	
1B422	5%	04/21/97	\$ 800,000.00		\$ 163,754.31		\$ 636,245.69	
1B423	5%	09/15/97	\$ 1,100,000.00		\$ 225,162.16		\$ 874,837.84	
1B424	5%	12/15/97	\$ 900,000.00		\$ 184,223.52		\$ 715,776.48	
1B425	5%	04/20/98	\$ 850,000.00		\$ 173,989.04		\$ 676,010.96	
1B426	5%	10/07/98	\$ 650,000.00		\$ 129,776.27		\$ 520,223.73	
1B427	5%	01/13/99	\$ 650,000.00		\$ 128,773.50		\$ 521,226.50	
1B428	5%	06/02/99	\$ 723,000.00		\$ 140,119.20		\$ 582,880.80	
1B430	4.70%	05/01/05	\$ 2,000,000.00		\$ 164,601.46		\$ 1,835,398.54	
1B431	4.95%	07/27/07	\$ 4,000,000.00		\$ 174,765.44		\$ 3,825,234.56	
1B432	4.63%	05/23/08	\$ 4,800,000.00		\$ 168,971.22		\$ 4,631,028.78	
1B433	3.17%	12/18/08	\$ 660,000.00		\$ 22,937.60		\$ 637,062.40	
TOTAL			\$ 30,588,000.00	\$0.00	\$ 7,627,963.34	\$0.00	\$22,960,036.66	
Less: Advance Payments Unapplied (Note #4990)								
<b>TOTAL OBLIGATION - RUS</b>								
<b>\$ 22,960,036.66</b>								

Exhibit I  
 Page 1 of 2  
 Witness: Don M. Combs





Grayson Rural Electric  
Statement of Operations  
12 months ending September 30, 2010

Exhibit II  
Page 1 of 1  
Witness: Don M. Combs

Operating Revenue \$ 29,997,639

Operating Expenses

Cost of Power	18,407,966
Distribution Operations	1,057,967
Distribution Maintenance	2,443,112
Consumer Accounts	833,908
Consumer Service	217,875
Sales	29,694
Administrative and General	1,667,192
	<u>24,657,714</u>

Depreciation and Amortization	2,695,918
Taxes - Other	28,925
Interest on Long Term Debt	1,175,850
Other Interest Expense	71,982
Other Deductions	196,930
	<u>28,827,319</u>

Utility Operating Margins 1,170,320

Nonoperating margins, interest	29,755
Nonoperating margins, other	3,996
	<u>33,751</u>

Patronage Capital

G & T	825,375
Others	69,966
	<u>895,341</u>

Net Margins \$ 2,099,412

**Assets**

Electric Plant	59,991,204
In service	448,631
Under construction	<u>60,439,835</u>
	(11,213,154)
Less Accumulated depreciation	<u>49,226,681</u>
	<u>6,608,799</u>
Investments	
Current Assets	102,737
Cash and temporary investments	4,588,461
Accunts receivable, net	420,423
Other receivables	357,032
Material and supplies	172,468
Prepayments	<u>5,641,121</u>
	<u>246,216</u>
Other deferred debits	
Total Assets	<u><u>61,722,817</u></u>

**Members Equities and Liabilities**

Margins and Equities	152,335
Memberships	15,960,563
Patronage Capital	<u>16,112,898</u>
	<u>36,597,398</u>
Long Term Debt	
Accumulated Operating Provisions	<u>2,868,586</u>
Current Liabilities	2,241,359
Notes Payable	1,907,084
Accounts Payable	1,229,079
Consumer Deposits	612,497
Accrued Expense	<u>5,990,019</u>
	<u>153,916</u>
Consumer Advances	
Total Member's Equity and Liabilities	<u><u>61,722,817</u></u>

### SECRETARY'S CERTIFICATE

I, Eddie Martin, do hereby certify that: I am the secretary of Grayson Rural Electric Cooperative Corporation (hereinafter called the "Corporation"), the following are true and correct copies of resolutions duly adopted by the Board of Directors of the Corporation at the regular meeting held February 26, 2010, and entered in the minute book of the Corporation; the meeting was duly and regularly called and held in accordance with the bylaws of the Corporation; the attached forms of RUS Loan Contract, FFB Note, Reimbursement Note and security instrument(s) are true and exact copies of the forms thereof authorized and approved by the Board of Directors to be executed, and none of the following resolutions have been rescinded or modified:

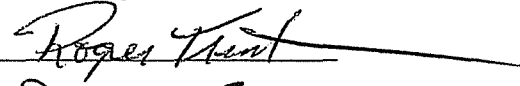
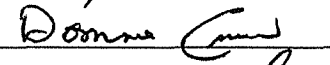


#### RESOLUTIONS

1. RESOLVED, that the Corporation borrow from the Federal Financing Bank ("FFB") an amount not to exceed \$16,438,000.00, to be guaranteed by the United States of America (the "Government"), acting through the Administrator of the Rural Utilities Service ("RUS"); and
2. RESOLVED, that the corporation accept the terms and conditions which the Administrator of RUS has established for obtaining its guarantee of the FFB loan, as such terms and conditions are set forth; and
3. RESOLVED, that the Chairman is authorized on behalf of the Corporation to execute and deliver under its corporate seal, which the secretary is directed to affix and attest:
  - (a) as many counterparts respectively as shall be deemed advisable of an agreement with the Government, in the form of the RUS Loan Contract submitted to this meeting; and
  - (b) a note payable to FFB and guaranteed by RUS in the principal amount of \$16,438,000.00, substantially in the form of the FFB note submitted to this meeting; and
  - (c) the note payable to the Government, acting through the Administrator of RUS, substantially in the form of the Reimbursement Note submitted to this meeting; and
  - (d) as many counterparts as shall be deemed advisable of a Supplemental Mortgage by and among the Corporation, the Government and National Rural Utilities Cooperative Finance Corporation, which, among other things, pledges all of the Corporation's property to secure notes payable to the Government in the aggregate principal amount not to exceed \$100,000,000.00 at any one time, and a financing statement, substantially in the form of the security instruments presented to this meeting; and
4. RESOLVED, that the officers of the Corporation be, and each of them is authorized in the name and on behalf of the Corporation, to execute all such instruments, make all such payments and do all such other acts as in the opinion of the officer or officers acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions; and
5. RESOLVED, that the Chairman, Vice Chairman, Secretary/Treasurer, and any officials authorized to act in such corporate positions and to perform the functions of such positions are authorized on behalf of the Borrower (a) to execute and deliver from time to time advance requests, maturity extension election notices, prepayment election notices and refinancing election notices, in the form of such instruments attached to the note payable to FFB, and (b) to specify information and select options as provided in such instruments.

I FURTHER CERTIFY THAT each member of the Board of Directors of the corporation was furnished with notice of said meeting in compliance with the bylaws of the Corporation.

I FURTHER CERTIFY THAT the date of actual execution of the documents referred to above is February 26, 2010.

I FURTHER CERTIFY THAT the following are the names and signatures, respectively, of the officers of the Corporation identified below who validly held and occupied their respective positions on said date of actual execution of the documents.

<u>Office</u>	<u>Name</u>	<u>Signature</u>
Chairman	<u>Roger Trent</u>	
Vice Chairman	<u>Donnie Crum</u>	
Secretary	<u>Eddie Martin</u>	
Treasurer	<u>Eddie Martin</u>	

IN WITNESS WHEREOF I have hereunto set my hand and affixed the seal of the Corporation this 26<sup>th</sup> day of February, 2010.

  
Secretary

(Corporate Seal)