

Grayson Rural Electric Cooperative Corporation

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

February 28, 2011

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

Re: Case No. 2010-00441

Dear Mr. Derouen:

Enclosed is one (1) original and seven (7) copies of Grayson's response to the Commission's order of February 10, 2011 in the above referenced case.

Respectfully submitted,



Don M. Combs
Mgr. Finance and accounting

RECEIVED

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PUBLIC SERVICE
COMMISSION

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Don M. Combs
Mgr. Finance and accounting

The undersigned, Don M. Combs, as Manager of Finance and Accounting of Grayson Rural Electric, being first duly sworn, states that the responses herein supplied in Case No. 2010-00441 Order dated Feb. 10, 2011 are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: March 1, 2011

Grayson Rural Electric

By: _____

Don M. Combs
Manager of Finance and Acct.

Subscribed, sworn to, and acknowledged before me by Don M. Combs, as Manager of Finance and Acct. for Grayson Rural Electric on behalf of said Corporation this 1st day of March , 2011.

Marsha A. Shacker
Notary Public
State-at-Large, Ky.
Commission Expires: Jan 9, 2015

Witness: Don M. Combs

1. Refer to Section 1.5.1 of Grayson's 2010-2011 Construction Work Plan Report ("Work Plan"), filed as part of Grayson's application in this matter, which states, in pertinent part, "{p}rojections for the 2111-2012 CWP winter design load of 83 MW were based on the 2008 Load Forecast Report." Refer also to East Kentucky Power Cooperative, Inc.'s ("East Kentucky's") response to Item 3 of Commission Staff's Initial Information Request in Case No. 2011-00238, a copy of which is attached hereto. In its response to Item 3 of Commission Staff's data request, East Kentucky states that:

The EKPC aggregated preliminary load forecast was presented to the Board in July. EKPC's load forecast is made up of each of the sixteen member system's individual load forecasts. Each of those systems must review and obtain approval from its respective Board of Directors. Those approvals took a few months to complete. Due to the significance of the results of this load forecast, i.e. the J.K. Smith 1 decision, EKPC went back to its Board again in October, and made another presentation reviewing the load forecast. The member systems were asked to revisit the 2011 energy projections, considering the actual sales for peak demands were also presented. Each member system was asked to discuss with key staff and indicate if any changes needed to be made. Each member system did respond and no changes were required. The load forecast was then approved by the EKPC Board of Directors in November 2010.

- a. Discuss in detail Grayson's participation in the review of East Kentucky's 2010 load forecast, as stated by East Kentucky in its response to Item 2 of Commission Staff's initial data request in Case No. 2010-00238.

Witness: Don M. Combs

- b. Identify Grayson's 2011-2012 winter peak load or corresponding winter peak set forth in East Kentucky's 2010 load forecast.
- c. Based on Grayson's review of East Kentucky's 2010 load forecast, explain in detail Grayson's decision to base its application in this matter on East Kentucky's 2008 load forecast, as opposed to East Kentucky's more current 2010 load forecast.

Response:

- a. **Grayson responded to the request by EKP to revisit the 2011 Energy projections by evaluating Grayson's energy sales from January – August 2011, which indicated that the vast majority of Grayson's sales were residential and running 3 – 4% greater than projected. Commercial and Industrial Sales were also running 3 – 4% above projections. Grayson determined that weather data would account for the additional sales and recommended that no changes in the forecast should be made.**
- b. **80,200 Kw – Grayson's projected noncoincident peak load for 2011-2012 winter season.**
- c. **Since the Work Plan was based upon EKP's 2008 load forecast.**

Witness: Don M. Combs

2. The cover letter attached to Grayson RECC's 2009-2012 Work Plan indicates that its consultant sent the Work Plan to Grayson RECC on October 3, 2008. When did Grayson RECC file the 2009-2012 Work Plan with Rural Utilities Service ("RUS")? Has Grayson RECC received approval from RUS for the Work Plan? If so provide copies of the approval documentation received by Grayson RECC.

Response:

Grayson received approval by RUS to proceed on October 7, 2008

(copy attached).

October 7, 2008

2009-2012 Construction Workplan (CWP)

Carol Fraley, President & CEO
Grayson RECC

I have completed my review of the cooperative's 2009-2012 CWP, which was prepared by R.W. Beck, and the Grayson Engineering Department, and find it to be generally satisfactory for loan contract purposes. Approval to proceed with the proposed distribution system construction is contingent upon RUS's review and approval of an Environmental Report (reference 7 CFR 1794).

Headquarters, SCADA, and load management projects will be reviewed/approved by the Northern Regional Division office, as necessary. This action will be taken after their receipt of the CWP and other supporting documents (i.e., appropriate feasibility and engineering studies).

You should make a special effort to inform all of the cooperative's employees and contractors, involved in the construction of utility plant of any commitments made in the Environmental Report covering the construction of the facilities recommended in the CWP.

Changes (line improvements, tie lines, extensions, substations, etc.) in the CWP will require RUS approval. The environmental acceptability of any such changes shall also be established in accordance with 7 CFR 1794. The procedure for satisfying these environmental requirements shall be the same as that used in connection with this CWP approval.

It is your responsibility to determine whether or not loan funds and/or general funds are available for the proposed construction. If general funds are used, the requirements as outlined in 7 CFR 1717 need to be followed.

The construction shall be accomplished in accordance with RUS requirements. Specific reference should be made to 7 CFR 1726, Electric System Construction Policies and Procedures.

Mike Norman
RUS Field Representative

3. Explain why Grayson RECC did not file its 2009-2012 Work Plan with the Commission until November 15, 2010.

Response:

Strictly an oversight.

Witness: Don M. Combs

4. Refer to Sections 1 of the Work Plan, pages 1-4. Grayson RECC states that the previous Work Plan was for the 2004-2007 construction period and that 20 percent of that Work Plan is designated as a carry-over into the 2009-2012 Work Plan. Aside from the carry-over projects, did Grayson RECC begin any of the construction outlined in the 2009-2012 Work Plan prior to filing the application in this matter on November 15, 2010? If yes, provide a schedule showing all projects constructed beginning in 2009 and all expenditures for those construction projects to date.

Response:

See Page 2 of this item.

2009 -2012 work Plan Projects began prior to November 15, 2010

<u>NO</u>	<u>DESCRIPTION</u>	<u>WORK PLAN AMT</u>	<u>COST TO DATE</u>	<u>STATUS</u>
379	NEW ELLIOTTVILLE CIRCUIT 4 - #45051	275,510	205,047	In Plant
374	LOWER GRASSY	204,620	230,790	In Plant
377	PORTER CREEK	201,430	113,285	Finished
380	ROUTE 519	319,730	350,307	Finished
383	CULP CREEK	101,130	126,831	In progress

Witness: Don M. Combs

5. Aside from the carry-over projects, has Grayson RECC begun construction on any of the projects included in the 2009-2012 Work Plan since filing the application in this matter on November 15, 2010? If yes, provide a schedule showing all projects constructed and all expenditures for those construction projects to date.

Response:

No.

Witness: Don M. Combs

6. State the type of meters currently in use throughout Grayson RECC's system (i.e., mechanical or digital). If digital, state whether they are upgradeable to be used on an AMR/AMI system?

Response:

Grayson uses both mechanical and digital meters and both are upgradeable to an AMR system.

Witness: Don M. Combs

7. Does Grayson RECC have an AMR or AMI system? If yes, indicate the type of system, when it was installed, and whether Grayson RECC requested a Certificate of Public Convenience and Necessity to install the system (provide the case number).

Response:

Grayson installed a Landys & Gyr Turtle 1 AMR system in 2001 and did not request a Certificate of Convenience and Necessity. Grayson is currently upgrading its AMR to a Turtle 2 system in order to accommodate optional inclining block and off peak rate structures, as they are requested by its customers.

Witness: Don M. Combs

8. Refer to Exhibit 4, RUS Form 300. Provide an update of the status of the items identified by RUS in 2007 Operation and Maintenance Survey

Response:

Items noted that could be improved have been addressed and are now considered satisfactory, with the exception of a more aggressive tree trimming policy in residential areas. In the interest of maintaining positive customer relations, Grayson tries to accommodate “yard trees” within reason.