

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN) CASE NO.
ADJUSTMENT OF RATES) 2012-00426

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

Grayson Rural Electric Cooperative Corporation ("Grayson"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 5, 2013. 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 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.

Grayson 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

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

Careful attention should 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.

1. Refer to Item 1 of the application and the responses to Items 3 and 4 of Grayson's response to Commission Staff's Second Request for Information ("Staff's Second Request"). Identify the counties in which Grayson published notice, as contained in the responses to Items 3 and 4 of Staff's Second Request, and explain why these were the only counties in which notice was published.

2. Refer to Item 25 of Grayson's application. It states that "Grayson performed a depreciation study as of December 31, 2010 and included the study in Case No. 2008-00254."¹ Confirm that the correct year end of the depreciation study in Case No. 2008-00254 was December 31, 2007.

3. Refer to the responses to Items 5 and 29 of Staff's Second Request.

a. Identify the date on which Grayson received the letter from the Rural Utilities Service ("RUS") provided in response to Item 5.

b. Identify the date on which Grayson's Board of Directors received notification of the letter from RUS.

¹ Case No. 2008-00254, Application of Grayson Rural Electric Cooperative Corporation for an Adjustment in Rates and an Increase in Retail Electric Rates Equal to Increase in Wholesale Power Costs, (Ky. PSC June 3, 2009).

c. Refer to the last sentence in the third paragraph of the letter from RUS. Identify and describe what additional actions Grayson took in response to the letter from RUS.

d. Refer to the response to Item 29 of Staff's Second Request. State what consideration Grayson and its Board of Directors give to delaying or reducing its wage and salary increase in light of its financial condition.

e. State whether Grayson has received any other correspondence from RUS. If so, provide a copy of such correspondence and consider this an ongoing request.

4. Refer to the response to Item 6 of Staff's Second Request. Identify which specific optional rate designs are the subject of this response and provide the number of customers currently participating in each identified rate design and associated tariff.

5. Refer to the response to Item 7 of Staff's Second Request.

a. If the Commission approves Grayson rate request, state whether Grayson would restart the rotation of general capital credits.

b. State when and under what circumstances Grayson would consider starting rotation of general capital credits.

6. Refer to the response to Item 9 of Staff's Second Request. Explain why Grayson is proposing increases to the rates of Rate Schedules 15 and 16 if no customers are served from them, and state whether Grayson believes this will make these optional tariffs more unattractive to customers.

7. Refer to the response to Item 10.e.(1) of Staff's Second Request. Clarify which meters identified in this response are AMI meters.

8. Refer to the proposed Prepay Metering Program Tariff.

a. Explain why Grayson is proposing to include Rate Schedule 18, General Service as eligible participants in the prepay program. The explanation should include:

(1) the characteristics of this class that, in Grayson's opinion, make it appropriate for inclusion in such a program;

(2) the percentage of General Service customers Grayson believes will be interested in participating; and

(3) the number of General Service customers who are also Rate Schedule 1 Domestic Farm & Home Service customers.

b. State whether Grayson is aware that its proposed \$10 Monthly Program Fee is higher than any proposed or approved for similar programs.

c. State whether Grayson considered offering the proposed prepay program on a pilot basis.

9. Refer to the response to Item 14 of Staff's Second Request, which referenced the statement that Grayson will be more prone to enter into additional DSM programs if more of its costs are placed into a fixed-rate component. Reconcile this statement with the response to Item 40.e., which states that Grayson is not looking to pursue including additional DSM programs in its portfolio as a result of approval of its proposed increased customer charge.

10. Refer to the revised cost of service study ("COSS") filed in response to Item 18 of Commission Staff's Second Information Request ("Staff's Second Request"), pages 40-41 of 43. The following table shows Grayson's proposed increases and COSS justified increases for certain rate classes.

Rate Class	Proposed	COSS Justified
1 - Residential	1,627,302	1,577,966
4 - Large Power	-	71,805
5 - Street Lighting	378	3,389
6 - Security Lights	27,622	2,952

Given the revised "COSS Based Increase" amounts for the rate classes shown in the table, state whether Grayson now believes that the proposed increases to these classes should be revised. If yes, explain how Grayson would propose to revise them. If no, explain why a revision would not be appropriate.

11. Refer to the response to Item 24 of Staff's Second Request. Explain why "Other Revenue" cannot be directly assigned to the rate classes.

12. Refer to the responses to Items 28.a. and b. of Staff's Second Request.

a. Grayson's response to Item 28.a. states, "Installation costs for meters were \$58k less during the test year." Given that the total expense in the test year for Account 586.00, Meter Expense was \$552,000 and installation costs for meters was \$58,000 less in the test year, explain how the total amount of expense for this account was more for the test year than for the 12 months preceding the test year.

b. Grayson's response to Item 28.d. of Staff's Second Request states that Account 932.00, Maintenance of General Expense, increased from \$285,000 in the year preceding the test year to \$326,000 in the test year due to the "parking lot being repaved and striped at a cost of \$49k during the test year."


(1) Identify and explain the authority and threshold for which Grayson capitalizes rather than expenses costs.

(2) Explain why the parking lot improvements were not capitalized.

(3) If Grayson had capitalized the cost of the parking lot improvements, what would the amount of the annual depreciation on the asset?

13. Refer to page 2 of 4 in the response to Item 31 of Staff's second Request. The information in the third column is not legible. Provide a copy that is legible.

14. Refer to the response to Item 35 of Staff's Second Request. The answer is not responsive. State with explanation the reason(s) why Grayson had the highest amount of Total Operations and Maintenance Expense Per Customer (Column 4 on Exhibit 16, page 1).



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED MAR 22 2013

cc: Parties of Record

Case No. 2012-00426

Don M Combs
Manager Finance & Administration
Grayson R.E.C.C.
109 Bagby Park
Grayson, KY 41143

Carol Hall Fraley
President & CEO
Grayson R.E.C.C.
109 Bagby Park
Grayson, KY 41143

Honorable W. Jeffrey Scott
Attorney At Law
P.O. Box 608
311 West Main Street
Grayson, KENTUCKY 41143