

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN)
ADJUSTMENT IN RATES AND AN INCREASE IN) CASE NO.
RETAIL ELECTRIC RATES EQUAL TO INCREASE) 2008-00254
IN WHOLESALE POWER COSTS)

THIRD DATA REQUEST OF COMMISSION STAFF 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 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 5, 2009. 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 the 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, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Grayson's response to the AG's Initial Information Request, Item 1. Cite any Commission proceeding where the utility has been allowed to recover in rate base the "13-month average test-year PSC assessment prepayments."

2. Refer to Grayson's response to the Commission Staff's Second Information Request, item 9(e).

- a. Provide copies of any written policy Grayson has regarding the payment of accumulated unused vacation and sick days to its employees.

- b. Provide documentation to show that Grayson's Board of Directors approved the policy referenced in 2(a).

- c. Provide any studies or analysis that Grayson has performed to document the benefit the ratepayers have received from the policy referenced in 2(a).

- d. Provide any documentation Grayson has showing how the policy referenced in 2(a) will impact employee productivity.

e. Explain why any amounts paid by Grayson to its employees in excess of the normal hours of 2,080 per year should be allowed for rate-making purposes.

3. Refer to Grayson's response to the Commission Staff's Second Information Request, item 12.

a. Provide the date Grayson completed its depreciation study.

b. Provide the date Grayson submitted its request to Rural Utilities Service ("RUS") for the approval of the depreciation study that was performed as of December 31, 2007.

c. Has Grayson contacted RUS to determine when the approval of the depreciation study will be issued?

(1) If yes, when does Grayson expect to receive RUS's approval?

(2) If no, explain in detail why Grayson has not been in contact with RUS regarding the approval of its depreciation rates.

d. Explain in detail why the Commission should reflect depreciation rates that are outside the range RUS recommends before Grayson has received RUS approval to use those depreciation rates.

4. Refer to Grayson's response to the Commission Staff's Second Information Request, item 18.

a. Provide a detailed description of the use of the borrowed funds of \$4.8 million.

b. Explain why the loan funds were not advanced until May 2008.

5. Refer to Grayson's response to the Commission Staff's Second Information Request, item 14.

a. Grayson indicated that it inadvertently inserted an incorrect depreciation amount in Exhibit S, page 2, of the application. Provide a revised Exhibit S and all other exhibits that may need to be revised as a result of this error.

b. Provide the impact the error in depreciation will have on Grayson's proposed rates.

c. Will Grayson propose to amend its application to reflect the corrected rates?

6. Refer to Exhibit C of the application, pages 1 and 7. The rates listed in Exhibit C do not match the rates that are included in the public notice provided in Exhibit D. Explain this apparent discrepancy.

7. Grayson's current tariff includes rates for which no revenues are shown on Exhibit J. For each rate listed below, state whether any customers were charged the rate in the test year. If so, update Exhibit J and all other applicable schedules to include the information.

a. Schedule 12(a) – Large Industrial Service LLF 1,000 to 4,999 kVa.

b. Schedule 12(b) – Large Industrial Service LLF 5,000 to 9,999 kVa.

c. Schedule 12(c) – Large Industrial Service LLF 10,000 kVa and Over.

d. Schedule 13(b) – Large Industrial Service HLF 5,000 to 9,999 kVa.

e. Schedule 13(c) – Large Industrial Service HLF 10,000 kVa and Over.

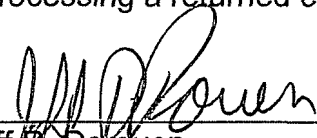
- f. Schedule 14(a) – Large Industrial Service MLF 1,000 to 4,999 kVa.
- g. Schedule 14(b) – Large Industrial Service MLF 5,000 to 9,999 kVa.
- h. Schedule 14(c) – Large Industrial Service MLF 10,000 kVa and Over.

8. Refer to Exhibit 13 of the application at page 1 of 6. At the bottom of the page, under "Other Direct Costs", explain why it is appropriate to divide the annual cost per employee by 1,800 hours rather than the 2,080 total hours.

9. Refer to Exhibit 13 of the application at page 2 of 6.

a. The hourly rate used to calculate the "Direct Labor Charge" for the nonrecurring charges consists of both the 86.54% actual hours worked and 13.46% non-working hours (as calculated by Grayson on page 1) and therefore 100% of wage expense. Grayson added to that amount a "Direct Wage Expense" which is calculated using the 13.46% non-working hours. Given that the 13.46% is included in the "Direct Labor Charge" and in the "Direct Wage Expense", explain how including the 13.46% in both line items is not double-recovery.

b. Grayson has estimated that it takes 40 minutes to process a returned check. Provide a list of the tasks involved in processing a returned check.



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DATED: JANUARY 22, 2009

cc: Parties of Record

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