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MAR 21 2007

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March 21, 2007

HAND DELIVERED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, KY 40602

RE: PSC Case No. 2006-~~0047~~ 00480

Dear Ms. O'Donnell:

Please find enclosed for filing with the Public Service Commission in the above-referenced case an original and five (5) copies of the Responses of Grayson Rural Electric Cooperative Corporation, to the Commission Staff's First Data Requests dated March 12, 2007.

Yours truly,


W. Jeffrey Scott
Counsel for Grayson RECC

WJS:tmp

Enclosures

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MAR 21 2007

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL ELECTRIC)	
COOPERATIVE CORPORATION TO)	
PASS-THROUGH AN INCREASE OF ITS)	CASE NO.
WHOLESALE POWER SUPPLIER PURSUANT)	2006-00480
TO KRS 278.455(2))	

**RESPONSES TO COMMISSION STAFF'S FIRST DATA REQUEST
TO GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION
DATED MARCH 12, 2007**

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2006-00480

COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07

Grayson Rural Electric Cooperative Corporation ("Grayson") hereby submits responses to the Commission Staff's First Data Request dated March 12, 2007. Each response with its associated supportive reference materials is individually tabbed.

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2006-00480

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07

REQUEST 1

RESPONSIBLE PERSON: William A. Bosta

COMPANY: Grayson Rural Electric Cooperative Corporation

Request 1. Refer to the Application, Exhibits II and III.

Request 1a. Provide all workpapers, calculations, assumptions, and other documentation used to determine the proposed rates and the billing analysis.

Response 1a. Attached is information from EKPC's Exhibit I, Pages 3-5, which shows the present and proposed rates and revenues by wholesale customer class for service to Grayson.

As indicated in Mr. Bosta's testimony, the demand charges for retail industrial rates mirror EKPC's proposed rates for Schedules B and C, as applicable.

The increase applicable to all other classes was based on taking the total increase to the member system, subtracting the retail industrial class increase and then dividing that amount by the kWh for all other classes. This resulted in a per unit (cents/kWh) energy cost increase that was applied to all other classes. The only exception is Electric Thermal Storage (ETS) Rate Schedule 3, which was designed based on a charge of 60 percent of the energy rate of the related rate class.

See the response to Request 1b for the calculations to determine the proposed rates.

Request 1b. Provide in electronic format the Excel spreadsheets used to determine the proposed rates and billing analysis, with all formulas intact.

Response 1b. Based on discussion with the Commission Staff on March 19, 2007, attached are two (2) copies of the requested information on CD-ROM.

Rate C

#	COOP	R_GROUP	BILL-KWH	BILL-KWH	Demand	Rate
21	C	31,800	20,887,840	7.29	Energy	0.027325
27	C	36,328	19,811,348			
33	C	85,224	42,585,301			
34	C	107,818	63,360,482			
37	C	6,000	2,689,215			
51	C	0	0			
52	C	321,396	181,235,637			
54	C	165,155	83,822,028			
57						
58						
59						
61	C	28,873	16,407,017			
64						
Total C			782,684	430,698,767		

Inland Container

#	COOP	NAME	R/C	BILL-KWH	BILL-KWH	BILL-KWH	BILL-KWH
1	52	Inland Conts CM	C	323,738	220,486,205		
Total AGC							

Gallatin

#	COOP	NAME	R/C	BILL-KWH	BILL-KWH	BILL-KWH	BILL-KWH
1	51	AGC Autbnk BD	B	64,252	44,113,656		
2	51	AGC Autbnk CM	C	161,750	102,273,245		
Total AGC				226,002	146,386,901		

IGP

#	COOP	R_GROUP	KWH-1	KWH-2	Sum of FACS	TOT\$	BILL-KWH
1	23	H	30733734	36421668	160875	0	67155402
2	52	H	40531542	47739328	300000	0	5602582
			71565276	84180996	460875	9663647	155726272

Inland Steam

equiv	Demand	Rate
equiv	5,009,3923	
Energy	0.02450056	

Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment
231,822	573,453	805,315	744,885	60,420
264,831	535,860	800,711	731,668	69,023
621,263	1,163,043	1,784,306	1,623,001	161,326
785,993	1,731,325	2,517,318	2,312,464	204,854
43,740	73,483	117,223	105,623	11,400
0	0	0	0	0
2,342,977	4,952,261	7,295,238	6,694,585	610,652
1,203,960	2,290,437	3,494,417	3,180,622	313,795
0	0	0	0	0
0	0	0	0	0
0	0	0	0	0
211,213	448,322	659,535	604,486	55,049
5,705,839	11,768,844	17,474,683	15,967,564	1,487,119

Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment
2,254,107	5,635,627	7,889,734	7,381,355	498,379

Demand Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment
1,119,310	2,614,104	3,733,414	1,473,664	99,306
1,963,304	3,741,648	5,305,953	3,485,957	247,478
Total AGC			4,959,600	345,763

Demand Revenue	Energy-ON Revenue	Energy-OFF Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment
7,386,637	8,638,806	17,617,063	33,642,507	30,670,772	2,971,785

Demand Revenue	Energy-ON Revenue	Energy Revenue	Total Revenue	Present Total Revenue	Revenue Adjustment
281,531	3,779,554	4,061,085	4,061,085	4,061,085	0
525,000	5,077,582	5,602,582	5,602,582	5,602,582	0
866,531	8,857,116	9,663,647	9,663,647	9,663,647	0

Demand 0.357639 / 205
 Efficiency 8616.5 / 64463
 Heat Rate 8616.5 / 38074 \$ /Mbtu
 Mbtu Demand 95594 \$ /Mbtu
 Mbtu Energy 95594 \$ /Mbtu

converted
 BILL-KW 508,649
 Mbtu-Demand 4394.11
 Mbtu-Energy 2392661.7

Dem. Revs. 2,543,530
 Energy Revenues 6,788,794
 Total Revenues 9,332,324

8,554,161
 778,224

Load Center - Normalized

Meter #	LC =	2373	2855	4605	Revenue
COOP	944	2373	2855	4605	Revenue
21	12	48	228	24	886,682
23	12	144	728	144	439,596
27	12	108	540	24	447,336
3	36	36	240	48	991,688
30	12	12	60	24	413,076
34	12	120	600	12	428,336
37	12	180	900	86	855,980
49	12	144	728	12	613,660
51	24	24	144	48	689,112
52	36	36	216	36	474,120
54	36	312	1560	48	1,197,228
56	36	84	420	12	325,248
57	36	132	660	12	517,548
58	12	84	420	84	268,296
59	84	72	360	84	410,676
61	48	48	288	84	1,162,892
64	36	540	2364	468	10,218,764
				Metering	426,000
				Met Point only	7,500
					10,653,264

Present Total Revenue	Total LC Revenue	Revenue Adjustment
886,682	886,682	0
439,596	439,596	0
447,336	447,336	0
991,688	991,688	0
413,076	413,076	0
428,336	428,336	0
855,980	855,980	0
613,660	613,660	0
689,112	689,112	0
474,120	474,120	0
1,197,228	1,197,228	0
325,248	325,248	0
517,548	517,548	0
268,296	268,296	0
410,676	410,676	0
1,162,892	1,162,892	0
10,218,764	10,218,764	0
426,000	426,000	0
7,500	7,500	0
510,659,030	510,659,030	43,364,220

Metering 5
 Metering Point only 5
 140,461,551 185,636,874 216,081,587
 554,033,251

Grand Total Revenue by Member System

COOP	E	B	C	Inland Container	Inland Steam	Gallatin	IGP	ASC	Load Center	Met Point	Metering Only	Proposed Total	Present	Rate Adj
21	41,970,429	3,346,394	0	0	0	0	0	0	886,682	39,000	39,000	46,242,815	42,526,334	3,716,181
23	20,177,360	232,807	805,315	0	0	0	0	0	439,596	19,500	19,500	25,735,642	24,028,185	1,707,457
27	18,437,170	1,242,292	800,711	0	0	0	0	0	447,336	18,000	18,000	21,945,509	20,221,967	1,723,542
3	42,012,168	1,191,002	1,794,628	0	0	0	4,061,085	0	991,688	40,500	40,500	46,020,253	42,364,688	3,655,565
30	13,398,968	6,629,299	0	0	0	0	0	0	413,076	16,500	16,500	20,459,244	18,871,430	1,587,814
34	20,735,700	0	2,517,318	0	0	0	0	0	426,336	18,000	18,000	23,697,444	21,777,590	1,919,854
37	44,354,295	6,553,856	0	0	0	33,842,557	0	0	955,980	34,500	34,500	86,141,187	78,950,694	7,189,683
49	20,691,234	0	117,223	0	0	0	0	0	613,660	30,000	30,000	21,325,317	19,646,505	1,678,812
51	26,626,149	1,961,598	0	0	0	0	0	5,305,583	689,112	27,000	27,000	34,611,402	31,936,390	2,675,012
52	20,429,813	0	7,285,239	7,889,734	0	0	5,602,682	0	474,120	18,000	18,000	51,043,371	47,484,260	3,559,111
54	49,482,981	2,072,016	3,494,417	0	0	0	0	0	1,197,228	49,500	49,500	56,287,242	51,840,182	4,447,060
56	12,731,750	0	0	0	0	0	0	0	325,248	15,000	15,000	13,071,668	12,034,682	1,037,116
57	24,105,073	0	0	0	0	0	0	0	517,548	22,500	22,500	24,645,121	22,973,225	1,671,896
58	12,446,242	0	0	0	0	0	0	0	268,296	12,000	12,000	12,716,538	11,716,472	1,010,067
59	344,503	0	0	0	0	0	0	0	410,676	19,500	19,500	344,503	314,498	30,005
61	11,813,118	0	659,535	0	0	0	0	0	410,676	19,500	19,500	12,902,823	11,660,088	1,012,741
64	46,624,862	8,988,879	0	0	0	0	0	1,162,892	1,162,892	46,500	46,500	59,623,033	52,950,640	4,632,394
	427,253,486	32,617,902	17,474,683	7,889,734	9,332,384	33,842,557	9,663,647	5,305,583	10,218,764	426,000	7,500	554,033,251	510,669,030	43,364,220
												554,033,251	554,033,251	

Grayson
Billing Analysis
for the 12 months ended September 30, 2006

	Total	Total	\$ Increase	% Increase
Domestic - Farm and Home Service	16,225,556	16,917,310	691,754	4.26%
Domestic - Farm & Home Service, Barns & Camps	337,432	348,216	10,785	3.20%
ETS	26,454	27,912	1,459	5.51%
Small Commercial	1,537,295	1,603,096	65,801	4.28%
Water Pumping Service	1,725	1,808	83	4.83%
All Elec Schools Sch AES	260,155	276,288	16,133	6.20%
Large Power Service - Single & Three-Phase	3,240,121	3,393,763	153,642	4.74%
Large Industrial Service - HLF	954,629	1,014,547	59,918	6.28%
Street & Security Lighting Outdoor Lighting	328,003	341,161	13,158	4.01%
	<hr/>	<hr/>	<hr/>	<hr/>
	22,911,369	23,924,102	1,012,733	4.42%

Grayson RECC
Billing Analysis
for the 12 months ended September 30, 2006

Demand= 1
Load Cntr= 1

Schedule 1
Domestic - Farm and Home Service

	Existing			Proposed			\$ Increase	% Increase	Increase Demand	Increase Energy	Increase Cust
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	157,877	\$7.98	\$1,259,858	157,877	\$7.98	\$1,259,858	\$0	0.00%			\$0
Energy charge per kWh	177,946,444	\$0.07057	12,557,681	177,946,444	\$0.07446	13,249,435	\$691,754	#DIV/0! 5.51%		\$691,754	
Total from base rates			<u>13,817,539</u>			<u>14,509,293</u>	\$691,754	#DIV/0! 5.01%			
Fuel adjustment			1,448,960			1,448,960	\$0	#DIV/0! 0.00%			
Environmental surcharge			<u>959,057</u>			<u>959,057</u>	\$0	#DIV/0! 0.00%			
Total revenues			<u>\$16,225,556</u>			<u>\$16,917,310</u>	\$691,754	4.28%			
Average Bill			\$102.77			\$107.16	\$4.38	4.28%			

Schedule 1
Domestic - Farm & Home Service, Barns & Camps

	Existing			Proposed			\$ Increase	% Increase	Increase Demand	Increase Energy	Increase Cust
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	12,441	\$7.98	\$99,279	12,441	\$7.98	\$99,279	\$0	0.00%			\$0
Energy charge per kWh	2,774,205	\$0.07057	195,776	2,774,205	\$0.07446	206,560	\$10,785	#DIV/0! 5.51%		\$10,785	
Total from base rates			<u>295,055</u>			<u>305,839</u>	\$10,785	#DIV/0! 3.66%			
Fuel adjustment			22,172			22,172	\$0	#DIV/0! 0.00%			
Environmental surcharge			<u>20,205</u>			<u>20,205</u>	\$0	#DIV/0! 0.00%			
Total revenues			<u>\$337,432</u>			<u>\$348,216</u>	\$10,785	3.20%			
Average Bill			\$27.12			\$27.99	\$0.87	3.20%			

Schedule 3
ETS

	Existing			Proposed			\$ Increase	% Increase	Increase Demand	Increase Energy	Increase Cust
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	1,128		\$0	1,128	\$0.00	\$0	\$0	#DIV/0!			\$0
Energy Charge	624,789	\$0.04234	26,454	624,789	\$0.04467	27,912	\$1,459	#DIV/0! 5.51%		\$1,459	
Total Baseload Charges			<u>\$26,454</u>			<u>\$27,912</u>	\$1,459	#DIV/0! 5.51%			
Fuel Adjustment			0			0	\$0	#DIV/0!			
Environmental Surcharge			<u>0</u>			<u>0</u>	\$0	#DIV/0!			
Total Revenues			<u>\$26,454</u>			<u>\$27,912</u>	\$1,459	5.51%			
Average Bill			\$ 23.45			\$ 24.74	1.29	5.51%			

Grayson RECC
Billing Analysis
for the 12 months ended September 30, 2006

Schedule 2
Small Commercial
Rate

	Existing			Proposed			\$ Increase	% Increase	
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues			
Customer Charge	14,284	\$7.92	\$113,129	14,284	\$7.92	\$113,129	\$0	0.00%	\$0
Energy Charge	16,950,029	\$0.07057	1,196,164	16,950,029	\$0.07445	1,261,965	\$65,801	#DIV/0!	\$65,801
Total Baseload Charges			\$1,309,293			\$1,375,094	\$65,801	5.03%	
Fuel Adjustment			136,218			136,218	\$0	#DIV/0!	
Environmental Surcharge			91,784			91,784	\$0	0.00%	
Total Revenues			\$1,537,295			\$1,603,096	\$65,801	4.28%	
Average Bill		\$ 107.62			\$ 112.23		4.61	4.28%	

Schedule 17
Water Pumping Service
Rate

	Existing			Proposed			\$ Increase	% Increase	
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues			
Customer Charge	12	\$17.60	\$211	12	\$17.60	\$211	-	0.00%	\$0
Energy charge per kWh									
On-Peak	18,280	\$0.07057	1,290	18,280	\$0.07445	1,361	71	5.50%	\$71
Off-Peak	5,280	\$0.04234	224	5,280	\$0.04467	236	12	5.51%	\$12
Total from base rates			1,725			1,808	83	4.83%	
Fuel adjustment						0	-		
Environmental surcharge						0	-		
revenues			\$1,725			\$1,808	83	4.83%	
Average Bill		\$ 143.73			\$ 150.67		\$ 6.94	4.83%	

Schedule 7
All Electric Schools (AES)

	Existing			Proposed			\$ Increase	% Increase	
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues			
Customer Charge	72	\$27.28	\$1,964	72	\$27.28	\$1,964	-	0.00%	\$0
Demand Charge	15,175	\$4.34	\$65,859.50	15,175	\$4.34	\$65,859.50	-	0.00%	\$0
Energy Charge									
All KWh	4,155,820	\$0.04628	192,331	4,155,820	\$0.05016	208,465	16,133	8.39%	\$16,133
Total Baseload Charges			\$260,155			276,288	16,133	6.20%	
Fuel adjustment						0	-		
Environmental surcharge						0	-		
Total Revenues			\$260,155			276,288	16,133	6.20%	
Average Bill		\$ 3,613.26			\$ 3,837.34		224.07	6.20%	

Grayson RECC
Billing Analysis
for the 12 months ended September 30, 2006

Schedule 4
Large Power Service - Single & Three-Phase
Rate

	Existing			Proposed			\$ Increase	% Increase	
	Billing Determinants	Current	Annualized	Billing Determinants	Rate	Annualized			
		Rate	Revenues		Rate	Revenues			
Customer Charge	832	\$59.56	\$49,554	832	59.56	\$49,554	-	0.00%	\$0
Demand charge Contract	119,768	\$7.26	\$869,516	119,768	\$7.26	\$869,516	-	0.00%	\$0
Energy Charge All kWh	39,577,211	\$0.04566	1,806,700	39,577,211	\$0.04953	1,960,341	153,642	8.50%	\$153,642
Total Baseload Charges			<u>\$2,725,769</u>			<u>\$2,879,411</u>	153,642	5.64%	
Fuel adjustment			319,786			319,786	-	0.00%	
Environmental surcharge			<u>194,566</u>			<u>194,566</u>	-	0.00%	
Total Revenues			<u>\$3,240,121</u>			<u>\$3,393,763</u>	153,642	4.74%	
Average Bill			\$ 3,894.38			\$ 4,079.04	184.67	4.74%	

Grayson RECC
Billing Analysis
for the 12 months ended September 30, 2006

Schedule 13 (a)
Large Industrial Service - HLF

	Existing			Proposed			\$ Increase	% Increase	
	Billing Determinants	Current	Annualized	Billing Determinants	Rate	Annualized			
		Rate	Revenues		Rate	Revenues			
Customer Charge	12	\$535.00	\$6,420	12	\$535	\$6,420	-	0.00%	\$0
and Charge	31,536	\$5.39	\$169,979	31,536	\$7.29	229,897	59,918	35.25%	\$59,918
Energy Charge	16,410,870	\$0.03583	588,001	16,410,870	\$0.03583	588,001	-	0.00%	\$0
Total Baseload Charges			<u>\$764,401</u>			<u>\$824,319</u>	59,918	7.84%	
Fuel adjustment			133,266			133,266	-	0.00%	
Environmental surcharge			<u>56,962</u>			<u>56,962</u>	-	0.00%	
Total Revenues			<u>\$954,629</u>			<u>\$1,014,547</u>	59,918	6.28%	
Average Bill			\$ 79,552			\$ 84,546	4,993.20	6.28%	
									59,918 939,657
									Energy Incr 952,823
									Ener Rate 0.003882078

Grayson RECC
Billing Analysis
for the 12 months ended September 30, 2006

Street Lighting and Security Lights
Outdoor Lighting

	Existing				Proposed				\$ Increase	% Increase
	Billing Determinants	Total kWh	Current	Annualized	Billing Determinants	Total kWh	Rate	Annualized		
			Rate	Revenues			Rate	Revenues		
7000 Lumens, 175 Watt - Street	1,324	82,425	\$7.26	\$9,612.24	1,324	82,425	\$7.50	9,932	320	3.33%
7000 Lumens Mercury Vapor lamp-Security	44,406	3,306,920	\$7.17	\$318,391.02	44,406	3,306,920	\$7.46	331,229	12,838	4.03%
	45,730	3,389,345		\$328,003.26	45,730	3,389,345		341,161	13,158	4.01%

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2006-00480

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07

REQUEST 2

RESPONSIBLE PERSON: William A. Bosta

COMPANY: Grayson Rural Electric Cooperative Corporation

Request 2. KRS 278.455(2) provides that a distribution cooperative may change its rates to reflect a change in the rate of its wholesale supplier if the effects of an increase or decrease are allocated to each class and within each tariff on a proportional basis that will result in no change in the rate design currently in effect. 807 KAR 5:007, Section 2(2), provides that the distribution cooperative shall file an analysis demonstrating that the rate change does not change the rate design currently in effect and the revenue change has been allocated to each class and within each tariff on a proportional basis. In the cover letter to its Application, Grayson states:

In each instance, the retail rates for a particular class have been developed in a manner that is consistent with the method proposed by EKPC. The proposed rate design structure at retail does not change the rate design currently in effect and is consistent with the rate design methodology used at wholesale.

Request 2a. For each retail Rate Schedule listed in Exhibit II of the Application, identify the corresponding wholesale Rate Schedule of East Kentucky Power Cooperative, Inc.

Response 2a. Please see the attached information.

Request 2b. Would Grayson agree that KRS 278.455(2) and 807 KAR 5:007, Section 2(2), require that increases or decreases in rates from the wholesale supplier must be allocated to each retail class and within each retail tariff on a proportional basis? Explain the response.

Response 2b. Yes. EKPC and each Member System understands these requirements and have developed proposed rates that meet the intent of KRS 278.455(2) and 807 KAR5:007. As explained in Mr. Bosta's testimony, EKPC began the rate design process at wholesale by allocating the proposed rate increase to each rate class on a proportional basis. The proportional increase to each rate class was then applied to the most appropriate rate mechanism for each rate class.

The proposed increase at retail is strictly a pass-through of EKPC's increased wholesale costs and each Member System must recover the dollar increase from new wholesale rates. As a result, EKPC and each Member System recognized that it was important to implement retail rates that mirror the change at wholesale, while meeting the proportionality and rate design requirements.

EKPC and its Member Systems understand that a "pure" proportional increase at retail, as discussed in Item 3 herein, would result in increases at retail to customer, demand and energy charges. However, EKPC and its Member Systems came to the conclusion that, for example, an increase in the customer charge at retail made no sense because the wholesale increase had no relationship to customer cost. EKPC has not proposed an increase in its substation charges or metering point charges in this proceeding. Consequently, EKPC and its Member Systems could not justify increasing the retail customer charge when the wholesale increase has no relationship to that cost.

Therefore, EKPC believes that its proposed wholesale increase using a proportional basis, coupled with the use of the wholesale rate design methodology at retail, is a reasonable approach to meeting the intent of the requirements.

Request 2c. Would Grayson agree that KRS 278.455(2) and 807 KAR 5:007, Section 2(2), require that the retail rate change does not change the retail rate design currently in effect? Explain the response.

Response 2c. Yes. EKPC and its Member Systems understand the requirements set forth in KRS 278.455(2) and 807 KAR 5:007 and believe that the proposed rates do not alter the existing rate design structure at retail.

As indicated in the response to Item 2b, the rate design used for the pass-through increase at retail was intended to meet these requirements, while also maintaining the existing wholesale/retail rate design relationship and recognizing cost causation principles.

Industrial customers at retail, for example, will pay the same demand charge as the Member System pays to EKPC. This maintains the rate design relationship from wholesale to retail that has existed for a number of years. Likewise, the proposed increase in the "E" wholesale rate, which is only applied to the energy charge, is being passed through only to the energy charge at retail. This process allows the rate design relationship from wholesale to retail to remain in place.

Fundamentally, for every retail rate class, there has been no change in the rate design structure. The demand, energy, and customer components for industrial rates remains intact and the residential and commercial rate design structure remains as is through a continuation of the customer and energy charge structure. This adherence to the rate

design structure, coupled with a retention of the wholesale to retail rate design relationship, is a reasonable approach and meets the legal requirements.

**Request 2a
Attachment
Page 1 of 2**

The present and proposed rates structures of Grayson RECC are listed below:

<u>Schedule</u>	<u>Rate Class</u>	<u>EKPC Rate Schedule</u>	<u>Present</u>	<u>Proposed</u>
1	Domestic – Farm and Home Service	E-2		
	Customer Charge / Mo		\$7.98	\$7.98
	Energy Charge / kWh		\$0.07057	\$0.07446
2	Commercial & Small Power less than 50 KVA, Including Public Buildings, Schools, Churches, Etc.	E-2		
	Customer Charge / Mo		\$7.92	\$7.92
	Energy Charge / kWh		\$0.07057	\$0.07445
3	Off-Peak marketing Rate	E-2		
	Customer Charge / Mo		\$7.98	\$7.98
	On-Peak Energy / kWh		\$0.07057	\$0.07446
	Off-Peak Energy / kWh		\$0.04234	\$0.04467
4	Large Power Service – Single and Three Phase	E-2		
	Customer Charge / Mo		\$59.56	\$59.56
	Demand Charge / kW		\$7.26	\$7.26
	Energy Charge / kWh		\$0.04565	\$0.04953
5	Street Lighting Service	E-2		
	175 Watt 7,000 Lumens Mercury Vapor Lamps		\$7.26	\$7.50
6	Outdoor Lighting Service – Security Lights	E-2		
	7,000 Lumens Mercury Vapor Lamp		\$7.17	\$7.46
	10,000 Lumens Mercury Vapor Lamp		\$9.01	\$9.43
7	All Electric Schools	E-2		
	Customer Charge / Mo		\$27.28	\$27.28
	Demand Charge / kW		\$4.34	\$4.34
	Energy Charge / kWh		\$0.04628	\$0.05016
12a	Large Industrial Service	E-2		
	Customer Charge		\$535.00	\$535.00
	Demand Charge		\$7.82	\$7.82
	Energy Charge		\$0.03583	\$0.03971
12b	Large Industrial Service	E-2		
	Customer Charge		\$1,069.00	\$1,069.00
	Demand Charge		\$7.82	\$7.82
	Energy Charge		\$0.03083	\$0.03471
12c	Large Industrial Service	E-2		
	Customer Charge		\$1,069.00	\$1,069.00
	Demand Charge		\$7.82	\$7.82
	Energy Charge		\$0.02983	\$0.03371
13a	Large Industrial Service - HLF	C		
	Customer Charge / Mo		\$535.00	\$535.00
	Demand Charge / kW		\$5.39	\$7.29
	Energy Charge / kWh		\$0.03583	\$0.03583
13b	Large Industrial Service - HLF	C		
	Customer Charge		\$1,069.00	\$1,069.00
	Demand Charge		\$5.39	\$7.29
	Energy Charge		\$0.03083	\$0.03083

**Request 2a
Attachment
Page 2 of 2**

13c	Large Industrial Service - HLF	C		
	Customer Charge		\$1,069.00	\$1,069.00
	Demand Charge		\$5.39	\$7.29
	Energy Charge		\$0.02983	\$0.02983
14a	Large Industrial Service - MLF	B		
	Customer Charge		\$535.00	\$535.00
	Contract Demand Charge		\$5.39	\$7.29
	Demand Charge over Contract Demand		\$7.82	\$9.72
	Energy Charge		\$0.03583	\$0.03583
14b	Large Industrial Service - MLF	B		
	Customer Charge		\$1,069.00	\$1,069.00
	Contract Demand Charge		\$5.39	\$7.29
	Demand Charge over Contract Demand		\$7.82	\$9.72
	Energy Charge		\$0.03083	\$0.03083
14c	Large Industrial Service - MLF	B		
	Customer Charge		\$1,069.00	\$1,069.00
	Contract Demand Charge		\$5.39	\$7.29
	Demand Charge over Contract Demand		\$7.82	\$9.72
	Energy Charge		\$0.02983	\$0.02983
17	Water Pumping Service	E-2		
	Customer Charge / Mo		\$17.60	\$17.60
	On-Peak Energy		\$0.07057	\$0.07445
	Off-Peak Energy		\$0.04234	\$0.04467

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2006-00480

FIRST DATA REQUEST RESPONSE

COMMISSION STAFF'S FIRST DATA REQUEST DATED 3/12/07

REQUEST 3

RESPONSIBLE PERSON: William A. Bosta

COMPANY: Grayson Rural Electric Cooperative Corporation

Request 3. Refer to Exhibit III of the Application.

Request 3a. Prepare the following comparative analyses of Grayson's present and proposed revenues:

(1) Calculate the percentage that each rate schedule or class represents of the total revenues for both the present revenues and proposed revenues. Percentages should be expressed to 2 decimal places.

(2) Calculate the percentage that each component of the base rates within each rate schedule or class represents of the total base rate revenues for both the present revenues and proposed revenues. Do not include fuel adjustment revenues, environmental surcharge revenues, or green power revenues. Percentages should be expressed to 2 decimal places.

Response 3a. (1) Please see the attached information.

(2) Please see the attached information.

Request 3b. Based upon the results of the analyses prepared in part (a) above, explain in detail how Grayson's proposed pass-through rates are in compliance with the retail rate requirements of KRS 278.455(2) and 807 KAR 5:007, Section 2(2).

Response 3b. Maintaining the existing revenue proportion as shown in part (a) above assumes that the proportionality requirement would follow strict adherence to the existing proportion of revenues at retail, by rate mechanism component (i.e. customer, energy and demand). EKPC and the Member Systems believe that the proportionality requirement is not so narrow and that the pass-through at retail has followed the proposed wholesale rate design process in a proportional manner. At retail, for example, there is no increase in the customer charge because EKPC did not increase the metering point charge or substation charge at wholesale. Moreover, the "B" and "C" type retail industrial classes will have the same demand rate as the proposed demand rate for industrial customers at wholesale. It follows the matching concept upon which these rates were originally created.

See also the response to Item 2(b) and 2(c) herein. KRS 278.455(2) explicitly recognizes "proportional" allocation without recognizing a specific method, whether KWh, revenue, or other means of proportionality. EKPC has chosen the proportional method of applying wholesale to retail, with the intended matching concept of costs vs. revenue. The retail rates reflect this top-down approach to proportionality. Please see the attached analysis which illustrates this approach.

Grayson
Billing Analysis
for the 12 months ended September 30, 2006

	Total	Total	\$ Increase	% Increase	Present Revenue Percent	Proposed Revenue Percent
Domestic - Farm and Home Service	16,225,556	16,917,310	691,754	4.26%	70.82%	70.71%
Domestic - Farm & Home Service, Barns & Camps	337,432	348,216	10,785	3.20%	1.47%	1.46%
ETS	26,454	27,912	1,459	5.51%	0.12%	0.12%
Small Commercial	1,537,295	1,603,096	65,801	4.28%	6.71%	6.70%
Water Pumping Service	1,725	1,808	83	4.83%	0.01%	0.01%
All Elec Schools Sch AES	260,155	276,288	16,133	6.20%	1.14%	1.15%
Large Power Service - Single & Three-Phase	3,240,121	3,393,763	153,642	4.74%	14.14%	14.19%
Large Industrial Service - HLF	954,629	1,014,547	59,918	6.28%	4.17%	4.24%
Street & Security Lighting Outdoor Lighting	328,003	341,161	13,158	4.01%	1.43%	1.43%
	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>	<hr/>
	22,911,369	23,924,102	1,012,733	4.42%	100.00%	100.00%

Grayson RECC Billing Analysis for the 12 months ended September 30, 2006										Request 3a 2 Attachment Page 1 of 5	
Schedule 1 Domestic - Farm and Home Service										Present Percent Revenue	Proposed Percent Revenue
	Existing			Proposed			\$ Increase	% Increase			
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	157,877	\$7.98	\$1,259,858	157,877	\$7.98	\$1,259,858	\$0	0.00%	9.12%	8.68%	
Energy charge per kWh	177,946,444	\$0.07057	12,557,681	177,946,444	\$0.07446	13,249,435	\$691,754	5.51%	90.88%	91.32%	
Total from base rates			13,817,539			14,509,293	\$691,754	5.01%	100.00%	100.00%	
Fuel adjustment			1,448,960			1,448,960	\$0	0.00%			
Environmental surcharge			959,057			959,057	\$0	0.00%			
Total revenues			\$16,225,556			\$16,917,310	\$691,754	4.26%			
Average Bill			\$102.77			\$107.16	\$4.38	4.26%			
Grayson RECC Billing Analysis for the 12 months ended September 30, 2006											
Schedule 1 Domestic - Farm & Home Service, Barns & Camps											
	Existing			Proposed			\$ Increase	% Increase			
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	12,441	\$7.98	\$99,279	12,441	\$7.98	\$99,279	\$0	0.00%	33.65%	32.46%	
Energy charge per kWh	2,774,205	\$0.07057	195,776	2,774,205	\$0.07446	206,560	\$10,785	5.51%	66.35%	67.54%	
Total from base rates			295,055			305,839	\$10,785	3.66%	100.00%	100.00%	
Fuel adjustment			22,172			22,172	\$0	0.00%			
Environmental surcharge			20,205			20,205	\$0	0.00%			
Total revenues			\$337,432			\$348,216	\$10,785	3.20%			
Average Bill			\$27.12			\$27.99	\$0.87	3.20%			
Grayson RECC Billing Analysis for the 12 months ended September 30, 2006											
Schedule 3 ETS											
	Existing			Proposed			\$ Increase	% Increase			
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues					
Customer Charge	1,128		\$0	1,128	\$0.00	\$0	\$0	#DIV/0!	0.00%	0.00%	
Energy Charge	624,789	\$0.04234	26,454	624,789	\$0.04467	27,912	\$1,459	5.51%	100.00%	100.00%	
Total Baseload Charges			\$26,454			\$27,912	\$1,459	5.51%			
Fuel Adjustment			0			0	\$0	#DIV/0!			
Environmental Surcharge			0			0	\$0	#DIV/0!			
Total Revenues			\$26,454			\$27,912	\$1,459	5.51%			
Average Bill			\$ 23.45			\$ 24.74	1.29	5.51%			

Grayson RECC										Request 3a 2	
Billing Analysis										Attachment	
for the 12 months ended September 30, 2006										Page 2 of 5	
Schedule 2											
Small Commercial											
Rate											
	Existing			Proposed			\$ Increase	% Increase			
	Billing	Current	Annualized	Billing	Rate	Annualized					
	Determinants	Rate	Revenues	Determinants	Rate	Revenues					
Customer Charge	14,284	\$7.92	\$113,129	14,284	\$7.92	\$113,129	\$0	0.00%	8.64%	8.23%	
Energy Charge	16,950,029	\$0.07057	1,196,164	16,950,029	\$0.07445	1,261,965	\$65,801	5.50%	91.36%	91.77%	
Total Baseload Charges			\$1,309,293			\$1,375,094	\$65,801	5.03%	100.00%	100.00%	
Fuel Adjustment			136,218			136,218	\$0	0.00%			
Environmental Surcharge			91,784			91,784	\$0	0.00%			
Total Revenues			\$1,537,295			\$1,603,096	\$65,801	4.28%			
Average Bill			\$ 107.62			\$ 112.23	4.61	4.28%			
Grayson RECC											
Billing Analysis											
for the 12 months ended September 30, 2006											
Schedule 17											
Water Pumping Service											
Rate											
	Existing			Proposed			\$ Increase	% Increase			
	Billing	Current	Annualized	Billing	Rate	Annualized					
	Determinants	Rate	Revenues	Determinants	Rate	Revenues					
Customer Charge	12	\$17.60	\$211	12	\$17.60	\$211	\$0	0.00%	12.25%	11.63%	
Energy charge per kWh							\$0	#DIV/0!			
On-Peak	18,280	\$0.07057	1,290	18,280	\$0.07445	1,361	\$71	5.50%	74.79%	74.93%	
Off-Peak	5,280	\$0.04234	224	5,280	\$0.04622	244	\$20	9.17%	12.96%	13.44%	
Total from base rates			1,725			1,816	\$91	5.30%	100.00%	100.00%	
Fuel adjustment						0	\$0	#DIV/0!			
Environmental surcharge						0	\$0	#DIV/0!			
Total revenues			\$1,725			\$1,816	\$91	5.30%			
Average Bill			\$ 143.73			\$ 151.35	\$ 7.62	5.30%			

Grayson RECC
Billing Analysis
for the 12 months ended September 30, 2006

Request 3a 2
Attachment
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Schedule 7
All Electric Schools (AES)

	Existing			Proposed			\$ Increase	% Increase		
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues				
	Customer Charge	72	\$27.28	\$1,964	72	\$27.28				
Demand Charge	15,175	\$4.34	\$65,859.50	15,175	\$4.34	\$65,859.50	\$0	0.00%	25.32%	23.84%
Energy Charge							\$0	#DIV/0!		
All KWh	4,155,820	\$0.04628	192,331	4,155,820	\$0.05016	208,465	\$16,133	8.39%	73.93%	75.45%
Total Baseload Charges			\$260,155			\$276,288	\$16,133	6.20%	100.00%	100.00%
Fuel adjustment						0	\$0	#DIV/0!		
Environmental surcharge						0	\$0	#DIV/0!		
Total Revenues			\$260,155			\$276,288	\$16,133	6.20%		
Average Bill			\$ 3,613.26			\$ 3,837.34	224.07	6.20%		

Grayson RECC
Billing Analysis
for the 12 months ended September 30, 2006

Schedule 4
Large Power Service - Single & Three-Phase
Rate

	Existing			Proposed			\$ Increase	% Increase		
	Billing Determinants	Current Rate	Annualized Revenues	Billing Determinants	Rate	Annualized Revenues				
	Customer Charge	832	\$59.56	\$49,554	832	59.56				
Demand charge							\$0	#DIV/0!		
Contract	119,768	\$7.26	\$869,516	119,768	\$7.26	\$869,516	\$0	0.00%	31.90%	30.20%
Energy Charge							\$0	#DIV/0!		
All KWh	39,577,211	\$0.04565	1,806,700	39,577,211	\$0.04953	1,960,341	\$153,642	8.50%	66.28%	68.08%
Total Baseload Charges			\$2,725,769			\$2,879,411	\$153,642	5.64%	100.00%	100.00%
Fuel adjustment			319,786			319,786	\$0	0.00%		
Environmental surcharge			194,566			194,566	\$0	0.00%		
Total Revenues			\$3,240,121			\$3,393,763	\$153,642	4.74%		
Average Bill			\$ 3,694.38			\$ 4,079.04	184.67	4.74%		

Grayson RECC

Billing Analysis

for the 12 months ended September 30, 2006

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Schedule 13 (a)

Large Industrial Service - HLF

	Existing			Proposed			\$ Increase	% Increase		
	Billing	Current	Annualized	Billing	Annualized					
	Determinants	Rate	Revenues	Determinants	Rate	Revenues				
Customer Charge	12	\$535.00	\$6,420	12	\$535	\$6,420	\$0	0.00%	0.84%	0.78%
Demand Charge	31,536	\$5.39	\$189,979	31,536	\$7.29	229,897	\$59,918	35.25%	22.24%	27.89%
Energy Charge	16,410,870	\$0.03583	588,001	16,410,870	\$0.03583	588,001	\$0	0.00%	76.92%	71.33%
Total Baseload Charges			\$764,401			\$824,319	\$59,918	7.84%	100.00%	100.00%
Fuel adjustment			133,266			133,266	\$0	0.00%		
Environmental surcharge			56,962			56,962	\$0	0.00%		
Total Revenues			\$954,629			\$1,014,547	\$59,918	6.28%		
Average Bill			\$ 79,552			\$ 84,546	4,993.20	6.28%		

Grayson RECC
 Billing Analysis
 for the 12 months ended September 30, 2006

Street Lighting and Security Lights
 Outdoor Lighting

	Existing			Proposed			\$ Increase	% Increase	Present	Proposed
	Billing Determinants	Total kWh	Current Rate	Annualized Revenues	Billing Determinants	Total kWh				
7000 Lumens, 175 Watt - Street	1,324	82,425	\$7.26	\$9,612.24	1,324	82,425	\$7.50	9,932	2.93%	2.91%
7000 Lumens Mercury Vapor lamp-Security	44,406	3,306,920	\$7.17	\$318,391.02	44,406	3,306,920	\$7.46	331,229	97.07%	97.09%
								320	3.33%	
								12,838	4.03%	
									100.00%	100.00%
					45,730	3,389,345		341,161		
					45,730	3,389,345		13,158		4.01%

Analysis of Wholesale to Retail Proportionality

	Wholesale			Retail		
	Existing	Proposed	Change	Existing	Proposed	Change
I Customer Charge						
Metering Point Charge	\$125/Mo.	\$125/Mo.	\$ -	\$7.98/Mo	\$7.98/Mo	\$ -
Substation at less than 3 MVA	\$944/Mo.	\$944/Mo.	\$ -	\$7.98/Mo	\$7.98/Mo	\$ -
II Demand Charge						
B&C Demand Charge (\$/kW)	\$5.39	\$7.29	\$1.90	\$5.39	\$7.29	\$1.90

III Energy Charge
 The non-industrial wholesale increase was based on the dollar amount remaining to be recovered at wholesale, divided by kWh.

The non-industrial retail increase was based on the dollar amount remaining to be recovered at retail, divided by kWh.