

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

AN EXAMINATION OF THE)
APPLICATION OF THE FUEL)
ADJUSTMENT CLAUSE OF GRAYSON)
RURAL ELECTRIC COOPERATIVE) CASE NO. 2006-00517
CORPORATION FROM NOVEMBER 1,)
2004 TO OCTOBER 31, 2006)

O R D E R

Pursuant to Administrative Regulation 807 KAR 5:056, the Commission, on December 18, 2006, established this case to review and evaluate the operation of the fuel adjustment clause ("FAC") of Grayson Rural Electric Cooperative Corporation ("Grayson") for the 2-year period ended October 31, 2006.

As part of this review, the Commission ordered Grayson to submit certain information and an affidavit attesting to its compliance with Administrative Regulation 807 KAR 5:056. Grayson has complied with this Order. The Commission further ordered that a public hearing be held in this case but cancelled it when, after publication of notice, no interested party advised the Commission of its intention to attend.

In its April 1, 2007 Order in Case No. 2006-00472,¹ the Commission authorized a \$19.0 million interim rate increase for East Kentucky Power Cooperative, Inc. ("East Kentucky"), Grayson's power supplier. On April 11, 2007, Grayson filed its revised tariffs reflecting the interim rate increase authorized by the Commission's April 1, 2007

¹ Case No. 2006-00472, General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc.

Order in Case No. 2006-00480.² In its June 13, 2007 data request, Commission Staff requested that Grayson provide revised tariffs which reflect the effect of its proposed FAC roll-in upon the interim rates filed on April 11, 2007. Grayson has complied with that request.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that:

1. Grayson has complied in all material respects with the provisions of Administrative Regulation 807 KAR 5:056.

2. East Kentucky, the wholesale supplier of Grayson, has been authorized to transfer (roll-in) a 6.13 mills per kWh increase in the base fuel cost to its base rates.³

3. Grayson should be authorized to transfer (roll-in) a 6.51 mills per kWh increase in its base fuel costs to its base rates to reflect, as adjusted for line loss, the transfer of a 6.13 mills per kWh increase in East Kentucky's current base rates. This transfer can best be accomplished by an energy adder to each kWh sold.

4. The rates and charges in Appendix A are fair, just, and reasonable, and reflect the transfer of fuel costs from the FAC to the base rate.

IT IS THEREFORE ORDERED that:

1. The charges and credits applied by Grayson through the FAC for the period November 1, 2004 to October 31, 2006 are approved.

² Case No. 2006-00480, Application of Grayson Rural Electric Cooperative Corporation to Pass-Through An Increase of Its Wholesale Power Supplier Pursuant to KRS 278.455(2).

³ Case No. 2006-00508, An Examination of the Application of the Fuel Adjustment Clause of East Kentucky Power Cooperative, Inc. from November 1, 2004 to October 31, 2006.

2. Grayson is authorized to transfer to base rates those fuel costs (as adjusted for line-loss) rolled in by East Kentucky from its FAC to its base rates.

3. The rates in Appendix A are approved for service rendered by Grayson on and after August 1, 2007, the effective date of East Kentucky's change in rates.

4. Within 20 days of the date of this Order, Grayson shall file with the Commission revised tariff sheets setting out the rates approved herein.

Done at Frankfort, Kentucky, this 25th day of July, 2007.

By the Commission

ATTEST:

A large, stylized handwritten signature in black ink, consisting of several overlapping loops and flourishes, positioned over the printed text "Executive Director".

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2006-00517 DATED JULY 25, 2007

The following rates and charges are prescribed for the customers in the area served by Grayson Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE 1
FARM AND HOME

Energy Charge per kWh \$.07868

SCHEDULE 2
COMMERCIAL AND SMALL POWER (LESS THAN 50 KVA)

Energy Charge per kWh \$.07868

SCHEDULE 3
OFF-PEAK MARKETING RATE

On-Peak Rate per kWh \$.07868
Off-Peak Rate per kWh \$.04721

SCHEDULE 4
LARGE POWER SERVICE (50-999 KVA)

Energy Charge per kWh \$.05320

SCHEDULE 5
STREET LIGHTING SERVICE

Base Rate per Light per Month:
175 Watt Mercury Vapor Lamp \$ 7.91
Base Rate per Light per Year:
175 Watt Mercury Vapor Lamp \$ 94.92

SCHEDULE 6
OUTDOOR LIGHTING SERVICE – SECURITY LIGHTS

Base Rate per Light per Month:

7,000 Lumens Mercury Vapor Lamp	\$ 7.82
10,000 Lumens Mercury Vapor Lamp	\$ 9.91

SCHEDULE 7
ALL ELECTRIC SCHOOLS

Energy Charge per kWh	\$.05384
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SCHEDULE 12 (a)
LARGE INDUSTRIAL SERVICE-LLF (1,000 TO 4,999 KVA)

Energy Charge per kWh	\$.04315
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SCHEDULE 12 (b)
LARGE INDUSTRIAL SERVICE-LLF (5,000 TO 9,999 KVA)

Energy Charge per kWh	\$.03804
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SCHEDULE 12 (c)
LARGE INDUSTRIAL SERVICE-LLF (10,000 KVA AND OVER)

Energy Charge per kWh	\$.03702
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SCHEDULE 13 (a)
LARGE INDUSTRIAL SERVICE-HLF (1,000 TO 4,999 KVA)

Energy Charge per kWh	\$.04315
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SCHEDULE 13 (b)
LARGE INDUSTRIAL SERVICE-HLF (5,000 TO 9,999 KVA)

Energy Charge per kWh	\$.03804
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SCHEDULE 13 (c)
LARGE INDUSTRIAL SERVICE-HLF (10,000 KVA AND OVER)

Energy Charge per kWh	\$.03702
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SCHEDULE 14 (a)
LARGE INDUSTRIAL SERVICE-MLF (1,000 TO 4,999 KVA)

Energy Charge per kWh \$.04315

SCHEDULE 14 (b)
LARGE INDUSTRIAL SERVICE-MLF (5,000 TO 9,999 KVA)

Energy Charge per kWh \$.03804

SCHEDULE 14 (c)
LARGE INDUSTRIAL SERVICE-MLF (10,000 KVA AND OVER)

Energy Charge per kWh \$.03702

SCHEDULE 17
WATER PUMPING SERVICE

On-Peak Rate per kWh \$.07868
Off-Peak Rate per kWh \$.04721