Grayson Rural Electric Cooperative Corporation

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August 31, 2010

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P O Box 615
Frankfort, KY 40602-0615

RE; Case No. 2010-00230

Dear Mr. Derouen:

Enclosed you will find Grayson RECC's original and 10 copies of its responses to the Commissions Second Data Request of August 18, 2010.

Sincerely,

Don M. Combs
Mgr. Finance & Accounting

C: Office of the Attorney General

The undersigned, Don M. Combs, as Manager of Finance and Accounting of Grayson Rural Electric, being first duly sworn, states that the responses herein are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: August 31, 2010

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 31st day of August, 2010.

Marsha A. Thacker
Notary Public State-at-Large Kentucky
My Commission expires 1/9/2011

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Refer to Grayson's response to item 1 of Commission Staffs Initial Information Request ("Staffs First Request"). This response states that Grayson has both mechanical and digital meters on its system.

Question:

a. State the number of mechanical versus digital meters on Grayson's system.

Response

- Mechanical – approximately 10,000 meters
- Digital (Solid State) Centron – approximately 6,000 meters
- Digital (Solid State) Focus - 300 in warehouse

Question:

b. State whether the term "digital" meter refers to TS-1 (one-way communication) AMR meters. If no, explain what "digital" means as used in the response.

Response

Digital or Mechanical refers to the "base" meter that measures usage. Digital (Solid State) meters measure usage with electric pulses, where Mechanical (Electro-mechanical) measures usage with a rotating disk. TS-1 and TS-2 modules refer to the method that the date is communicated. These

are installed in the base meter. For a customer requesting to be served under the proposed optional rates, a solid state meter will be utilized.

TS-1 modules allow for one way data transmission from the member's meter to the Cooperative. This method is the one currently being utilized for the vast majority of our services.

TS-2 modules allow for data communication both to and from the member's service and the Cooperative. These modules also allow for additional data required for the optional rate structures requested in this case.

Question:

c. State whether Grayson has any meters on its system that have the capability for two-way communication.

Response

Grayson currently has deployed 72 TS-2 modules which are serving to test the communication system with the current rate design billing function.

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Refer to the response to item 2 of Staffs First Request. Grayson was asked to describe the type of meters, not currently in use on its system, that would be necessary to implement the proposed rates in the application. The response stated that additional equipment would need to be installed on substations. In addition, the response stated, "For customers choosing a rate that requires the TS-2 module and the substation is [sic] not yet been converted to communicate with the TS-2, [sic] module, the meter would be read manually."

Question

a. State whether any of the meters currently in use on Grayson's system are adequate to implement the proposed tariffs.

Response

In addition to the 72 meters referred to in the response to question 1 (c), the approximately 6,000 digital (solid state) meters would be ready once a TS-2 module is installed.

Question

b. Explain how a meter that has to be read manually could be used for a customer on a time-of-day rate schedule.

Response

If a customer. who is served by a substation that has not been converted to communicate with TS-2 modules, requests to be served under a proposed rate, the digital (solid state) Focus meters would be programmed to capture the pertinent data and be both visible to the member, read and recorded by a meter technician and billed accordingly. This would cease when the substation is converted and this data would be transmitted to the Cooperative electronically.

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Question

Refer to the response to item 4 of Staffs First Request, which states that an error was made in preparing the tariff filed in the application and that a revised tariff is attached to the response. A revised tariff was not provided with the response.

Provide the revised tariff.

Response:

Attached as page 2 of this response is the revised tariff.

GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION

SCHEDULE	CLASSIFICATION OF SERVICE

RESIDENTIAL DEMAND & ENERGY RATE	RATE PER UNIT

Terms of Payment

Available to members of the Cooperative for all residential farm and home uses subject to established rules and regulations. Approval of the Cooperative must be obtained prior to the installation of any motor having a rated capacity of five horsepower or more.

TYPE OF SERVICE

Single-phase and/or three-phase, 60 cycle, alternating current at the Cooperative's standard secondary voltages.

RATE

Customer Charge	$15.00
Energy Charge per kWh	.06896
Demand Charge per kW	4.23

MINIMUM MONTHLY CHARGE

The minimum monthly charge shall be the minimum charge specified in the contract, or the minimum monthly customer charge, or $0.75 per KVA or installed capacity, whichever is greater.

FUEL ADJUSTMENT CHARGE

All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per kWh equal to the fuel adjustment amount per kWh as billed by the wholesale power supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve-month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

Service on and after

DATE OF ISSUE: _____ EFFECTIVE DATE: _____

ISSUED BY: _____ President & C.E.O., 109 Bagby Park, Grayson, KY

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Question:

Refer to the response to item 5 of Staffs First Request. Describe how Grayson's proposed time-of-day rates compare to those of other East Kentucky Power Cooperative, Inc. member systems.

Response:

Grayson's time-of-day rate for its residential rate class is comparable to the time-of-day rate for the residential rate class for Blue Grass Energy approved in October 2009. Blue Grass Energy does not have a time-of-day rate for its small commercial rate class to compare with the proposed time-of-day rate that Grayson has filed. Both Blue Grass Energy and Grayson have forty hours a week for both the summer and winter seasons that are on-peak hours with weekends being off-peak hours.

The only other distribution cooperative served by East Kentucky Power Cooperative ("EKPC") that has time-of-day rates for their residential and small commercial rate classes is Owen Electric Cooperative ("OEC"). It is really not fair to compare the rates of Grayson with OEC because the on-peak hours for OEC amount to 70 hours per week in the summer season and eight-four hours per week in the summer season. For OEC, weekends are not completely off-peak.

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Question

Refer to the response to item 6 of Staffs First Request, which states that "the greater the revenue requirements collected from rates other than energy provides will help provide a basis for developing a more favorable type of TOD rate design." Explain the meaning of this statement.

Response:

This statement means the following. With more revenue collected from the customer charge, less revenue needs to be collected from energy rates. With an off-peak energy rate that is the same under any allocation of the rate class revenue requirements, the energy rate for the on-peak hours will decrease as additional revenue is proposed to be collected from the customer charge. A lower on-peak energy rate may entice more consumers to consider this optional rate and therefore, a more favorable type of rate design in the opinion of this respondent.

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Refer to Grayson's response to item I O of Staffs First Request.

Question

a. The response to 10.a. states that the Schedule 8 tariff, Seasonal Service, was revoked in Case No. 1998-00455;' however, Schedule 8 still appears in Grayson's current tariff.

(1) Confirm that there are no customers on Schedule 8

(2) Confirm that Schedule 8 should be deleted from Grayson's Tariff

Response

a. (1) No customers are currently billed on Schedule 8.

(2) Schedule 8 should be deleted from Grayson's Tariff.

Question

b. Refer to the response to 10.d. State whether a Schedule 17 customer would be given the option of staying on Schedule 17 or switching to Schedule 18.

Response

Schedule 17 customers would not have the option of switching to Schedule 18 unless they would be serving a residential or small commercial facility. The intent of Schedule 17 was for larger water pumping facilities that

would fall within the Large Power Rate which requires a transformer capacity of 50 kva.

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Question

Refer to the response to Item 12 of Staff's First Request. Grayson states that no change in language would be needed to its tariff to implement a remote disconnect/reconnect charge. Explain why Grayson is not proposing to modify its tariff to explicitly provide for remote service disconnects and reconnects by including language such as the following:

In some instances, a remote disconnect switch will be installed. If service is disconnected for nonpayment or if a reconnect is made with the switch, a fee of $30 for each disconnect and $30 for each reconnect will be applied to the member's account for this extra service and *is* due and payable at the time such account is collected.

Response

Grayson was attempting to do what the suggested language above reads. The following modifications in Grayson's rules and regulations attempt to do just that. A modified copy of #42 of Grayson's Rules and Regulations is shown on Page 2 of this Item.

GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION

RULES AND REGULATIONS

42. INSTALLATION AND RECONNECTION CHARGES

A service charge will be made for all reconnects made under 807 KAR 5:006, Section 8. Service charge for reconnects made during normal working hours - $30.00. Service charge for reconnects made after normal hours - $70.00. ***In some instances, a remote disconnect switch will be installed. If service is disconnected for nonpayment or if a reconnect is made with the switch, a fee of $30 for each disconnect and $30 for each reconnect will be applied to the member's account for this extra service and is due and payable at the time such account is collected.*** (T)

43. INSTALLATION AND RECONNECTION CHARGES – EXCEPTIONAL CIRCUMSTANCES

When, upon a customer's request, an installation or reconnection takes place after normal working hours and by the nature of the installation or reconnection should require more than two (2) hours to complete, the customer shall be charged an additional $50.00 for each hour, or portion of an hour, exceeding two (2) hours. This charge shall be in addition to the $70.00 charge for the first mandatory two (2) hours.

44. COLLECTION OF DELINQUENT ACCOUNTS

Should it become necessary for the Cooperative to send a serviceman to the customer's premises for collecting a delinquent account, a service charge of $30.00 will be applied to the customer's account for the extra service rendered, due and payable at the time such delinquent account is collected. If service is disconnected for nonpayment, an additional charge of $30.00 will be added for reconnecting service during regular work hours. The charge may be assessed if the utility representative actually terminates service or if, in the course of the trip, the customer pays the delinquent bill to avoid termination. The charge may also be made if the utility representative agrees to delay termination based on the customer's agreement to pay the delinquent bill by a specific date. The Cooperative may make a field collection charge only once in any billing period.

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Refer to the response to item 13 of Staffs First Request.

Question

a. In part b. of the response, Grayson indicated that the cost of the equipment is not included in the rate base upon which its current rates are set but did not respond to the second part of the question. State whether Grayson plans to include the cost in rate base in its next rate case.

Response

a. Grayson plans to include the cost of this equipment in its rate base and it will be a part of Grayson's rate base when it files its next rate application.

Question

b. Refer to part c. of the response.

(1) State whether the "disconnect module" is a collar which will be attached to the meter. If no, describe the disconnect module.

(2) The total equipment cost of $270.44 includes $24.59 for a 10 percent failure rate. Explain each of the following: the basis for assuming a 10 percent failure rate, the length and terms of the manufacturer's warranty on the disconnect module, and why the cost of the failures should be included in the calculation.

Response

b. (1) The disconnect module is a collar which will be attached to the meter.

(2) The 10 percent failure is a rate that has been provided and has been included in the development of the rate with the purpose of providing as close as possible for full cost recovery.

Question

c. Provide the number of disconnect modules Grayson has purchased to date, the number installed in customer meters, and the failure rate to date.

Response

Grayson currently has 50 disconnect modules in its inventory. One has been deployed into the field and is being tested to iron out operational issues.

d. State how Grayson will determine which customers will have the

disconnect modules installed on their meters.

Response

Grayson will install these modules on accounts that have a frequent need to disconnect and connect and those accounts that are difficult to get access to.