

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

April 6, 2011

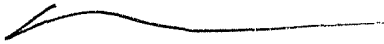
Mr. Jeff Derouen, Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
PO Box 615
Frankfort, Kentucky 40602

Re: Case No. 2010-00441

Dear Mr. Derouen:

Enclosed is one (1) original and seven (7) copies of Grayson's response to the Commission's Second data request of March 22, 2011 in the above referenced case.

Respectfully submitted,


Don M. Combs
Mgr.- Finance & Accounting

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COMMISSION

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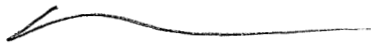
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COMMISSION

The undersigned, Don M. Combs, as Manager of Finance and Accounting of Grayson Rural Electric, being first duly sworn, states that the responses herein supplied in Case No. 2010-00441 Order dated March 22, 2011 are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: April 6, 2011

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 6th day of April, 2011.

My Commission expires 4th day of January, 2015.
Witness my hand and official seal this

6th day of April, 2011.
Marsha A. Thacker
Notary Public in and for State-at-Large Co., KY.



Case No. 2010-00441
Second Data Request – March 22, 2011

1. Refer to Item 4 of Grayson's response to Commission Staff's First Information Request

a. Provide the actual construction start dates for each project listed.

Response:

a.	New Elliottville Circuit #4 – started:	11/15/09
	Lower Grassy -	02/22/10
	Porter Creek -	01/25/10
	Route 519 -	04/11/10
	Culp Creek -	09/19/10

b. Define the terms "In Plant" and "Finished" as used in Grayson's response to Item 4.

Response:

b. **"In Plant" – Construction is finished, inspected and costs are transferred from "Construction Work in Process" to the appropriate Plant Accounts.**

"Finished" - Construction activity is finished and awaiting final inspection and transfer to the appropriate Plant Accounts.



Case No. 2010-00441
Second Data Request – March 22, 2011

2. Refer to Item 7 of Grayson's response to Commission Staff's First Information Request. You state that Grayson is currently upgrading its AMR to Turtle 2 system
 - a. Fully describe the upgrade and provide the estimated cost, along with all supporting documentation.

Response:

Replacing existing substation receivers with ones that will communicate with both Turtle 1 and Turtle 2 modules. Replacing TS-1 with TS-2 modules on customers meters when necessary to take advantage of optional rate structures. For cost estimates, see Item 3 (a).

- b. Indicate where the upgrade is included in the 2009-2012 Work Plan ("Work Plan").

Response:

The upgrade is not included in the Work Plan document. The Work Plan only contains system distribution additions and improvements that will be financed by long term capital debt.

Case No. 2010-00441
Second Data Request – March 22, 2011

- c. If the upgrade to a Turtle 2 system is not included as part of this Work Plan, explain whether Grayson requested and received a Certificate of Public Convenience and Necessity (“CPCN”) to upgrade its AMR to a Turtle 2 system

Response:

Grayson did not request a CPCN to upgrade its AMR to a Turtle 2 system.

- d. If Grayson has not obtained a CPCN for the upgrade and not included the upgrade in its Work Plan, does Grayson plan to file an amendment to the Work Plan?

Response:

Grayson did not plan to file an amendment to the Work Plan.

- e. Provide Grayson’s feasibility study related to the upgrade to a Turtle 2 system.

Response:

Grayson did not conduct a feasibility study relating to the upgrade.

Case No. 2010-00441
Second Data Request – March 22, 2011

- f. What AMR/AMI systems other than the Turtle 2 system were considered? Provide the reason they were rejected and their estimated costs.

Response:

Other systems were not considered due to duplication of equipment and our desire to be able to continue to utilize the existing Turtle 1 system and offer optional rates / demand side management programs to our customers.

- g. Would mechanical meters accommodate optional inclining- block and off-peak rate structures?

Response:

Mechanical meters would measure the data required for billing for inclining block and off peak rate structures, however the customer would only be able to calculate total kwh usage and not specialized data measured by the Turtle 2 module.

- h. Is Grayson purchasing any new mechanical meters? If yes, provide how many will be purchased, the estimated cost of each meter, and the estimated cost for the upgrade to be used in the Turtle 2 system.

Response:

No. Mechanical meters will continue to be used for those customers that require only basic meter readings. They will eventually be phased out by attrition.

- i. Provide the estimated cost for a digital residential meter which will be used for the Turtle 2 system.

Response:

\$100 per meter including the Turtle 2 module.

Case No. 2010-00441
Second Data Request – March 22, 2011

- j. Is Grayson installing all new meters for its new Turtle 2 system? Provide the type of meter the estimated cost of each meter.

Response:

Grayson will only install new digital meters for customers opting for the optional rate structures that require TS-2 functionality and newly built residential and small commercial services.



Case No. 2010-00441

Second Data Request – March 22, 2011

- 3. Refer to Item 7 of Grayson’s response to Commission Staff’s first information request. You state that Grayson installed a Landys & Gyr Turtle 1 AMR in 2001 and did not request a CPCN.
 - a. Provide Grayson’s feasibility study related to the upgrade to the Turtle 1 system, including a cost-benefit analysis. If not included in a cost-benefit analysis, identify the cost of each meter or module, the cost of any Turtle 1 related hardware and software and the total installed cost of the Turtle 1 system.

Response:

No feasibility study was conducted.

<u>Cost:</u>	14,000	Single Phase Modules @ \$ 61	\$854,000
	120	Three Phase Modules @ \$140	<u>14,000</u>
			\$868,000

Benefits:

- **Reliable, accurate and timely meter readings.**
 - **Reduction of bad debt expense.**
 - **Reduction of expenses regarding reading meters by employees.** **\$ 30,000**
 - **Ability to bill members on a more timely basis** **\$825,000**
- \$855,000**

Case No. 2010-00441

Second Data Request – March 22, 2011

- b. What AMR systems other than the Turtle 1 system were considered? Provide the reasons they were rejected and their estimated cost.

Response:

TWAX and Cannon offered systems, but were not nearly as advanced at the time as the Hunt Turtle system. Utililink offered a nice system, but depended on telephone lines as a the data carrier, which was not feasible for many of our services.

- c. When was the installation of the Turtle 1 system completed?

Response:

2004

- d. As part of its plan to install the Turtle 1 system, did Grayson plan to change from mechanical to digital meters? If no, explain why not.

Response:

Turtle 1 modules can be used on both mechanical and digital meters. Grayson migrated toward digital meters primarily for accuracy, at no additional cost. The metering industry was moving toward digital meters and reducing their supply of mechanical meters.

Case No. 2010-00441

Second Data Request – March 22, 2011

e. How many digital meters are on Grayson's system?

Response:

Approximately 6,300

f. How many mechanical meters are on Grayson's system?

Response:

Approximately 10,000

g. Provide a detailed explanation of the capabilities of the Turtle 1 system.

Response:

Turtle 1 modules are capable of providing kwh and peak kw demand readings every 28 hours.

h. Provide the reason Grayson decided to install the turtle 2 system. Provide the functions that the Turtle 2 system can provide that cannot be provided by the Turtle 1 system. Explain why those additional functions are needed for Grayson's system.

Response:

To support optional inclining block, off peak on peak, demand and energy rates as well as monitoring the system as a whole. To provide the infrastructure to provide data that will assist customers in managing the electric usage and demand side management programs that will be developed. They are able to stream hourly data, when needed. It will measure line voltage on the system and aid in outage detection. The system also supports remote disconnects. These activities require 2-way communication

Case No. 2010-00441

Second Data Request – March 22, 2011

- i. Explain whether the installation of the turtle 1 system was included in a previous Work Plan and if it was approved by the Commission. Provide the case number or the relevant Work Plan.

Response:

The installation of the Turtle 1 system was not included in a previous Work Plan and was not considered for approval by the commission.

- j. When was the last CPCN requested by Grayson for its Work Plan? If there are any Work Plans for which Grayson did not request a CPCN, explain why it did not do so.

Response:

Grayson has not filed a CPCN for a Work Plan since RUS has been providing 100% of its long term financing.

The last Work Plan where we requested a CPCN was for the 93-95 Work Plan in Case No. 93-248, where we had supplemental financing from NRUCFC.

It was Grayson's understanding that a CPCN was not necessary due the fact that it involves work in the normal course of business, involves line extensions that may occur, making improvements in electric system reliability, emergency and routine replacements all of which may be done during the Work Plan time frame or not.
