

Grayson Rural Electric Cooperative Corporation

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PUBLIC SERVICE
COMMISSION

May 9, 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 Third data request of April 29, 2011 in the above referenced case.

Respectfully submitted,


Don M. Combs
Mgr.- Finance & Accounting

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 April 29, 2011 are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: May 9, 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 9th day of May, 2011.

My Commission expires 9th day of January, 2015.
Witness my hand and official seal this

10th day of May, 2011.
Marsha A. Hooker
Notary Public in and for State-at-large Co., KY.

Case No. 2010-00441
Third Data Request – April 29, 2011

1. Refer to Grayson's response to Item 2.a. of the Second Information Request of Commission Staff ("Staff's Second Request"). Grayson was asked to provide the estimated cost to upgrade its AMR system to a Turtle 2 system. Grayson's response referred Staff to its response to Item 2.a. However, the response to Item 3.a. is represented as being the cost to upgrade to the Turtle 1 system. Provide the estimated cost to upgrade to a Turtle 2 system.

Response:

The estimated infrastructure cost (substation equipment @ \$70,000.00 per substation) – Total \$840,000.

Turtle 2 modules with meter required for each service desiring optional rates - (\$100 per meter).

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2. Refer to the response to Item 2.b. of Staff's Second Request in which Grayson states that the upgrade to a Turtle 2 system was not included in its Construction Work Plan ("CWP") because the CWP "only contains system distribution addition and improvements that will be financed by long term capital credit debt". Does this response indicate that Grayson has financed the upgrade from existing cash reserves rather than through longer-term debt? If no, explain.

Response:

Yes, Grayson financed this project primarily from the additional revenue collected by billing nearer to the day bills are mailed out. Refer to the response to item 3 (a) of your 2nd data request: Benefits \$825,000.

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3. Refer to response to Item 3.a. of Staff's Second Request.
 - a. Provide the calculations for the \$30,000 and \$825,000 that appear in the Benefits section of the response.
 - b. Explain in detail why Grayson decided to upgrade its meters to the Turtle 1 AMR system given that the \$ 868,000 cost exceeds the \$ 855,000 in benefits by \$13,000/
 - c. State whether the \$ 855,000 in benefits shown in response to Item 3.a. is the total, to date, of the benefits that have been realized since the installation of the Turtle 1 system or if that figure is the total amount of expected benefits projected over the life of the Turtle 1 system.

Response:

- a. **\$30,000.00 – Actual reduction in annual expense to read meters that customers neglected to read for 3 consecutive months.**
\$825,000.00 - Represents the additional revenue collected by moving the “billed to” date from the 1st of the month to the 20th of the month. This was made possible by the ability to collect reading data in one day, as opposed to 20 days when customer read. The amount is equal to 2/3 of average monthly revenue.
- b. **The \$855,000 benefits were factors that dollar amounts were easy to calculate. The other benefits listed were not as easy to put a dollar amount on, however the benefits to productivity and accuracy were significant and easily surpassed the \$13,000 “deficit”.**
- c. **The \$825,000 benefit represents the initial one-time benefit. The other benefits will continue to be realized annually.**