

Grayson Rural Electric Cooperative Corporation

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November 2, 2011

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

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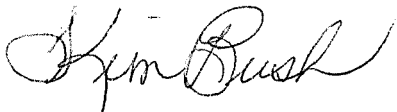
PUBLIC SERVICE
COMMISSION

RE: Case No. 2011-00379

Dear Mr. Derouen:

Enclosed are one (1) original and ten (10) copies of Grayson's response to the Commission's data request of October 24, 2011 in the above referenced case.

Respectfully submitted,

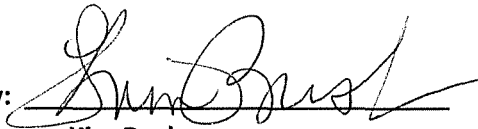


Kim Bush,
Manager of Marketing and Member Services

The undersigned, Kim Bush, as Manager of Marketing and Member Services of Grayson Rural Electric Cooperative Corporation, being first duly sworn, states that the responses herein supplied in Case No. 2011-00379 Order dated October 24, 2011 are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: November 2, 2011

Grayson Rural Electric

By: 

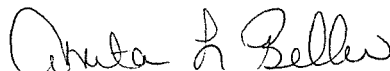
Kim Bush

Manager of Marketing and Member Services

Subscribed, sworn to, and acknowledged before me by Kim Bush, as Manager of Marketing and Member Services for Grayson Rural Electric Cooperative Corporation on behalf of said Corporation this 2nd day of November, 2011.

My Commission expires 15th day of November, 2011.

Witness my hand and official seal this 3rd day of November, 2011.


Notary Public in and for State @ hange Co., KY.

Case No. 2011-00379
First Data Request – October 24, 2011

1. Refer to the second page of Grayson's September 20, 2011 application.
 - a. Grayson requests authority to remove the digital thermostat switch incentive option because of the unavailability of the switches. Explain whether the unavailability is due to demand, or due to problems experienced with the thermostats. Include in the explanation whether there are thermostats, available from other manufacturers and, if so, why those are not used by Grayson.

Response:

The thermostats were removed because of a problem experienced by another load control program in the state that was using the same type and brand of thermostat. East Kentucky and its 16 member cooperatives decided collectively to remove the choice of the thermostat before a problem did arise. Currently, the load control switches are being placed on and communicated with via the AMR system at Grayson. The communication protocol for these systems is proprietary to the Landis+Gyr company and they currently do not offer a thermostat type of switch. Therefore, thermostats that will work on that system are not available at this time.

1. Refer to the second page of Grayson's September 20, 2011 application.
 - b. Provide separately the number of participants in Grayson's current air conditioner and water heater load control program. Include in the response a breakdown of the number of participants in the current air conditioner program by incentive, showing whether the incentive chosen was a digital thermostat or a bill credit.

Response:

Grayson currently has 189 total members participating with 113 air conditioner switches and 156 water heater switches on our system. At the present time, all but one thermostat has been removed. At the time of the thermostat removal, there were 92 members that chose the thermostat option. Of those 91 that have been removed, to date, 49 chose to have the air conditioner switch added. These members receive bill credits in accordance with the direct load control tariff approved by the Commission.

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1. Refer to the second page of Grayson's September 20, 2011 application.
 - c. Explain whether Grayson expects participation in the air conditioner load control program to be affected by the removal of the digital thermostat option.

Response:

53% of members with the digital thermostat option have re-enrolled with the air conditioner switch option.

1. Refer to the second page of Grayson's September 20, 2011 application.
 - d. Grayson states that East Kentucky Power Cooperative, Inc. ("East Kentucky"), Grayson's wholesale power provider, is making \$10,000 available to Grayson this year and next year to help promote the Direct Load Control Program.
 - (1) Is East Kentucky making the same offer to all of its 16 member systems? If known, include in the response the number of East Kentucky cooperatives that have a load control program similar to Grayson's.

Response:

Yes, each cooperative in the East Kentucky system is allotted \$10,000 for promotion of the SimpleSaver Load Control program. All 16 East Kentucky member systems have a DLC tariff approved by the PSC.

1. Refer to the second page of Grayson's September 20, 2011 application.
 - d. Grayson states that East Kentucky Power Cooperative, Inc. ("East Kentucky"), Grayson's wholesale power provider, is making \$10,000 available to Grayson this year and next year to help promote the Direct Load Control Program.
 - (2) Does East Kentucky plan to recover in rates the total of the incentives offered?

Response:

Yes.

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1. Refer to the second page of Grayson's September 20, 2011 application.
 - e. Explain how the Direct Load Control Program special signing bonus will be promoted to customers.

Response:

Grayson will use media outlets such as local radio, Kentucky Living magazine, newspapers, Graysonrecc.com and also Grayson RECC employees will market the program to our members as they call or stop by our office.

1. Refer to the second page of Grayson's September 20, 2011 application.
 - f. Explain how applicants will be accepted for participation in the program and under what circumstances if any, other than a 40-gallon minimum size water heater, a member could be denied acceptance in the Direct Load Control Program.

Response:

Members must have either a 40-gallon electric water heater, central air conditioning or both to qualify. A member could be denied if after making the trip to the home to install the switch, it is found that their electric water heater is not 40 gallons or that they do not have central air conditioning.

1. Refer to the second page of Grayson's September 20, 2011 application.
 - g. Grayson states, "[b]y meeting either or both the air conditioner or water heater qualifications, the member will receive a \$25.00 credit on their next electric bill." Explain whether \$25.00 is the maximum credit amount available to a member, or if a member that has both the air conditioner and water heater qualifications can receive up to a \$50.00 credit.

Response:

\$25.00 is the maximum credit amount available to a member, although, in accordance with the direct load control tariff approved by the Commission, they would receive the \$10.00 credit for a 40-gallon electric water heater in February and \$5.00 a month in June, July, August and September for the air

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Response Continued: (1.g.)

conditioner switch. Each member will receive one \$25 sign-on bonus regardless if they have one or two switches.

1. Refer to the second page of Grayson's September 20, 2011 application.
 - h. If the answer to 1d is that \$25.00 is the maximum credit, explain how Grayson will know that a member is not eligible for a second \$25.00 credit if the member initially receives a bill credit for either the air conditioner or water heater program, but then applies at a later date for a second credit for the remaining program.

Response:

Grayson has set up an adjustment number that shows that the member has received the sign-up bonus and another bonus would not be applied if one had already been given.

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2. Refer to item 1 of the terms and conditions listed on page 3 of Tab 1.
 - a. Are there any consequences to participants that decide to withdraw from the program?

Response:

When members sign up for the program, we ask them to stay with the program for a year but if they choose to leave at any time, the only consequence to the member is that they no longer will receive the credits in February for the water heater switch and in June, July, August and September for the air conditioner switch.

2. Refer to item 1 of the terms and conditions listed on page 3 of Tab 1.
 - b. If a member wishes to withdraw from the program, Grayson states that it “will endeavor to implement the change as soon as possible.” Explain Grayson’s intent as to the length of time it believes necessary to implement the change under normal circumstances.

Response:

The member may contact the contractor (GoodCents) via the toll-free number for this program, and request removal of the switch. GoodCents will perform the removal in 30-45 days.

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3. Explain whether Grayson or East Kentucky has performed any cost/benefit analysis of the load control programs. Provide all calculations and worksheets performed to complete the analysis. If no analysis has been performed, explain how Grayson knows the load control programs are in the best interest of its members.

Response:

The cost/benefit that was reviewed by the PSC resulting in an approved tariff for DLC in 2008 contained marketing costs. The \$10,000 is part of those marketing costs. Grayson RECC has chosen to market via a one-time incentive to the participant instead of using the money to purchase advertisement. These types of marketing costs are already accounted for in the original cost/benefit analysis. The cost/benefit analysis done on the Direct Load Control program for 2011 has the following results:

**Co-op RIM—2.15
TRC—3.03
EKPC RIM—1.02**

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4. Several other utilities in Kentucky have successful load control programs without providing a signing bonus. Explain why Grayson believes the incentive is needed to encourage its program.

Response:

Grayson feels that the \$10,000 from EKPC is better spent to put it back into the local economy directly to our members rather than to spend \$10,000 on demand side management advertising. This gives Grayson an opportunity to help our members lower their bills for future generation capacity, help reduce related emissions, and give them an introduction to four new tariffs (rate schedules) that we offer to help them manage their energy consumption. Due to the local economy, \$10,000 forced right back into the hands of our members is a significant economic stimulus. This also gives Grayson an opportunity to share the benefits of the program to our members and also the opportunity to show our members our appreciation for taking part in this important program.