

# 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 22, 2013

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

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APR 25 2013

PUBLIC SERVICE  
COMMISSION

Re: PSC Case No. 2012-00426  
3<sup>rd</sup> Request for Information #3(e)

Dear Mr. Derouen:

Please find attached the original and 10 (ten) copies of correspondence from RUS regarding our financial condition and our response.

Sincerely,



Don M. Combs  
Mgr. Finance & Accounting



United States Department of Agriculture  
Rural Development

Mrs. Carol Hall Fraley  
President & CEO  
Grayson Rural Electric Cooperative  
Corporation  
109 Bagby Park  
Grayson, Kentucky 41143-1203

MAR 26 2013

Dear Mrs. Hall Fraley:

We have completed our review of Grayson Rural Electric Cooperative Corporation's (Grayson) December 31, 2012, Rural Utilities Service (RUS) Form 7, Financial and Statistical Report, and note that Grayson did not meet the minimum Operating Times Interest Earned Ratio (OTIER) of 1.10 or the Average OTIER of 1.10. We understand that the cause of these adverse ratios is a continued decrease in KWh sales. In addition, we are aware that Grayson filed an application for a rate increase with the Kentucky Public Service Commission in November of 2012 to remedy this situation. The decision to implement a rate increase is never an easy one, and we commend the Board of Directors and management of Grayson for recognizing the need and taking this difficult action.

Please keep us advised as to the progress of the rate application as well as the estimated effective date for the revised rates and an approximation of additional revenues anticipated in 2013. In addition, please let us know of any additional actions that Grayson plans to take in order to improve its financial condition. Include the projected OTIER and Average OTIER for the year ending December 31, 2013.

In order for us to more closely follow Grayson's financial condition as it progresses through the rate filing process, please forward copies of your March, June, and September 2013 Form 7, Parts A - C, to this office and to our General Field Representative, Mr. Mike Norman.

We are sending a copy of this letter to your Chairman, Mr. Roger L. Trent, and to our General Field Representative, Mr. Mike Norman. We would appreciate receiving your response within 30 days from the date of this letter.

Sincerely,

JOSEPH S. BADIN  
Director  
Northern Regional Division  
Electric Programs

1400 Independence Ave. S.W. · Washington DC 20250-0700  
Web: <http://www.rurdev.usda.gov>

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1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800)-795-3272 (Voice) or (202) 720-6382 (TDD).

# Grayson Rural Electric Cooperative Corporation

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April 17, 2013

Mr. Joseph S. Badin  
Director  
Northern Regional Division  
Electric Programs  
1400 Independence Avenue, SW  
Washington, DC 20250-0700

Mr. Badin:

In response to your correspondence of March 26, 2013, we offer the following:

Our rate application is progressing on schedule with an estimated effective date for the revised rates being July 27, 2013. These rates should produce \$1,175,000 in additional revenue.

Resulting in the projected ratios:

- OTIER 1.83
- Avg OTIER 1.04

As of February 2013, kwh sales have been closer to normal and margins have improved. We will forward copies of March, June, September 2013 Form 7, Parts A-C, when produced.

Sincerely,



Carol Hall Fraley  
President & CEO