

Grayson Rural Electric Cooperative Corporation

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February 14, 2013

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RECEIVED
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PUBLIC SERVICE
COMMISSION

RE: Case No. 2012-00484

Mr. Derouen:

Please find attached the original and six (6) copies of the joint applicants' responses to the Commission's second request for information in the above referenced case.

If there are any questions, please feel free to contact Don M. Combs at (606) 474-5136.

Sincerely,



Don M. Combs

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JOINT APPLICATION OF BIG SANDY RURAL)	
ELECTRIC CO-OPERATIVE CORP.,)	
FLEMING-MASON ENERGY CO-OPERATIVE,)	CASE NO.
INC., GRAYSON RURAL ELECTRIC CO-OPERATIVE)	2012-00484
CORP., FOR AN ORDER APPROVING KY ENERGY)	
RETROFIT RIDER PERMANENT TARIFF)	

GRAYSON RURAL ELECTRIC CO-OPERATIVE CORPORATION'S RESPONSE TO COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO BIG SANDY RURAL ELECTRIC CO-OPERATIVE CORPORATION, FLEMING-MASON ENERGY CO-OPERATIVE, INC., AND GRAYSON RURAL ELECTRIC CO-OPERATIVE CORPORATION

Comes now Grayson Rural Electric Cooperative Corporation (hereinafter GRECC) and for its Response to the Commission Staff's Second Request for Information to Big Sandy Rural Electric Co-operative Corporation, Fleming-Mason Energy Co-operative, Inc., and Grayson Rural Electric Cooperative Corporation states as follows:

1. Refer to the Joint Applicants' response to Item 2 of Commission Staff's First Request for Information (Staff's First Request). As of the date of the response, the Joint Applicants have paid a total of \$13,820.66 to the Mountain Association for Community Economic Development ("MACED").
 - a. For the particular Cooperative, provide a breakdown of those payments to MACED, identifying the specific services provided for those funds. State whether any of those expenditures are to be reimbursed to your particular Cooperative by MACED or by the Kentucky Energy Retrofit participants.

RESPONSE: These are repayments of the loans from MACED to the Co-op, principle and interest. These are loans that finance the retrofits. Repayment is based on payments collected from the members on their bills per the terms of the rider.

- b. If the expenditures identified in the response to Item 1.a. are not to be reimbursed, explain whether it is the position of the Joint Applicants that the expenditures of each particular Cooperative are the responsibility of the entire membership of that Cooperative.

RESPONSE: No, these are only reimbursed by the program participants. See 1.a.

2. Refer to the Joint Applicants' response to Item 12.b. of Staff's First Request. Joint Applicants state, "If the capital costs are not revenue neutral, additional capital costs could accrue to the customer or to the Co-op."
 - a. Explain whether additional capital costs have accrued to the customer or to your particular Cooperative resulting from the Kentucky Energy Retrofit Rider ("KER Rider") since approval of the pilot program.

RESPONSE: No.

- b. If additional capital costs have accrued, identify separately for each Cooperative each project for which additional capital costs have accrued, with the amount of the additional costs over the life of each project. Include all calculations performed to provide the additional costs identified for each project.

RESPONSE: Not applicable. See 2.a.

- c. For your particular Cooperative, identify and explain each instance, if any, in which the customer could be subjected to costs differing from those costs set out in the

Retrofit Agreement. State in the explanation whether the interest rate is clearly identified in the Retrofit Agreement and whether the interest rate is fixed or variable.

RESPONSE: Costs charged to the customer are only those set out in the retrofit agreement. Interest rate is clearly set out and fixed.

d. For your particular Cooperative, explain why the Cooperative's current average cost of capital was used as the annual interest rate to be charged in the current KER Rider, given that MACED, not the Cooperative, is the source of capital used for retrofit projects.

RESPONSE: Through the pilot, the interest rate charged to the customer was the same as the rate charged by MACED to the Co-op. The change in language in the application for the permanent tariff clarifies this to maintain the interest costs as revenue neutral.

3. Refer to the Final Order for Case No. 2010-00089, footnote 2 in that Order, and the Joint Applicants' response to Item 12.b. of Staff's First Request. In the Final Order for Case No. 2010-00089, refer to the sentence on page 3 that reads: "MACED and the Joint Applicants stated the current interest rate for any on-bill retrofit measure is 3 percent."

a. For your particular Cooperative, state what the interest rate will be on participants if the proposed interest rate changes in the retrofit rider approved by the Commission.

RESPONSE: Interest rates on retrofits are fixed when the retrofit agreement is initiated. In the future, the interest cost to the customer on new retrofits will be no more than the cost of the capital to Co-op at the time the retrofit is initiated. Interest cost will be clearly stated on the retrofit agreement.

b. For your particular Cooperative, explain whether the proposed change in the interest rate will be applicable to existing or new participants in the retrofit rider.

RESPONSE: New participants only, see 3.a.

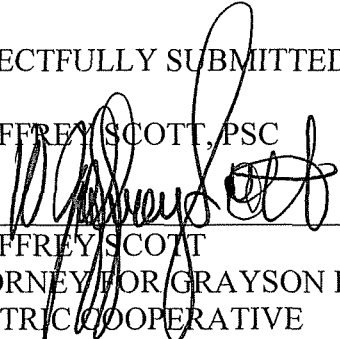
4. For your particular Cooperative, explain whether any complaints from KER Rider participants have been received to date. Provide copies of all correspondence concerning complaints arising from the KER Rider between KER participants and your particular Cooperative.

RESPONSE: No complaints have been received.

RESPECTFULLY SUBMITTED,

W. JEFFREY SCOTT, PSC

BY: _____


W. JEFFREY SCOTT
ATTORNEY FOR GRAYSON RURAL
ELECTRIC COOPERATIVE
311 WEST MAIN STREET
P.O. BOX 608
GRAYSON, KY 41143
(606) 474-5194

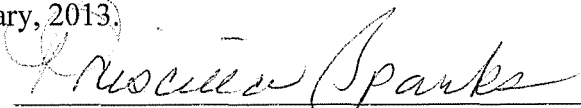
I have read the foregoing and hereby certify that the above responses are true and accurate to the best of my knowledge, information, and belief formed after reasonable inquiry


CAROL ANN FRALEY
PRESIDENT AND CEO
GRAYSON RURAL ELECTRIC

STATE OF KENTUCKY

COUNTY OF CARTER

Subscribed and sworn to before me by **CAROL ANN FRALEY**, this 13th day of February, 2013.


NOTARY PUBLIC, KENTUCKY STATE AT LARGE

My commission expires: March 22, # 2013

The undersigned, Joni Hazelrigg, CFO, of Fleming-Mason Energy Cooperative, Inc., being first duly sworn, states that the responses herein supplied in Case No. 2012-00484, Staff's Second Request for Information dated February 4, 2013, are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: February 14, 2013

Fleming-Mason Energy Cooperative, Inc.

By: Joni Hazelrigg
Chief Financial Officer

Subscribed, sworn to, and acknowledged before me by Joni Hazelrigg, CFO, of Fleming-Mason Energy Cooperative, Inc., on behalf of said Corporation this 14th day of February, 2013.

Witness my hand and official seal this 14th day of February, 2013.



Jenny L. Wills
Notary Public, State-At-Large

My Commission expires 11-9-13

The undersigned, Bruce Aaron Davis, as Billing/Member Services Manager of Big Sandy RECC, being first duly sworn, states that the responses herein supplied in Case No. 2012-00484 Order dated February 4, 2013 are true to the best of my knowledge and belief formed after reasonable inquiry.

Dated: 2-14-2013

Big Sandy Rural Electric
Cooperative Corporation

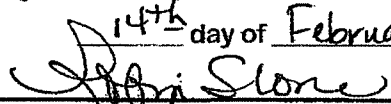
By: 

Bruce Aaron Davis
Billing/Member Service Manager

Subscribed, sworn to, and acknowledged before me
by Robin Stone, as Notary Public for Big Sandy RECC on behalf of said
Corporation this 14th day of February, 2013.

My Commission expires 13th day of July, 2015.

Witness my hand and official seal this

14th day of February, 2013.


Notary Public in and for Johnson Co., KY.

This is to certify that the foregoing document has been served upon the parties by mailing a true and correct copy of same to:

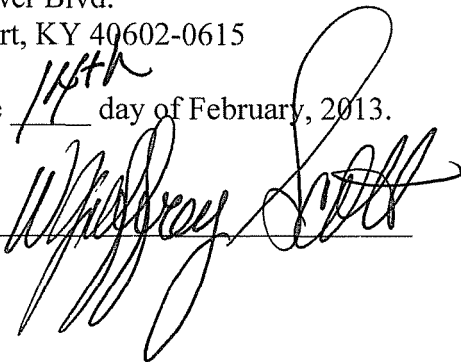
Big Sandy Rural Electric Cooperative Corporation
504 Eleventh Street
Paintsville, KY 41240-1422

Fleming-Mason Energy Cooperative
1449 Elizaville Road
P.O. Drawer 328
Flemingsburg, KY 41041

This is to further certify that the original of this Document has been forwarded to the Kentucky Service Commission as follows:

Kentucky Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602-0615

This the 14th day of February, 2013.



A handwritten signature in black ink is written over a horizontal line. The signature is cursive and appears to read 'W. Gray Smith'.