

Grayson Rural Electric Cooperative Corporation

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October 3, 2018

RECEIVED

OCT 03 2018

PUBLIC SERVICE
COMMISSION

Ms. Gwen R. Pinson, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P.O. Box 615
Frankfort, Kentucky 40602

RE: In the Matter of Grayson Rural Electric Cooperative Corporation
Case No. 2018-00272 – Filing Deficiency

Ms. Pinson:

Please find enclosed and accept for filing in the above referenced case an original and ten (10) copies of Grayson Rural Electric's Amended Application for an Adjustment of its Existing Rates.

Please note the change in Section 9 of the Application, stating that "All affected member/customers **have been** notified of the filing of this application by publishing a notice as required under 807 KAR5:001, Section 16(1)(b)(5)." Furthermore, these notices began appearing the week of September 17th and will continue for three consecutive weeks.

Please also note that the website of Grayson Rural Electric contains under its Member Services Tab – Grayson RECC Tariffs, a section dedicated to its 2018 Rate Case, with a link to the Official Notice, as well as a link to the Public Service Commission's website that directs the member to the case file and information contained.

If there are any questions concerning this matter, please contact me at your convenience.

Respectfully submitted,



Carol Hall Fraley
President & CEO

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OCT 03 2018

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR AN)	CASE NO.
ADJUSTMENT OF RATES (AMENDED))	2018-00272

APPLICATION

Grayson Rural Electric Cooperative Corporation (herein designated as “Grayson”) hereby makes application for an adjustment of rates, as follows:

1. Grayson is a non-profit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Carter, Elliott, Greenup, Lawrence, Lewis, and Rowan.
2. The street address for Grayson is 109 Bagby Park, Grayson, Kentucky, 41143. Grayson’s email address is bradley.cherry@graysonrecc.com.
3. The current Articles of Incorporation for Grayson were previously filed in Case No. 2010-00489. Grayson is incorporated in the Commonwealth of Kentucky and states that it is in good standing. [807 KAR 5:001, Section 14(2)]. Grayson requests an adjustment of its existing rates that will result in additional annual revenues in the amount of \$1,424,078, pursuant to KRS 278.280 and 807 KAR 5:001, Section 16. This will be a 5.7% increase in total annual revenues and will result in a times interest earned ratio (“TIER”) of approximately 2.0x. Grayson requires this adjustment of its rates to offset the increased costs in the cost of power, materials, equipment, labor and other fixed and variable costs. Grayson last received a rate adjustment in Case No. 2012-00426 and the aforementioned costs have increased since that time.

In addition, Grayson is not meeting its mortgage requirements with the current revenue that it receives.

4. This application is supported by a twelve-month historical test period ending December 31, 2017 and includes adjustments for known and measurable changes [807 KAR 5:001, Section 16(1)(a)1].

5. The annual reports of Grayson are on file with the Commission in accordance with 807 KAR 5:006, Section 4(1).
6. A Certificate of Good Standing is attached as Exhibit A. 807 KAR 5:001, Section 14(2).
7. Grayson has not filed a Certificate of Assumed Name [807 KAR 5:001, Section 16(1)(b)2].
8. Grayson filed with the Commission a written Notice of Intent to file a rate application at least thirty (30) days prior to filing this application. Said Notice of Intent, stated that the rate application would be supported by a historical test period and was served upon the Office of the Attorney General, utility intervention and rate division, as shown on Exhibit E. 807 KAR 5:001, Section 16(2) and 807 KAR 5:001, Section 16(2)(a) and Section 16(2)(c).
9. All affected member/customers have been notified of the filing of this application by publishing a notice as required under 807 KAR5:01, Section 16(1)(b)5. This notice includes the information required under 807 KAR 5:001, Section 17 and the subparts thereof. A copy of said notice is attached as Exhibit D. Affidavits from the publisher verifying that the notice has been published will be filed with the Commission no later than forty-five (45) days from filing of the application.
10. The Board of Directors of Grayson has reviewed the current financial condition of the Cooperative and the need for a rate adjustment to maintain the financial stability and integrity of the Cooperative. The Board of Directors adopted a Motion directing the administrative staff and consultants to proceed with the necessary application and filings with the Public Service Commission to adjust the rates of the Cooperative. A copy of the motion is attached hereto as Exhibit F.
11. Grayson is neither a limited partnership nor a limited liability company [807 KAR 5:001, Section 14(3) and Section 14(4)].
12. The proposed tariff in a form that complies with 807 KAR 5:001 is attached as Exhibit B. See 807 KAR 5:001, Section 16(1)(b)(3).
13. The proposed tariff changes, identified in compliance with 807 KAR 5:011, are shown by providing the present and proposed tariffs in comparative form on the same sheet, side by side, or on facing sheets, side by side, as Exhibit C. 807 KAR 5:001, Section 16(1)(b)4a.

14. A complete description and explanation for all proposed adjustments with proper support thereof for any proposed changes in price or activity levels, and any other factors which may affect the adjustment, including a Revenue Analysis is filed herewith as Exhibit J. 807 KAR 5:001, Section (16)(4)(a).
15. The prepared testimony of each witness supporting the application are attached as Exhibits H. 807 KAR 5:001, Section 16(4)(b).
16. A statement estimating the effect the new rates will have upon the revenues of Grayson, including, at a minimum, the total amount of revenues resulting from the increase or decrease and the percentage of the increase or decrease is shown by Exhibit G. 807 KAR 5:001, Section 16(4)(d). The effect upon the average bill for each customer classification to which the proposed rate change will apply is shown by Exhibit I. 807 KAR 5:001, Section 16(4)(e).
17. An analysis of customers' bills in such detail that revenues from present and proposed rates can be readily determined for each customer class is shown by Exhibit J. 807 KAR 5:001, Section 16(4)(g).
18. A summary of Grayson's determination of its revenue requirements based on return on net investment rate base, return on capitalization, interest coverage, debt service coverage or operating ratio, with supporting schedules is shown by Exhibit K. 807 KAR 5:001, Section 16(4)(h).
19. A reconciliation of the rate base and capital used to determine its revenue requirements is shown by Exhibit L. 807 KAR 5:001, Section 16(4)(i).
20. A current chart of accounts is shown by Exhibit M. 807 KAR 5:001, Section 16(4)(j).
21. The independent auditor's report is attached as Exhibit N. 807 KAR 5:001, Section 16(4)(k).
22. The Federal Energy Regulatory Commission or Federal Communications Commission have not audited Grayson and no audit reports exist. 807 KAR 5:001, Section 16(4)(l).
23. No Federal Energy Regulatory Commission Form 1 exists for Grayson. 807 KAR 5:001, Section 16(4)(m).
24. Grayson had a depreciation study performed as of December 31, 2010 and was approved in Case No. 2008-00254. 807 KAR 5:001, Section 16(4)(n).
25. A list of commercially available or in-house developed computer software, programs, and models used in the development of the schedules and work papers associated

with the filing of this application are attached as Exhibit O. 807 KAR 5:001, Section 16(4)(o).

26. No stock or bond offerings have been made by Grayson. 807 KAR 5:001, Section 16(4)(p).

27. Annual Reports to members for 2017 and 2016 are attached as Exhibit P. 807 KAR 5:001, Section 16(4)(q).

28. The monthly managerial reports providing financial results of operations for the twelve (12) months in the test period are attached as Exhibit Q. 807 KAR 5:001, Section 16(4)(r).

29. No Securities and Exchange Commission Annual Reports exist as for Grayson because it is not regulated by that regulated body. 807 KAR 5:001, Section 16(4)(s).

30. Grayson had no amounts charged or allocated to it by an affiliate or general or home office and did not pay monies to an affiliate or general or home office during the test period or during the previous three (3) calendar years. 807 KAR 5:001, Section 16(4)(t).

31. A cost of service study based on a methodology generally accepted within the electric industry and based on current and reliable data for the test period is attached as Exhibit R. 807 KAR 5:001, Section 16(4)(u).

32. Grayson is not a Local Exchange Carrier or Company as set forth in 807 KAR 5:001, Section 16(4)(v).

33. A detailed income statement and balance sheet reflecting the impact of all proposed adjustments is attached as Exhibit S. 807 KAR 5:001, Section 16(5)(a).

34. No “proposed pro forma adjustments reflecting plant additions” exist or apply to Grayson. 807 KAR 5:001, Section 16(5)(b) and Section 16(5)(c).

35. The operating budget for each month of the period encompassing the pro forma adjustments is attached as Exhibit T. 807 KAR 5:001, Section (16)(8)(d).

36. Additional financial exhibits required by 807 KAR 5:001, Section 16, financial information covering twelve (12) month historical test period ending December 31, 2017, and other information required to be filed is attached by exhibits, as follows:

Exhibit U By-Laws

Exhibit V Detailed comparative income statement, statement of cash flows and balance sheet

Exhibit W	Schedule showing monthly comparison of balance sheet accounts from test year to preceding year.
Exhibit X	Monthly comparison on income statement accounts from test year to preceding year
Exhibit Y	Trial Balance at end of test year
Exhibit Z	Capital structure
Exhibit 1	Adjustments for salaries and wages
Exhibit 2	Adjustments for payroll taxes
Exhibit 3	Adjustment for depreciation
Exhibit 4	Adjustment for property taxes
Exhibit 5	Adjustment for long term and short term interest
Exhibit 6	Adjustment for pension cost
Exhibit 7	Adjustment for donations
Exhibit 8	Adjustment for professional fees
Exhibit 9	Adjustment for director fees and expenses
Exhibit 10	Adjustment for miscellaneous and annual meeting costs
Exhibit 11	Adjustment for rate case expenses
Exhibit 12	Adjustment for advertising costs
Exhibit 13	Adjustment for G&T capital credits
Exhibit 14	Adjustment for change in billing cycle
Exhibit 15	Adjustment for purchase power
Exhibit 16	Adjustment for normalized revenue
Exhibit 17	End of year customer adjustment

Exhibit 18 KAEC Statistical Comparison

Exhibit 19 Union contract

Exhibit 20 Equity Management Plan

Exhibit 21 Capitalization policies

37. Grayson requests that the rate adjustments proposed herein be allowed to become effective as contemplated by this filing.

38. Grayson requests that a copy of any documents served in this matter be served upon each of the following persons:

Bradley Cherry, Manager of Finance & Accounting

bradley.cherry@graysonrecc.com

109 Bagby Park

Grayson, KY 41143

Carol Hall Fraley, President & CEO

carol.fraley@graysonrecc.com

109 Bagby Park St.

Grayson, KY 41143

W. Jeffrey Scott, Attorney at Law

wjscott@windstream.net

P.O. Box 608

Grayson, KY 41143

WHEREFORE, Grayson Rural Electric Cooperative Corporation requests that the Public Service Commission of the Commonwealth of Kentucky issue an Order approving of the adjustment of rates as set forth in this application and authorizing the new rates to take effect at the earliest possible date. For any and all other proper relief to which Grayson Rural Electric Cooperative Corporation may be entitled.

Dated: 3rd October 2018

I, Carol Hall Fraley, President & CEO for Grayson Rural Electric Cooperative Corporation, state that the statements contained in the foregoing application are true to the best of my information and belief.

Grayson Rural Electric Cooperative Corporation

Carol Hall Fraley
Carol Hall Fraley, President & CEO

STATE OF KENTUCKY

COUNTY OF CARTER

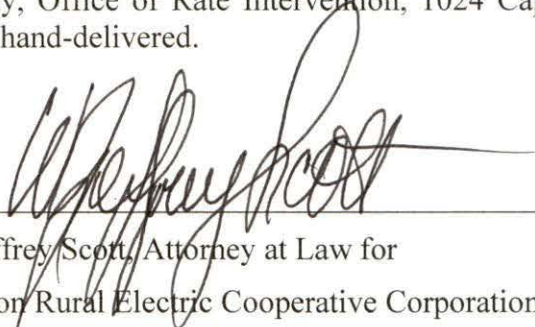
I, the undersigned, a Notary Public, do hereby certify that on this 3rd day of October, 2018, personally appeared before me CAROL HALL FRALEY, who being by me first duly sworn, subscribed to and acknowledged that he is the President & CEO for Grayson Rural Electric Cooperative Corporation, a Kentucky corporation, that she signed the foregoing document as President & CEO for the Corporation, and that the statements therein contained are true.

Priscilla Sparks
NOTARY PUBLIC, State of Kentucky, At Large

My commission expires March 22, 2021

COUNSEL:

I hereby certify that the foregoing and its attachments, exhibits, and testimony has been submitted to the Commission along with ten (10) copies with the paper originals hand-delivered and further that the Attorney General of Kentucky, Office of Rate Intervention, 1024 Capital Center Drive, Frankfort, Kentucky 40601 has been hand-delivered.

A handwritten signature in black ink, appearing to read "W. Jeffrey Scott", is written over a horizontal line.

W. Jeffrey Scott, Attorney at Law for
Grayson Rural Electric Cooperative Corporation
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Grayson, KY 41143
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wjscott@windstream.net