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PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ATTORNEY GENERAL'S INITIAL DATA REQUESTS

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), and submits these Initial Data Requests to Grayson Rural Electric Cooperative Corporation (hereinafter "Grayson" or "Grayson RECC") to be answered by November 30, 2018, and in accord with the following:

- (1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate requested item will be deemed a satisfactory response.
- (2) Identify the witness who will be prepared to answer questions concerning each request.
- (3) Repeat the question to which each response is intended to refer.
- (4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.
- (5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from undersigned Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self-evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, notify the Office of the Attorney General as soon as possible, and in accordance with Commission direction.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting

records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information regardless of the media or format in which they are stored, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.

(15) "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL

A handwritten signature in blue ink, appearing to read "Justin M. McNeil", is written over a horizontal line.

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1. Refer to the Application, Direct Testimony of James Adkins ("Adkins Testimony"), pages 4–5. When asked if the proposed rates and increase meet the needs of Grayson, Mr. Adkins responds that "[i]t meets the immediate needs of Grayson." Explain whether this implies that the proposed increase may not meet the needs of the utility in the near future and it may soon seek an additional rate increase.
2. Explain whether the proposed customer charge covers the entire customer-related fixed costs Grayson RECC incurs to serve each of its classes.
 - a. Explain how the customer-related fixed costs were calculated for each customer class.
 - b. Provide the workpapers used to calculate the customer-related fixed costs in Excel format, with formulas intact and all cells unprotected.
3. Refer to the Adkins Testimony, Exhibit I, page 1. Confirm that the proposed rate design constitutes a much higher increase on the residential Grayson ratepayers who use less kWh than the stated monthly average of 1,063 than those who use more than the average.
 - a. Reconcile this proposal with the current state of Grayson's DSM and energy efficiency program.
 - b. Confirm that those consumers who may have significantly reduced their volumetric usage of electricity through DSM and energy efficiency would bear a proportionally larger increase due to the higher customer charge.
 - c. Explain how this disconnect has affected the projected growth and overall efficacy of Grayson's DSM programs moving forward.
4. Refer to Grayson's 2017 Annual Report, page 43 and Grayson's 2016 Annual Report, page 44. The year-over-year energy purchase amount went down from 261,944,284 kilowatt-hours in 2016 to 250,857,783 in 2017, but line losses and unaccounted for electricity went up from 16,867,772 kilowatt-hours to 27,494,990, or from accounting for about 6% of the total purchased power to about 11%.
 - a. Fully explain this variance and the factors which contribute to such an increase in line losses and other unaccounted for electricity.
 - b. Identify and explain any and all steps Grayson has taken to mitigate line loss and unaccounted for electricity.
 - c. Provide the annual monetary cost attributable to this line loss and unaccounted for electricity for calendar years 2016 and 2017.
 - d. Has Grayson, or any independent entity on Grayson's behalf, ever conducted any review, audit, study, or analysis of Grayson's line loss or vegetation management practices and procedures? If so, provide copies of any such documents.

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5. Refer to the Adkins Testimony, Exhibit R, pages 2–7. Miscellaneous Distribution Expenses for 2017 total \$227,073, and are adjusted upward by \$13,476 for a total of \$240,549 for the test year.
 - a. Explain these expenses beyond the mere designations of “Lines ... Services ... Meters.”
 - b. In regards to the “Meters” portion of this expense, explain how this portion relates to the other meter related expenses on page 7.
 - c. Explain the test year adjustment amount.
6. Refer to the Application, Exhibit 18. Page 1 lists the 2016 operating expense statistical comparisons among the Kentucky electric cooperatives on an average annual basis, while page 2 shows the same information for 2017.
 - a. Confirm that in the column titled “Total Expense Per Consumer” for both 2016 and 2017, Grayson RECC is the highest of the 24 electric cooperatives listed.
 - b. Confirm that in the column titled “Administration & General Expense Per Consumer,” Grayson ranked second highest in 2016 and ranked the highest in 2017.
 - c. Did these expense levels increase on an absolute basis between 2016 and 2017? If so, provide the amount of the increase.
 - d. Fully explain any and all steps Grayson has taken to lower overall O&M costs and to increase efficiency.
 - e. Fully explain any and all steps Grayson has taken to lower Administration and General Expenses in particular.
7. Refer to the Final Order in Grayson RECC’s most recent prior rate case, Case No. 2012-00426, page 13, and to the Fraley Testimony, Exhibit H-1, page 2. Explain the current status of Grayson’s payments of capital credits and state whether there is still any issue in making timely payments of capital credits to estates.
8. Refer to the Application, Exhibit 1, page 6 and Grayson’s Response to Commission 1-55. Confirm that Grayson awarded pay increases to each employee for the years provided, 2013–2017.
 - a. Explain the criteria for granting a regular pay increase and provide a copy of any and all relevant policies which evidence same.
 - b. Explain whether the bonus identified is paid every year, explain the criteria for granting it, and provide a copy of any and all relevant policies which evidence same.
 - c. Explain the “Other” column, which shows additional compensation, explain whether such compensation is paid every year, explain the criteria for granting it, and provide a copy of any and all relevant policies which evidence same.

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- d. Refer to the Application, Exhibit 1, page 2. Explain why the 2018 increase to pay for both Bargaining and Non-Bargaining employees is much lower than the previous five years.
- e. Refer to the Final Order in Case No. 2012-00426, page 14. The Commission stated

Since 2008, Grayson's wage and salary expense has increased approximately 18.8 percent, an average 3.76 percent per year. This increase has occurred even as Grayson's financial condition has deteriorated and while Grayson has failed to meet the required TIER in its RUS mortgage covenant for 2011 and 2012. Some of the other cooperatives who have experienced financial difficulty since 2008 have opted either to reduce or eliminate wage and salary increases until such time as the financial condition of the cooperative improves. The Commission is of the opinion that Grayson has not been prudent in awarding wage and salary increases during a time of difficult financial circumstances ... The Commission strongly recommends that Grayson improve its financial condition before consideration of further wage and salary increases for its employees.

Refer to the Application, Exhibit 1, page 2. Confirm that from 2013–2017 the average annual stated wage and salary increase was 3.77%, and that the total of those increases is 18.85%. Fully explain why Grayson ignored the Commission and has continued to award the exact same level of wage increases despite the cited order's clear directive.

- f. Identify any other employers in Grayson's service territory with 20 employees or more who award wage and salary increases every year.
9. Refer to the Application, Exhibit 21, page 1, and Exhibit 19, pages 21–22, and Grayson's Response to Commission 1-55. Confirm that Grayson contributes to both a defined benefit retirement plan and a 401(k) for each employee.
- a. If confirmed, explain whether Grayson has taken any steps to reduce or phase out its contribution to one of these retirement plans given recent precedent on this subject.
 - b. If no steps have been taken to reduce or phase out Grayson's contribution to both plans, fully explain why such benefits are justified.
10. Refer to Grayson's Response to Commission 1-56. Explain why Grayson does not require employees to make any contribution toward the cost of their health insurance premium.

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11. Refer to Grayson's Responses to Commission 1-55. Explain Grayson's policy on hiring Summer/part-time interns, the job scope of the interns, and the typical hours expected.
 - a. Explain why it was necessary to pay interns overtime.
12. Refer to the Final Order in Case No. 2012-00426, pages 14–15. The Commission noted the amount of directors' fees and expenses and expressed concern at the magnitude and disallowable portion of the total \$153,535 of recorded expenses.
 - a. Reference the Adkins Direct Testimony, Exhibit R, page 3 of 51. Confirm that Account 930.6 shows actual 2017 Directors Fees totaling \$158,827, with an adjustment of (\$82,125).
 - b. Explain why in the intervening six years Grayson has not addressed the concern of the Commission in reducing the total amount of incurred discretionary expenses, including directors' fees and expenses.
 - c. Explain why Grayson has not disallowed more of the directors' fees and expenses for ratemaking purposes.
13. Provide a narrative explanation of the economic development activities Grayson has pursued over the past twelve (12) months.
14. Provide Grayson's uncollectible expenses for 2018 to date.
15. Refer to the Application, Exhibit N, page 11 of 19. Under Note 2, provide a break out, by name, of the "Other" associated organizations in which Grayson maintains investments.
16. Reference the Grayson Application generally. Provide full copies of the minutes of each meeting of Grayson's Board of Directors January 2015 through the present date.
17. Refer to the Application, Exhibit N, page 15, Note 10, where it says "Several of the Directors of Grayson, its President & CEO, and another employee, are on the Boards of Directors of various associated organizations." Identify the other associated organizations, and cross-reference them by the name of the applicable Grayson official.

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Certificate of Service and Filing

Counsel certifies that an original and ten (10) photocopies of the foregoing were served and filed by hand delivery to Gwen R. Pinson, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, KY 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail to:

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This 14th day of November 2018.


Assistant Attorney General