

W. JEFFREY SCOTT, PSC

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January 3, 2019

RECEIVED

JAN 04 2019

PUBLIC SERVICE
COMMISSION

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

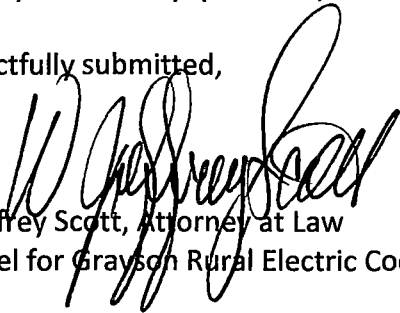
Re: In the Matter of Adjustment of Rates
of Grayson Rural Electric Cooperative Corporation
Case No. 2018-00272

Dear Ms. Pinson:

Please find enclosed an original and ten (10) copies of Grayson's responses to the Commission's Order "Commission Staff's Third Request for Information to Grayson Rural Electric Cooperative Corporation" dated December 14, 2018.

Should you have any questions, or need additional information, please let me know.

Respectfully submitted,



W. Jeffrey Scott, Attorney at Law
Counsel for Grayson Rural Electric Cooperative Corporation

Enclosure

RECEIVED

JAN 04 2019

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

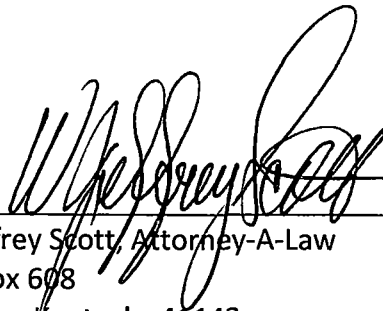
In the Matter of Adjustment of Rates
Of Grayson Rural Electric Cooperative
Corporation

Case No. 2018-00272

APPLICANT'S RESPONSES TO
COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION

The applicant, Grayson Rural Electric Cooperative Corporation, makes the following responses to the "Commission Staff's Third Request for Information", as follows:

1. The witnesses who are prepared to answer questions concerning each request are Carol Fraley, Bradley Cherry, and James R. Adkins.
2. Carol Fraley, President & CEO of Grayson Rural Electric Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and Exhibits are attached hereto and incorporated by reference herein.



W. Jeffrey Scott, Attorney-A-Law

P.O. Box 608

Grayson, Kentucky 41143

Attorney for Grayson Rural Electric Cooperative
Corporation

wjscott@windstream.net

The undersigned, Carol Fraley as President & CEO of Grayson Rural Electric Cooperative Corporation, being duly sworn, states that she has supervised the preparation of the responses and that the matters and things set forth herein are true and accurate to the best of my knowledge, information and belief, formed after reasonable inquiry.

Dated: January 3, 2019

GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION


CAROL FRALEY, PRESIDENT & CEO

Subscribed, sworn to, and acknowledged before me by Carol Fraley, as President & CEO for Grayson Rural Electric Cooperative Corporation on behalf of said Corporation this 3rd day of January, 2019.

 ID# 524210
Notary Public, Kentucky State At Large

My Commission Expires: 1-9-2019

The undersigned, Bradley Cherry, as Manager of Finance & Accounting of Grayson Rural Electric Cooperative Corporation, being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: January 3, 2019

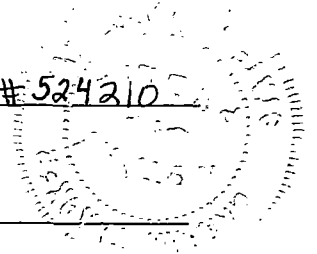
GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION

Bradley Cherry
BRADLEY CHERRY, MANAGER OF FINANCE & ACCOUNTING

Subscribed, sworn to, and acknowledged before me by Bradley Cherry, as Manager of Finance & Accounting for Grayson Rural Electric Cooperative Corporation on behalf of said Corporation this 3rd day of January, 2019.

Marsha A. Chacker ID# 524210
Notary Public, Kentucky State At Large

My Commission Expires: 1-9-2019



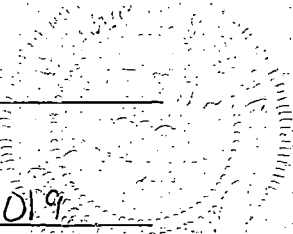
The undersigned, James Adkins as an Electric Cooperative Consultant, being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: January 3, 2019

James R. Adkins
James Adkins

Subscribed, sworn to, and acknowledged before me by James Adkins for Grayson Rural Electric Cooperative Corporation on behalf of said Cooperative this 3rd day of January, 2019.

Maisha A. Shaker
Notary Public, Kentucky State At Large
My Commission Expires: 1-9-2019



Witness: James Bradley Cherry

Grayson Rural Electric Cooperative

Case No. 2018-00272

Commission Staff's Third Request for Information

1. Refer to Grayson RECC's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 1.c. Provide Grayson's TIER and OTIER for October and November 2018 and year-to-date. Consider this an ongoing request to be updated as each month becomes available.

Response 1:

October TIER:	-1.16
YTD TIER:	1.41

October OTIER:	-1.19
YTD OTIER:	1.21

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Account 1:

Bill Month	KWH	Demand	Energy Charge (Schedule 16)	Energy Charge (Schedule 2)
16-Jan	2843	5.541	\$ 239.87	\$ 324.42
16-Feb	2860	5.620	\$ 241.42	\$ 326.20
16-Mar	2867	6.559	\$ 247.59	\$ 326.93
16-Apr	3013	7.977	\$ 265.41	\$ 342.18
16-May	3174	7.459	\$ 272.36	\$ 358.99
16-Jun	3491	8.776	\$ 300.30	\$ 392.10
16-Jul	4050	12.410	\$ 357.58	\$ 450.48
16-Aug	4274	8.668	\$ 348.82	\$ 473.88
16-Sep	4555	9.528	\$ 371.72	\$ 503.22
16-Oct	4409	9.528	\$ 362.55	\$ 487.98
16-Nov	3773	9.528	\$ 322.60	\$ 421.55
16-Dec	3723	8.724	\$ 314.56	\$ 416.33
17-Jan	2972	6.775	\$ 255.50	\$ 337.90
17-Feb	2833	5.923	\$ 241.57	\$ 323.38
17-Mar	2816	6.038	\$ 241.20	\$ 321.60
17-Apr	2610	8.289	\$ 242.00	\$ 300.09
17-May	3607	9.247	\$ 310.46	\$ 404.22
17-Jun	3703	8.985	\$ 314.89	\$ 414.24
17-Jul	4516	9.564	\$ 369.49	\$ 499.15
17-Aug	4445	9.508	\$ 364.69	\$ 491.74
17-Sep	4558	9.225	\$ 370.06	\$ 503.54
17-Oct	3983	9.043	\$ 332.83	\$ 443.48
17-Nov	4868	8.817	\$ 387.04	\$ 535.91
17-Dec	2777	7.046	\$ 244.90	\$ 317.53
18-Jan	2766	5.426	\$ 234.33	\$ 316.38
18-Feb	2834	8.428	\$ 256.91	\$ 323.48
18-Mar	2678	7.387	\$ 240.77	\$ 307.19
18-Apr	2832	5.349	\$ 238.01	\$ 323.27
18-May	3204	8.733	\$ 282.01	\$ 362.13
18-Jun	4599	9.902	\$ 376.77	\$ 507.82
18-Jul	4828	10.070	\$ 392.17	\$ 531.74
18-Aug	4435	11.325	\$ 375.14	\$ 490.69
18-Sep	4254	8.167	\$ 344.51	\$ 471.79
18-Oct	4150	8.064	\$ 337.35	\$ 460.93
18-Nov	3485	8.952	\$ 301.00	\$ 391.47
18-Dec	2947	5.815	\$ 248.07	\$ 335.28
			\$ 10,946.48	\$ 14,539.21

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Account 2:

Bill Month	KWH	Demand	Energy Charge (Schedule 16)	Energy Charge (Schedule 2)
16-Jan	2987	5.834	\$ 250.70	\$ 339.46
16-Feb	3088	5.834	\$ 257.04	\$ 350.01
16-Mar	2990	5.640	\$ 249.71	\$ 339.78
16-Apr	2935	5.901	\$ 247.84	\$ 334.03
16-May	3174	6.444	\$ 266.17	\$ 358.99
16-Jun	3357	6.340	\$ 277.03	\$ 378.11
16-Jul	3992	7.036	\$ 321.16	\$ 444.42
16-Aug	3991	8.911	\$ 332.53	\$ 444.32
16-Sep	4215	7.908	\$ 340.48	\$ 467.71
16-Oct	4125	7.908	\$ 334.83	\$ 458.32
16-Nov	3683	7.908	\$ 307.07	\$ 412.15
16-Dec	3443	7.080	\$ 286.94	\$ 387.09
17-Jan	3078	6.628	\$ 261.26	\$ 348.97
17-Feb	3325	7.048	\$ 279.34	\$ 374.76
17-Mar	3364	7.944	\$ 287.25	\$ 378.84
17-Apr	2994	6.936	\$ 257.86	\$ 340.19
17-May	3638	7.752	\$ 303.29	\$ 407.45
17-Jun	3777	7.483	\$ 310.38	\$ 421.97
17-Jul	4022	9.096	\$ 335.61	\$ 447.56
17-Aug	4130	9.919	\$ 347.41	\$ 458.84
17-Sep	4266	10.255	\$ 358.00	\$ 473.04
17-Oct	3944	10.120	\$ 336.95	\$ 439.41
17-Nov	4998	9.938	\$ 402.05	\$ 549.49
17-Dec	3067	6.523	\$ 259.93	\$ 347.82
18-Jan	3172	6.374	\$ 265.61	\$ 358.78
18-Feb	3353	7.051	\$ 281.11	\$ 377.69
18-Mar	2899	10.060	\$ 270.95	\$ 330.27
18-Apr	3497	10.212	\$ 309.44	\$ 392.73
18-May	3224	9.069	\$ 285.32	\$ 364.21
18-Jun	4354	10.922	\$ 367.60	\$ 482.23
18-Jul	4366	9.372	\$ 358.90	\$ 483.49
18-Aug	4912	11.378	\$ 405.43	\$ 540.51
18-Sep	4640	11.736	\$ 390.53	\$ 512.10
18-Oct	4729	9.470	\$ 382.30	\$ 521.40
18-Nov	3845	8.589	\$ 321.40	\$ 429.07
18-Dec	3481	7.012	\$ 288.91	\$ 391.06
			\$ 11,138.33	\$ 14,886.26

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Account 3:

Bill Month	KWH	Demand	Energy Charge (Schedule 16)	Energy Charge (Schedule 2)
16-Jan	3067	5.959	\$ 256.49	\$ 347.82
16-Feb	3258	7.605	\$ 278.53	\$ 367.77
16-Mar	3304	7.286	\$ 279.47	\$ 372.57
16-Apr	3388	8.299	\$ 290.92	\$ 381.34
16-May	3646	9.156	\$ 312.36	\$ 408.29
16-Jun	3802	7.706	\$ 313.31	\$ 424.58
16-Jul	4295	9.136	\$ 353.00	\$ 476.07
16-Aug	4254	11.025	\$ 361.95	\$ 471.79
16-Sep	4503	9.052	\$ 365.55	\$ 497.79
16-Oct	4311	9.528	\$ 356.39	\$ 477.74
16-Nov	3775	10.624	\$ 329.41	\$ 421.76
16-Dec	3424	8.385	\$ 293.71	\$ 385.10
17-Jan	3114	6.348	\$ 261.81	\$ 352.73
17-Feb	3278	6.578	\$ 273.52	\$ 369.85
17-Mar	3193	6.012	\$ 264.73	\$ 360.98
17-Apr	2928	7.807	\$ 259.03	\$ 333.30
17-May	3587	7.944	\$ 301.26	\$ 402.13
17-Jun	3646	7.663	\$ 303.25	\$ 408.29
17-Jul	4130	8.925	\$ 341.35	\$ 458.84
17-Aug	4259	10.939	\$ 361.74	\$ 472.31
17-Sep	4316	9.156	\$ 354.44	\$ 478.26
17-Oct	3971	8.359	\$ 327.91	\$ 442.23
17-Nov	5148	9.405	\$ 408.22	\$ 565.16
17-Dec	2982	6.974	\$ 257.34	\$ 338.94
18-Jan	2975	5.376	\$ 247.15	\$ 338.21
18-Feb	3057	5.829	\$ 255.07	\$ 346.77
18-Mar	2821	10.502	\$ 268.75	\$ 322.13
18-Apr	3289	7.161	\$ 277.76	\$ 371.00
18-May	3554	9.448	\$ 308.36	\$ 398.68
18-Jun	4225	9.132	\$ 348.58	\$ 468.76
18-Jul	4212	9.811	\$ 351.90	\$ 467.40
18-Aug	4658	10.744	\$ 385.61	\$ 513.98
18-Sep	4518	9.177	\$ 367.26	\$ 499.36
18-Oct	4528	11.656	\$ 383.01	\$ 500.40
18-Nov	3970	7.922	\$ 325.18	\$ 442.13
18-Dec	3527	8.731	\$ 302.29	\$ 395.86
			\$ 11,326.58	\$ 15,080.31

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Account 4:

Bill Month	KWH	Demand	Energy Charge (Schedule 16)	Energy Charge (Schedule 2)
16-Jan	3969	6.556	\$ 316.78	\$ 442.02
16-Feb	4172	6.424	\$ 328.73	\$ 463.22
16-Mar	4305	6.686	\$ 338.68	\$ 477.11
16-Apr	4155	6.801	\$ 329.96	\$ 461.45
16-May	4501	7.044	\$ 353.18	\$ 497.58
16-Jun	4436	7.034	\$ 349.03	\$ 490.80
16-Jul	4568	7.521	\$ 360.29	\$ 504.58
16-Aug	4510	8.116	\$ 360.28	\$ 498.52
16-Sep	4732	7.701	\$ 371.69	\$ 521.71
16-Oct	4498	7.701	\$ 357.00	\$ 497.27
16-Nov	4171	7.701	\$ 336.46	\$ 463.12
16-Dec	4178	6.427	\$ 329.12	\$ 463.85
17-Jan	3908	7.303	\$ 317.51	\$ 435.65
17-Feb	4063	6.432	\$ 321.93	\$ 451.84
17-Mar	4073	6.225	\$ 321.30	\$ 452.88
17-Apr	3700	6.285	\$ 298.24	\$ 413.93
17-May	4254	6.756	\$ 335.91	\$ 471.79
17-Jun	4201	6.916	\$ 333.55	\$ 466.25
17-Jul	4459	7.214	\$ 351.58	\$ 493.20
17-Aug	4475	7.192	\$ 352.45	\$ 494.87
17-Sep	4636	7.252	\$ 362.92	\$ 511.68
17-Oct	4652	7.252	\$ 363.93	\$ 513.35
17-Nov	5865	7.243	\$ 440.06	\$ 640.04
17-Dec	4085	6.672	\$ 324.78	\$ 454.14
18-Jan	4177	7.411	\$ 335.06	\$ 463.75
18-Feb	4173	6.391	\$ 328.59	\$ 463.33
18-Mar	3832	6.672	\$ 308.89	\$ 427.71
18-Apr	4355	6.712	\$ 341.98	\$ 482.34
18-May	4324	7.231	\$ 343.20	\$ 479.10
18-Jun	4771	10.581	\$ 391.71	\$ 525.78
18-Jul	4372	7.723	\$ 349.22	\$ 484.11
18-Aug	4811	7.992	\$ 378.43	\$ 529.96
18-Sep	4846	9.324	\$ 388.75	\$ 533.62
18-Oct	5000	8.085	\$ 390.87	\$ 549.70
18-Nov	4778	7.977	\$ 376.27	\$ 526.51
18-Dec	4495	7.214	\$ 353.84	\$ 496.96
			\$ 12,542.16	\$ 17,543.74

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Account 5:

Bill Month	KWH	Demand	Energy Charge (Schedule 16)	Energy Charge (Schedule 2)
16-Jan	3849	7.653	\$ 315.94	\$ 429.49
16-Feb	3569	7.363	\$ 296.58	\$ 400.25
16-Mar	3160	5.104	\$ 257.11	\$ 357.53
16-Apr	3041	5.865	\$ 254.28	\$ 345.10
16-May	3316	6.65	\$ 276.34	\$ 373.82
16-Jun	3338	6.456	\$ 276.54	\$ 376.12
16-Jul	3779	7.315	\$ 309.48	\$ 422.18
16-Aug	3713	9.014	\$ 315.70	\$ 415.29
16-Sep	3923	7.08	\$ 317.09	\$ 437.22
16-Oct	3772	7.699	\$ 311.38	\$ 421.45
16-Nov	3371	7.699	\$ 286.20	\$ 379.57
16-Dec	3274	6.11	\$ 270.41	\$ 369.44
17-Jan	3083	5.124	\$ 252.40	\$ 349.49
17-Feb	3165	5.172	\$ 257.84	\$ 358.05
17-Mar	3140	5.008	\$ 255.27	\$ 355.44
17-Apr	2855	5.582	\$ 240.87	\$ 325.68
17-May	3348	6.621	\$ 278.18	\$ 377.17
17-Jun	3379	6.883	\$ 281.72	\$ 380.40
17-Jul	3640	7.442	\$ 301.52	\$ 407.66
17-Aug	3659	7.344	\$ 302.12	\$ 409.65
17-Sep	3775	7.104	\$ 307.94	\$ 421.76
17-Oct	3587	7.351	\$ 297.64	\$ 402.13
17-Nov	4720	6.633	\$ 364.42	\$ 520.46
17-Dec	3118	5.416	\$ 256.38	\$ 353.14
18-Jan	3201	5.152	\$ 259.98	\$ 361.81
18-Feb	3183	5.152	\$ 258.85	\$ 359.93
18-Mar	2900	5.932	\$ 245.83	\$ 330.38
18-Apr	3218	5.136	\$ 260.95	\$ 363.59
18-May	3192	6.482	\$ 267.53	\$ 360.87
18-Jun	3727	8.152	\$ 311.32	\$ 416.75
18-Jul	3532	6.962	\$ 291.81	\$ 396.38
18-Aug	3884	15.115	\$ 363.66	\$ 433.14
18-Sep	3834	10.017	\$ 329.42	\$ 427.92
18-Oct	3789	7.257	\$ 309.75	\$ 423.22
18-Nov	3376	7.053	\$ 282.57	\$ 380.09
18-Dec	3009	10.521	\$ 280.67	\$ 341.76
			\$ 10,345.73	\$ 13,984.32

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

4. Provide an electronic copy in Excel format for each of the schedules referenced in the exhibits to Grayson RECC's response to Staff's Second Request, Items 8, 22, 24, and 26.

Response 4:

Please see attached in electronic format on provided flash drive.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

5. Refer to Grayson RECC's response to Staff's Second Request, Item 10. Provide a revised Schedule K.

Response 5:

Please see attached.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Computation of Rate of Return
December 31, 2017

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	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
Net margins	\$ (1,543,559)	\$ 1,146,335
G&T capital credits	504,926	-
Interest on long-term debt	<u>980,167</u>	<u>1,146,335</u>
Total	<u>\$ (58,466)</u>	<u>\$ 2,292,670</u>
Net rate base	<u>\$ 55,669,419</u>	<u>\$ 55,584,018</u>
Rate of return	<u>-0.11%</u>	<u>4.12%</u>
Equity Capitalization	<u>\$ 52,523,346</u>	<u>\$ 55,213,240</u>
Rate of return	<u>-0.11%</u>	<u>4.15%</u>

Grayson Rural Electric Cooperative
Case No. 2018-00272
Determination of Rate Base
December 31, 2017

	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
Gross rate base:		
Total electric plant	\$ 77,910,578	\$ 77,910,578
Material and supplies (13 months average for test year)	267,646	267,646
Prepayments (13 months average for test year)	328,343	328,343
Working capital: 12.5% of operating expense less cost of power	1,004,141	1,001,485
	79,510,709	79,508,053
Deductions from rate base:		
Accumulated depreciation	23,474,155	23,556,900
Consumer advances	367,135	367,135
Net rate base	\$ 55,669,419	\$ 55,584,018
	<u>Material</u>	<u>Prepayments</u>
December, 2016	287,319	49,217
January, 2017	289,004	375,345
February	336,848	367,554
March	261,770	355,351
April	244,114	464,382
May	251,223	470,303
June	236,654	467,124
July	260,026	455,091
August	236,480	445,851
September	270,914	354,908
October	256,547	260,900
November	264,896	151,000
December	283,605	51,439
Average	267,646	328,343

Grayson Rural Electric Cooperative
Case No. 2018-00272
Determination of Rate Base
December 31, 2017

Test Year 2017	Calendar Year					
	1st 2016	2nd 2015	3rd 2014	4th 2013	5th 2012	
Gross rate base:						
Total electric plant	\$77,910,578	\$75,303,183	\$72,596,431	\$69,884,453	\$67,874,905	\$65,808,223
Material and supplies (13 mo. ave t	267,646	287,319	505,089	295,860	304,238	259,087
Prepayments (13 mo. ave test year	328,343	49,217	29,189	46,456	39,236	37,351
Working capital:						
12.5% of operating expense						
less cost of power	1,004,141	1,016,880	963,717	1,070,031	912,859	950,094
	<u>79,510,709</u>	<u>76,656,599</u>	<u>74,094,426</u>	<u>71,296,800</u>	<u>69,131,238</u>	<u>67,054,755</u>
Deductions from rate base:						
Accumulated depreciation	23,474,155	21,285,230	19,929,296	17,874,497	16,400,827	14,617,837
Consumer advances	367,135	170,604	233,984	219,461	181,137	168,352
	<u>23,841,290</u>	<u>21,455,834</u>	<u>20,163,280</u>	<u>18,093,958</u>	<u>16,581,964</u>	<u>14,786,194</u>
Net rate base	<u>\$55,669,419</u>	<u>\$55,200,765</u>	<u>\$53,931,146</u>	<u>\$53,202,842</u>	<u>\$52,549,274</u>	<u>\$52,268,566</u>

Grayson Rural Electric Cooperative
Case No. 2018-00272
TIER and DSC Calculations
December 31, 2017

	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
TIER:		
Margins, excluding G&T capital credits	(\$2,048,485)	\$1,146,335
Interest on long term debt	980,167	1,146,335
TIER (Margins +Interest) / Interest	(1.09)	2.00
DSC:		
Margins, excluding G&T capital credits	(\$2,048,485)	\$1,146,335
Depreciation expense	3,477,092	3,560,191
Interest on long term debt	980,167	1,146,335
Principal payment on long term debt	1,343,678	1,343,678
DSC	1.04	2.35
DSC = (Margins + depreciation + interest) / (interest + principal payments)		

Grayson Rural Electric Cooperative
Case No. 2018-00272
TIER and DSC Calculations
December 31, 2017

Exhibit K
page 6 of 7
Witness: James Adkins

Test Year	Calendar Year					
	1st	2nd	3rd	4th	5th	
2017	2016	2015	2014	2013	2012	
TIER calculations:						
Margins, excluding G&T capital credits	(2,048,485)	368,368	1,013,267	449,400	1,349,309	(831,396)
Interest on long term debt	980,167	895,352	904,235	950,337	986,603	1,011,489
TIER, excluding G&T capital credit	(1.09)	1.41	2.12	1.47	2.37	0.18
Margins, including G&T capital credits	(1,543,559)	1,592,008	2,265,283	1,822,172	2,995,430	414,579
Interest on long term debt	980,167	895,352	904,235	950,337	986,603	1,011,489
TIER	(0.57)	2.78	3.51	2.92	4.04	1.41
DSC calculations:						
DSC = ((Margins + depreciation + interest) / (interest + principal payments))						
Margins, excluding G&T capital credits	(2,048,485)	368,368	1,013,267	449,400	1,349,309	(831,396)
Depreciation expense	3,477,092	3,341,888	3,221,794	3,088,646	3,036,976	2,889,514
Interest on long term debt	980,167	895,352	904,235	950,337	986,603	1,011,489
Principal payment on long term debt	2,264,892	1,944,363	2,096,343	2,133,467	1,883,798	1,666,506
DSC, excluding G&T capital credit	<u>0.74</u>	<u>1.62</u>	<u>1.71</u>	<u>1.46</u>	<u>1.87</u>	<u>1.15</u>
Margins, including G&T capital credits	(1,543,559)	1,592,008	2,265,283	1,822,172	2,995,430	414,579
Depreciation expense	3,477,092	3,341,888	3,221,794	3,088,646	3,036,976	2,889,514
Interest on long term debt	980,167	895,352	904,235	950,337	986,603	1,011,489
Principal payment on long term debt	2,264,892	1,944,363	2,096,343	2,133,467	1,883,798	1,666,506
DSC	<u>0.90</u>	<u>2.05</u>	<u>2.13</u>	<u>1.90</u>	<u>2.45</u>	<u>1.61</u>

Grayson Rural Electric Cooperative
Case No. 2018-00272
Equity Capitalization
December 31, 2017

Exhibit K
page 7 of 7
Witness: James Adkins

Proposed	Test Year 2017	Calendar Year				
		2016	2015	2014	2013	2012

Equity Capitalization:
without G&T patronage capital

Total margins and equities	28,299,078	25,609,184	26,881,486	25,391,897	23,274,521	21,537,118	18,650,329
Less G&T Patronage capital	14,872,945	14,872,945	13,649,305	12,397,289	11,024,517	9,378,396	8,132,421
	13,426,133	10,736,239	13,232,181	12,994,608	12,250,004	12,158,722	10,517,908
Long-term debt	41,787,107	41,787,107	40,051,998	42,230,385	44,326,727	42,022,194	39,176,030
Total	55,213,240	52,523,346	53,284,179	55,224,993	56,576,731	54,180,916	49,693,938
Equity capitalization ratio	<u>24%</u>	<u>20%</u>	<u>25%</u>	<u>24%</u>	<u>22%</u>	<u>22%</u>	<u>21%</u>

Equity Capitalization:
with G&T patronage capital

Total margins and equities	28,299,078	25,609,184	26,881,486	25,391,897	23,274,521	21,537,118	18,650,329
Long-term debt	41,787,107	41,787,107	40,051,998	42,230,385	44,326,727	42,022,194	39,176,030
Total	70,086,185	67,396,291	66,933,484	67,622,282	67,601,248	63,559,312	57,826,359
Equity capitalization ratio	<u>40%</u>	<u>38%</u>	<u>40%</u>	<u>38%</u>	<u>34%</u>	<u>34%</u>	<u>32%</u>

Equity to Total Assets:
with G&T patronage capital

Total margins and equities	28,299,078	25,609,184	26,881,486	25,391,897	23,274,521	21,537,118	18,650,329
Total assets	79,989,005	77,299,111	77,808,837	75,985,062	75,116,227	72,893,358	68,429,726
Equity to total asset ratio	<u>35%</u>	<u>33%</u>	<u>35%</u>	<u>33%</u>	<u>31%</u>	<u>30%</u>	<u>27%</u>

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

6. Refer to Grayson RECC's response to Staff's Second Request, Item 11, Exhibit L, page 1, line 12. Confirm that the amount of \$67,396,291 is the sum of Total margins & equities plus Long-term debt for test year 2017.

Response 6:

Confirmed.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

7. Refer to Grayson RECC's response to Staff's Second Request, Item 13.e, and the revised Cost of Service Study (COSS) filed with the response.

a. Refer to the Classification 2 Tab, line 82. Verify that the Percentage Allocation for Overhead Lines includes Underground Conductors.

b. Verify that if the Underground Conductors values (Line 78) were removed from line 82, Percentage Allocations for Overhead Lines would equal 44.8 percent for Consumer and 55.52 percent for Demand, instead of the percentages shown in the revised COSS on line 82.

c. Refer to Grayson RECC's response to Staff's Second Request, Item 13. Reconcile the response to what is stated in response to Item 13.e.

Response 7a:

The Percentage Allocation for Overhead Lines includes Underground Conductors.

Response 7b:

The Percentage Allocation for Overhead Lines equals 44.48 percent for Consumer and 55.52 percent for Demand if we removed the Underground Conductors values from this calculation.

Response 7c:

The response for Item 13h should have been the same one as the response to item 13e. The investment amount for Underground Conductors represents 0.90 percent of the total investment in overhead lines and underground conductor. Because of the investment amount in the underground conductor, it was decided to roll it onto the overhead line allocation amounts.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

8. Refer to Grayson RECC's response to Staff's Second Request, Item 24.

a. Confirm that the payroll adjustment, based on an increase limited to 3 percent and exclusive of the step increases for employees 201 and 204, is \$50,064 (\$3,459, 141-\$3,409,077). If not confirmed, provide the payroll adjustment based on a payroll increase limited to 3 percent.

b. Confirm that the payroll tax adjustment based on the payroll adjustment above is \$7,072. If not confirmed, provide the payroll tax adjustment based on a payroll increase of 3 percent as calculated in item a. above.

c. Refer to Grayson RECC's response to Staff's Second Request, Item 8, the revised Schedule S, page 3. Confirm the payroll and payroll tax adjustments are based upon Grayson RECC's original proposed adjustments in its application.

d. Provide a copy of the report that was completed by NRECA and relied upon by Grayson RECC to assist it in determining if the wages were fair and equitable for similar jobs in the surrounding area.

Response 8a:

Confirmed that the total adjustment is \$50,064, with the effect on revenue requirement of \$30,687.

Response 8b:

Confirmed.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Response 8c:

Confirmed. Grayson has provided an updated Exhibit S (see PSC-3-4) reflecting the revised adjustments, along with the effect of medical insurance premiums referenced in PSC-3-10.b.

Response 8d:

Please see attached report and also refer to PSC-1-53.

COMPensate Wage & Salary Program

Grayson RECC

October 2017



COMPensate™ Background

- **Point Factor Compensation System**
- **Developed by the National Consulting Group of NRECA**
- **Currently in use in over 300 Cooperatives nationwide**

MOVING YOUR BUSINESS FORWARD



Scope of Work

- **Point Factor Analysis**
- **Salary Plan Development**
- **Implementation Cost Analysis**
- **Report to:**
 - Management
 - Board of Directors

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Compensation Plan Objectives

- **To attract, retain and motivate employees of the caliber necessary to achieve the organization's objective.**
- **To provide management with a consistent information system which can clearly explain why we pay what we do.**

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Wage and Salary Plan Building Blocks

- **Compensation systems built on two main concepts.**
 - Internal Equity
 - External Competitiveness

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Internal Equity

- **Compensation for each position is appropriate relative to other positions in the organization.**
- **Internal equity is not “internal value”; what the relative value of each job contribution is to the overall mission of the organization**
- **Standardized factor evaluation used to measure “relative worth”**

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COMPensate™ Job Evaluations

- Uses “Factors” common to all positions in a Cooperative.
- Positions given a point value based on score on each factor.

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Factors

- Knowledge
- Supervision
- Responsibility
- Complexity of Problems
- Contacts

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External Equity

- **Market pricing for benchmark positions**
- **Derive market pricing from Salary Surveys**

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Sources of Salary Data

- **2017 NRECA National Compensation System**
 - **State of Kentucky**
 - Entry Level to Technical Level
 - **Kentucky, Ohio, Indiana, West VA**
 - Technical and Professional positions
- **Economic Research Institute (ERI)**
 - Average for Ashland, KY area

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Establishing the Compensation Model

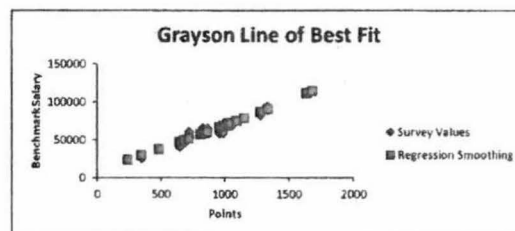
- Ensure an “apples for apples” comparison of survey information with salary plan positions
- Select positions with the best fit between internal point evaluations and survey values
- Have an even distribution of benchmark positions

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Regression Analysis

- Regression gives Minimum, Mid point and Maximum for each grade.



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Proposed 2018 Salary Structure

Market Range					GRADE
MIN	LWR THD	MP	UPR THD	MAX	
\$18,474	\$22,082	\$23,386	\$24,680	\$27,289	1
\$23,307	\$26,481	\$28,088	\$29,654	\$32,828	2
\$27,129	\$30,883	\$32,760	\$34,637	\$38,391	3
\$30,984	\$35,341	\$37,520	\$39,698	\$44,055	4
\$34,872	\$39,855	\$42,346	\$44,837	\$49,820	5
\$38,783	\$44,424	\$47,240	\$50,055	\$55,686	6
\$42,747	\$49,049	\$52,200	\$55,351	\$61,654	7
\$46,732	\$53,729	\$57,228	\$60,726	\$67,723	8
\$50,749	\$58,465	\$62,322	\$66,180	\$73,896	9
\$54,797	\$63,255	\$67,484	\$71,713	\$80,171	10
\$58,876	\$68,100	\$72,713	\$77,325	\$86,550	11
\$62,984	\$73,000	\$78,009	\$83,017	\$93,033	12
\$67,122	\$77,955	\$83,371	\$88,788	\$99,621	13
\$71,290	\$82,964	\$88,801	\$94,639	\$106,313	14
\$75,486	\$88,027	\$94,298	\$100,569	\$113,111	15
\$79,710	\$93,145	\$99,862	\$106,580	\$120,014	16
\$83,962	\$98,316	\$105,483	\$112,670	\$127,024	17
\$88,241	\$103,541	\$111,191	\$118,841	\$134,141	18
\$92,547	\$108,820	\$116,956	\$125,082	\$141,365	19

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The Compa Ratio

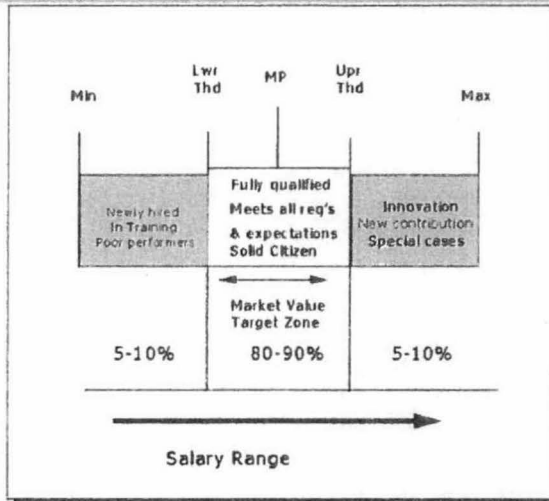
$$\text{Compa Ratio} = \frac{\text{Individual Pay Level}}{\text{Midpoint of Grade}}$$

1.00 = Incumbent is at Midpoint of Range

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Salary Structure Regions and Distribution



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Observations & Recommendations

- Over-all compa ratio for the organization is .99 including bargaining unit positions
 - Board is authorizing sufficient funds to compensate a long term and skilled workforce.
 - Salaries have been managed effectively for positions at Grayson
 - Several positions exist that are below the COMPensate wage & salary plan minimums
 - Over-all compa ratio is .90 when excluding the bargaining unit

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Observations & Recommendations

- Adopt the COMPensate Wage & Salary Program
 - Provide the Grayson RECC Board, CEO & employees with confidence a bona fide wage & salary program exists
 - Management uses and adheres to the plan
 - Yearly updates provide documentation of wage movement for budgeting purposes
 - Annual tracking device to assure newly appointed position salaries track performance and market increases.

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National Consulting Group

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Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

9. Refer to Grayson RECC's response to Staff's Second Request, Item 25. Provide the 2018 property tax for Elliott County and the City of Grayson as it becomes available.

Response 9:

City of Grayson:	\$4,921.88
Elliott Co.:	Have not received

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

10. Refer to Grayson RECC's responses to Staff's Second Request, Item 31, and Commission Staff's First Request for Information (Staff's First Request), Item 55. Also refer to Grayson RECC's response to the Attorney General's Initial Data Request, Item 9.

a. Confirm that Grayson RECC paid the full amount of the premium for its employee health insurance.

b. Confirm that if employees with single coverage paid 21 percent of the premium and all others paid 33 percent of the premium, Grayson RECC's revenue requirement would decrease by \$243,977.

c. Confirm that the amount Grayson RECC paid in 401(k) benefits on behalf of employees with a defined benefit plan was \$21,130.

d. Explain Grayson RECC's response to the Attorney General's Initial Data Request Item 9b, in which Grayson RECC states that the amount contributed to the employee 401(k) plan is equal to the amount of the long-term disability insurance, which is paid by the employee.

i. Provide, in Excel Spreadsheet format, the amounts contributed to the employee's 401 (k) plan and beside that provide the portion of the contribution to the 401 (k) plan that is for the long-term disability insurance.

ii. Explain why Grayson RECC would contribute to a 401 (k) account for long-term disability insurance.

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Response 10a:

Grayson confirms the full amount of the premium for its employee health insurance is paid by the cooperative.

Response 10b:

Grayson does not confirm that the revenue requirement would decrease by the \$243,977. This is the total decrease. The effect on revenue requirement would be \$149,529 calculated as follows. This allocation is consistent with the all other payroll related adjustments.

Total reduction in medical insurance premiums		<u>(\$243,977)</u>
Allocation:		
Construction and retirement	20%	(\$49,045)
Others	19%	(45,402)
Distribution, operations	10%	(24,371)
Distribution, maintenance	20%	(48,561)
Customer accounts expense	10%	(24,910)
Customer service and information	2%	(4,819)
Sales	0%	(651)
Administration and general	19%	<u>(46,217)</u>
	100%	<u>(\$243,977)</u>
Effect on revenue requirements		<u>(\$149,529)</u>

Response 10c:

This is confirmed.

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Response 10d:

Grayson does not pay the long-term disability insurance premium for its employees. Grayson instead contributes an amount equal to the employee's long-term disability premium to each employee's 401(k) plan.

Response 10i:

Please see Staff's First Request for Information, Item 55. The amount listed under 401(k) Grayson is equal to the portion that coincides with long-term disability premium.

Response 10ii:

Grayson contributes the amount to an employee's 401(k) account in lieu of paying the long-term disability premium for the employee. This was a negotiated benefit for the employee. The net effect to the cooperative is the same whether the cooperative paid the long-term disability premium or contributing to the employee's 401(k) plan.

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

11. Refer to Grayson RECC's response to Staff's Second Request, Item 31 page 3 of 4. It states that the total company portion of premiums is \$762,365.16. Reconcile this amount with Grayson RECC's response to Staff's First Request, Item 55, which shows an amount of \$725,351 under Column J of the spreadsheet, tab 2017.

Response 11:

Please see attached document and included excel spreadsheet which reconciles the amount to \$725,351. There was a calculation error in Grayson's response to Staff's Second Request.

Witness: James Bradley Cherry

	Monthly Premium Cost	Yearly Premium Cost	Company Portion of Premium	Employee Contribution to Premium		Assume Company Portion	Assume Employee Contribution
HDPPO - Single							
7	\$ 754.27	\$ 9,051.24	\$ 63,358.68	\$ -		\$ 50,053.36	\$ 13,305.32
HDPPO - Family							
32	\$ 1,450.28	\$ 17,403.36	\$ 556,907.52	\$ -		\$ 373,128.04	\$ 183,779.48
PPO - Family							
4	\$ 2,078.26	\$ 24,939.12	\$ 99,756.48	\$ -		\$ 66,836.84	\$ 32,919.64
			<u>\$ 720,022.68</u>	<u>\$ -</u>		<u>\$ 490,018.24</u>	<u>\$ 230,004.44</u>
			\$720,022.68			\$720,022.68	
Employee 225 Cash in Lieu of Insurance			\$3,250.00			\$3,250.00	
Employee 610 1 Month Premium (Retire)			\$2,078.00			\$2,078.00	
			\$725,350.68			\$725,350.68	

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

12. Refer to Grayson RECC's response to Staff's Second Request, Item 31. Provide the rationale for offering the PPO-Family plan, which is more expensive than the HDPPPO-Family plan.

Response 12:

Due to the inability of Grayson to contribute to an HSA for employees who have a covered dependent on disability or Medicare, subjecting them to full exposure to the \$6,000 family deductible; Grayson offers these employees the PPO-Family plan, which subjects the employees to co-pays instead.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

13. Refer to Grayson RECC's response to Staff's First Request, Item 55, under Column J of the spreadsheet, tab 2017, for employee 225. The health benefit is \$3,250. Explain why this amount far less than that of other employees.

Response 13:

This employee elects not to take a health insurance plan from the cooperative and is offered a cash in lieu amount instead.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

14. Refer to Grayson RECC's response to Staff's First Request, Item 55, under Column X of the spreadsheet titled "Any Other." Explain what this amount represents.

Response 14:

This amount is a contribution made to an employee's Health Savings Account, which can be used to mitigate the amount of the health insurance deductible.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

15. Refer to the Application, Exhibit 21, which states that retirement and Social Security expense was \$672,811 for 2017. Refer also to Grayson RECC's response to Staff's First Request, Item 55, under Column V of the spreadsheet, which shows an amount of \$670,058 for Defined Benefit Retirement. Reconcile this discrepancy.

Response 15:

Grayson actually paid \$672,811 during 2017, this included a true-up amount for 2016. The amount listed in the response to Staff's First Request, Item 55, under Column V is correct for the employees RS&I for 2017.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

16. Refer to the Application, Exhibit 21, which states Health, Life, and Disability Insurance for 2017 was \$947,831. Refer also to Grayson RECC's response to Staff's First Request, Item 55, under Columns J and P of the spreadsheet, which reflects amounts of \$725,351 and \$13,845 for Health Benefit Cost and Life Insurance, respectively. Reconcile this discrepancy.

Response 16:

The amount reflected on Exhibit 21 was listed incorrectly. The amount should be the \$725,351 plus \$13,845 plus the Any Other of \$126,750.

Witness: James Bradley Cherry

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

17. Refer to Grayson RECC's Response to Staff's First Request, Item 48. Explain if any of expenses listed in response to Item 48b are reimbursed to Grayson RECC by East Kentucky Power Cooperative, Inc. If yes, provide the amount of each years' expenses that are reimbursed.

Response 17:

Yes, please see below.

Program	EKPC Reimbursement
C&I Industrial Lighting	\$ 4,286.21
Appliance Recycling	\$ 1,200.00
Button Up-Level 1	\$ 1,948.84
CFL	\$ -
Energy Audit	\$ -
Energy Star Heat Pump	\$ 9,900.00
Energy Star Clothes Washer	\$ 3,450.00
Energy Star Dish Washer	\$ 1,350.00
Energy Star Freezer	\$ 350.00
Energy Star Refrigerator	\$ 3,600.00
Heat Pump Retrofit	\$ 9,500.00
LED Promotional	\$ 2,700.00
DLC AC	\$ 80.00
DLC WH	\$ 70.00
Touchstone Energy Home	\$ 3,000.00

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

18. Refer to Grayson RECC's response to Attorney General's Initial Data Request, Item 2.a.

a. Explain the differences between the Customer Related Revenue Requirements found on pages 2 and 3 of 4 and the Customer Related Revenue Requirements found on page 4 of 4.

b. Verify that the Customer Related Revenue Requirements for the 14(a) - Large Industrial Service (1) is referencing the incorrect value and that this is referencing the value of cell D31 of this table in Excel.

Response 18a:

Pages 2 and 3 of this response represents the total Consumer Related Revenue Requirements. This total Consumer Related Revenue Requirement is equal to the total consumer related costs from the cost of service study (pages 40 through 43 of the COSS) plus a margin equal to the interest expense for all consumer related costs for each rate class (pages 28 through 31 of the COSS). The schedule on page 4 provides a comparison of the current and the proposed customer charge for each rate class along with the total consumer related revenue requirements for each rate class. The amounts listed in the revised consumer related revenue requirements attached as page 3 of this response now equal those on pages 2 and 3 of the original response.

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

Response 18b:

The value for 14a – Large Industrial Service is referencing the value in cell D31 which is the correct amount. Grayson believes that this amount in cell31 is appropriate because EKPC reads this meter for Grayson for the large industries with a charge of \$144 per read plus the installation of a substation primarily for these large industries. We have assigned approximately one half the substation from EKPC for these loads.

Grayson Rural Electric Cooperative Corporation
Case No.2018-00272
Response to Commission Staff's Third Data Request

	Current Rate	Proposed Rate	Consumer Related Revenue Requirements
1 - Domestic - Farm & Home Service	\$ 15.00	\$ 22.50	\$ 45.17
2 - Commercial and Small Power	\$ 27.50	\$ 30.00	\$ 43.71
3 - Off-Peak Marketing Rate			
4 - Large Power Service-Single and Three-Phase	\$ 63.02	\$ 67.50	\$ 58.01
5 - Street Lighting Service			
6 - Outdoor Lighting Service			
7 - All Electric Schools	\$ 31.04	\$ 35.00	\$ 61.15
10 - Residential Time of Day	\$ 19.00	\$ 22.50	\$ 49.05
14(a) - Large Industrial Service (1)	\$ 566.12	\$ 566.12	\$ 1,574.16
16 - Small Commercial Demand & Energy Rate	\$ 27.50	\$ -	
17 - Water Pumping Service	\$ 41.39	\$ 45.00	\$ 44.24
18 - General Service Rate	\$ 22.50	\$ 27.50	\$ 44.07
19 - Temporary Service Rate	\$ 51.73	\$ 55.00	\$ 46.23
20 - Inclining Block Rate	\$ 15.00	\$ 22.50	\$ 48.52
21 - Prepay Metering Program (Residential)	\$ 15.00	\$ 22.50	\$ 50.67
21 - Prepay Metering Program (General Service)	\$ 22.50	\$ 27.50	\$ 53.09
NM - Residential	\$ 15.00	\$ 22.50	\$ 47.07
NM - General Service Rate	\$ 22.50	\$ 27.50	\$ 117.56
Envirowatts			
1. EKPC Meter Reading Charge			\$ 144.00
One half of 5 MVA Substation Charge			1368.50
Grayson's Distribution Costs			61.66
			<u>\$ 1,574.16</u>

Grayson Rural Electric Cooperative
Case No. 2018-00272
Commission Staff's Third Request for Information

19. Provide all updates to any schedules in Excel spreadsheet format with all rows and columns accessible and formulas unprotected.

Response 19:

Please see response on provided flash drive.