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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. 2008-00254
FOR AN ADJUSTMENT OF RATES)

INITIAL REQUESTS FOR INFORMATION
OF THE ATTORNEY GENERAL

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Request for Information to Grayson Rural Electric Cooperative Corporation, to be answered by the date specified in the Commission's Order of Procedure, 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 request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) 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.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) 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.

(6) 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.

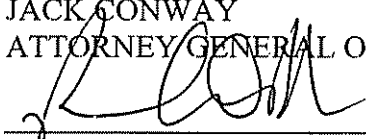
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) 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.

(9) 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.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL OF KENTUCKY



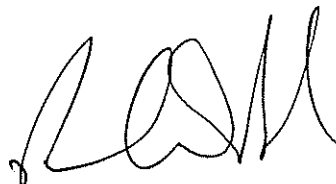
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CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 23rd day of December, 2008, I have filed the original and ten copies of the foregoing Attorney General's Request for Information with the Kentucky Public Service Commission at 211 Sower Boulevard, Frankfort, Kentucky, 40601 and certify that this same day I have served the parties by mailing a true copy of same, postage prepaid, to those listed below.

Carol H. Fraley, President & CEO
Grayson Rural Electric Cooperative Corp.
109 Bagby Park
Grayson, KY 41143-1292

Honorable W. Jeffrey Scott
Attorney At Law
P.O. Box 608
311 West Main Street
Grayson, KY 41143



Assistant Attorney General

**APPLICATION FOR AN ADJUSTMENT OF BASE RATES
GRAYSON RURAL ELECTRIC COOPERATIVE
CASE NO. 2008-00254**

Initial Requests For Information of the Attorney General

1. Please provide the portion of the 13-month average prepayment balance of \$596,352 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.
2. Re. Exhibit S, page 1: Why hasn't Grayson added the proposed \$426,201 depreciation expense increase to its pro forma depreciation reserve as is the Commission's ratemaking policy?
3. Re. Exhibit S, page 2: should the proposed increase amount be \$3,161,625 rather than \$3,161,265 and the proposed test year revenues \$25,155,018 rather than \$25,154,657? If not, explain the discrepancy with the numbers on Exhibit G, page 1.
4. For each of the income statement accounts listed on Exhibit X, pages 1 through 5, please provide a schedule showing a side-by-side comparison of the actual annual amounts (only annual amounts are requested, not monthly amounts) for the 5/31/08 test year and the three years prior to the test year.
5. Please expand the year-end customer annualization adjustment on Exhibit 15 by also including Schedule 5 (Street Lighting), and Schedule 6 (Security Lights) in the net revenue annualization calculations. Provide this information in the same detail and format as shown on Exhibit 15.
6. With regard to the Schedule 4 – Large Power end-of-year customer adjustment on Exhibit 15, please provide the following information:
 - . Confirm that the 13-month average customers for the year for the year amount to 60.69 which, when compared to the year-end customer level of 61 indicates a growth of 0.31 customers.
 - a. Confirm that this growth number of 0.31 large power customers results in an increase in revenues of \$13,467, an increase in associated power costs of \$8,968, and a net revenue increase of \$4,499.
7. The first column of Exhibit 13, page 3 of 6 shows the number of events assumed in the quantification of the Non-Recurring Charge revenue adjustment. For each non-recurring charge listed, please provide the actual annual number of events in the test year and in the three years prior to the test year.
8. Please provide the approximate 65% increase in the test year combined Account 593 and 593.10 expenses of \$2.206 million as compared to the corresponding combined Account 593 and 593.10 expenses of \$1.340 million in the year prior to the test year.

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9. With regard to Account 909.00 – Customer Information expense, please provide a detailed breakout of the nature and purpose of the expense components making up the total test year expense amount of \$194,688.
10. With regard to Account 912.00 – Demonstration & Selling expense, please provide a detailed breakout of the nature and purpose of the expense components making up the total test year expense amount of \$29,838.
11. With regard to the Payroll information shown on Exhibit 1, please explain why Grayson has assumed normalized annual hours of 2,080 for the following employees who worked substantially less than 2,080 hours during the test year: hourly employee no. 217 and hourly employee number 231.
12. With regard to Grayson’s number of employees, please provide the number of employees (in total and broken out between salaried, hourly, summer and part-time) for each month from January 2007 through November 2008, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.
13. Please provide the actual number of hours worked by Grayson’s Summer and Part Time employees (in total and, if available, by employee number) in the three years prior to the test year.
14. Exhibit 1, page 4 shows total test year overtime hours of 4,086 with an associated overtime expense amount of \$149,996. In this regard, please provide the following information:
 - a. The actual overtime hours and associated overtime expenses booked by Grayson during the three years prior to the test year.
 - b. What are the number of overtime hours underlying the pro forma test year overtime expenses of \$155,439?
15. Exhibit 1, page 4 shows total test year Vac/Sick hours of 565 with an associated expense amount of \$11,070. In this regard, please provide the following information:
 - a. The actual Vac/Sick hours and associated expenses booked by Grayson during the three years prior to the test year.
 - b. What are the number of Vac/Sick hours underlying the pro forma test year expenses of \$11,546?

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16. Exhibit 1, pages 3 and 4 show that the test year had 10 salaried employees who worked a total number of regular hours of 20,720 and 34 hourly employees who worked a total number of hours of 68,668. For each of the three years prior to the test year, provide the same type of actual information, i.e., the total number of salaried employees and the associated total number of hours worked and the total hourly employees and the associated total number of hours worked.

In addition, provide the number of number of regular salaried employee hours underlying the pro forma test year expenses of \$660,899 and the actual number of regular hourly employee hours underlying the pro forma test year expenses of \$1,511,827.

17. With regard to Exhibit 9, page 3 (Professional Services Expenses), please provide the following information:
- a. Nature and purpose of the \$195 charge for the NRECA Personal Practice Pointers subscription.
 - b. The claimed expenses in this case include \$155 for a NRECA Legal Reporting subscription, \$43 for a NRECA RE Magazine subscription, and \$495 for a NRECA legal seminar registration. Is Grayson aware of the PSC policy that these type of attorney expenses are not allowed for ratemaking purposes?
18. With regard to rate case expenses, please provide the actual expenses incurred to date for the current rate case, in total and broken out by expense component per Exhibit 12.
19. With regard to Exhibit 11, pages 3 and 4 (Miscellaneous Expenses), please provide the following information:
- a. Nature and purpose of the items called "Safety consumer giveaways." In addition, provide a sample picture of these giveaways, if available.
 - b. Nature and purpose of the items called "Safety message on bandanas & magnet." In addition, provide a sample picture of these items, if available.
20. Please provide the KAEC dues and NRECA dues paid in each of the three years prior to the test year.
21. In the same detail as, for example, Exhibit 11, please provide a detailed breakout of the test year expense of \$89,334 for Account 921 - Office Supplies.
22. What represents the Other Interest expense amount of \$70,941 shown on Exhibit S, page 2?

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23. Please reconcile the per books and pro forma depreciation expenses of \$1,553,623 and \$2,406,025 shown on Exhibit 3, page 3 of 6 to the per books and pro forma depreciation expenses of \$1,559,510 and \$1,985,711 on Exhibit S, page 2 of 4.