

Grayson Rural Electric Cooperative Corporation

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JAN 07 2009

**PUBLIC SERVICE
COMMISSION**

January 6, 2009

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Re: PSC Case No. 2008-00254
Grayson Rural Electric Cooperative

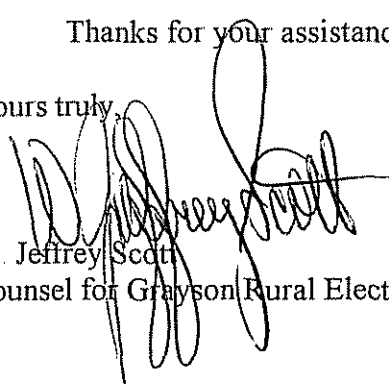
Dear Ms. Stumbo:

Please find in Case No. 2008-00254 the original and seven (7) copies of Applicant's response to "Second Data Request of Commission Staff to Grayson Rural Electric Cooperative, Inc". This relates to the application for adjustment of rates by Grayson Rural Electric Cooperative Corporation.

Contact me at (606) 474-5194 or Don Combs at (606) 474-5136 if there are any questions.

Thanks for your assistance in this matter

Yours truly,



W. Jeffrey Scott
Counsel for Grayson Rural Electric Cooperative Corporation

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**APPLICATION OF GRAYSON RURAL ELECTRIC
COOPERATIVE CORPORATION FOR AN ADJUSTMENT
IN RATES AND AN INCREASE IN RETAIL ELECTRIC
RATES EQUAL TO INCREASE IN WHOLESALE
POWER COSTS**

Case No. 2008-00254

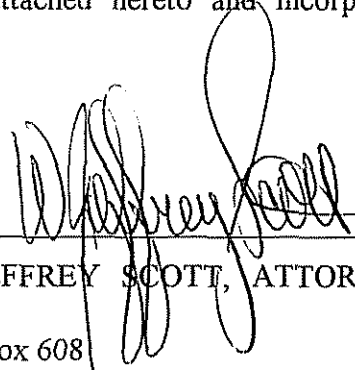
APPLICANT'S RESPONSES TO
SECOND DATA REQUEST OF COMMISSION STAFF

The applicant, Grayson Rural Electric Cooperative Corporation makes the following responses to the "Second Data Request of Commission Staff", as follows:

1. The witnesses who are prepared to answer questions concerning each request are Carol H. Fraley, Don Combs, Alan Zumstein, and Jim Adkins.

2. Don Combs, Manager of Finance and Accounting 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 AT
LAW
P.O. Box 608
Grayson, Kentucky 41143
Attorney for Grayson Rural Electric
Cooperative Corporation
Telephone: 606-474-5194

The undersigned, Don Combs, as Manager of Finance and Accounting of Grayson Rural Electric Cooperative Corporation, being first 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 6, 2009

GRAYSON RURAL ELECTRIC COOPERATIVE

By: 

DON COMBS

MANAGER OF FINANCE AND ACCOUNTING

Subscribed, sworn to, and acknowledged before me by Don Combs, as Manager Finance and Accounting of Corporate Services for Grayson Rural Electric Cooperative Corporation on behalf of said Corporation this 6th day of January, 2009.



Notary Public, Kentucky State At Large

My Commission Expires: 1-9-2011

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses have been served upon the following:

Original and Seven Copies

Ms. Stephanie Stumbo, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

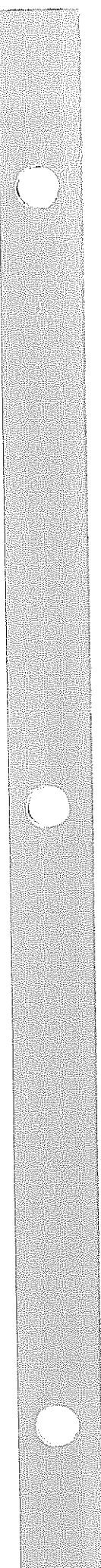
Copy

Paul D. Adams
Office of the Attorney General Utility and Rate
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

This 6th day of January, 2009



ATTORNEY FOR GRAYSON RURAL
ELECTRIC COOPERATIVE CORPORATION



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

1. Refer to page 1, Tab G in the application. The heading for column 5 is "Normalized Case No. 2006-00522" which is Owen Electric Cooperative, Inc.'s ("Owen") last fuel adjustment clause ("FAC") case.

a. Are the figures presented in column 5 from Grayson's last FAC case, rather than Owen's?

Response: Yes, the heading should have been Case No. 2006-00517 for Grayson Rural Electric.

b. If no, explain why Owen's last FAC case is relevant to this case.

Response: n/a

c. If no, provide a corrected version of this page.

Response: n/a



**GRAYSON RECC
CASE NO. 2008-00254
RESPONSE TO COMMISSION STAFF'S SECOND DATA REQUEST**

Question:

Refer to page 5, Exhibit H-4, of the Direct Testimony of James R. Adkins. Explain why Grayson decided to propose 60 percent of the total consumer-related costs for the customer charge for the Farm and Home Rate Class.

Response:

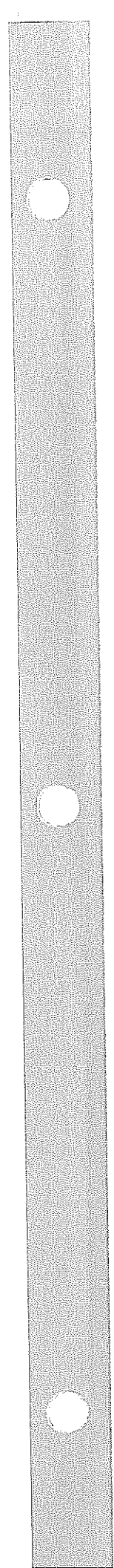
Grayson is proposing to raise its current customer charge rate for the Farm and Home Rate Class from \$8.16 per month to \$15.00 per month. The proposed consumer charge amounts to 60 percent of the consumer-related costs per customer per month. Based on the cost-of-service study filed as a part of this case, the consumer-related costs for this rate class would result in a monthly charge of \$25.87 which includes costs only and no margin contribution. If we introduced a margin contribution to the customer charge the customer charge could be as high as \$27.49. Provided below is the calculation:

GRAYSON RECC		
Distribution Consumer-Related Costs		
	<u>Total Costs</u>	<u>Direct Costs</u>
Lines	1,325,984	
Transformers	144,520	144,520
Services	768,388	768,388
Meters	735,158	735,158
Consumer Services	1,454,322	
Lighting		
Total Consumer Costs	4,428,372	1,648,065
Margins	277,986	103,455
Total Revenue Requirements	4,706,358	1,751,521
Consumer Charge		
Billing Units	171,181	171,181
Consumer Related Costs per Month	\$ 27.49	\$ 10.23

Grayson chose this course of action for a couple of reasons. One, the current customer charge is too low from the standpoint that it does not recover the direct consumer-related costs associated with connecting a new consumer to the distribution system. Second, the customer charge does provide some contribution to indirect consumer-related costs.

These direct costs are defined as the consumer-related costs including margins for the transformers, services and meter. For Grayson, the incremental revenue requirement or direct costs is \$10.23 per consumer per month while the fully allocated revenue requirement is \$27.49. Grayson feels that the customer charge should be set at an amount greater than the direct costs revenue requirement and with a substantial contribution to the indirect costs. The indirect costs are equal to the fully allocated costs minus the direct costs. Grayson chose to set this rate at an amount that fully recovers the incremental revenue requirement plus an approximately one fourth contribution to the allocated consumer related revenue requirements rounded to the \$15.00 per consumer per month.

This approach is a compromise and more reasonable approach than one advocating a consumer charge based on the direct costs or the other one advocating a consumer charge based on the fully allocated consumer-related costs. It insures the full recovery of the direct costs with a significant contribution to the indirect costs associated with the consumer-related costs. In no situation is it recommended that the consumer charge should be less than the direct costs including a margin contribution.



**GRAYSON RECC
CASE NO. 2008-00254**

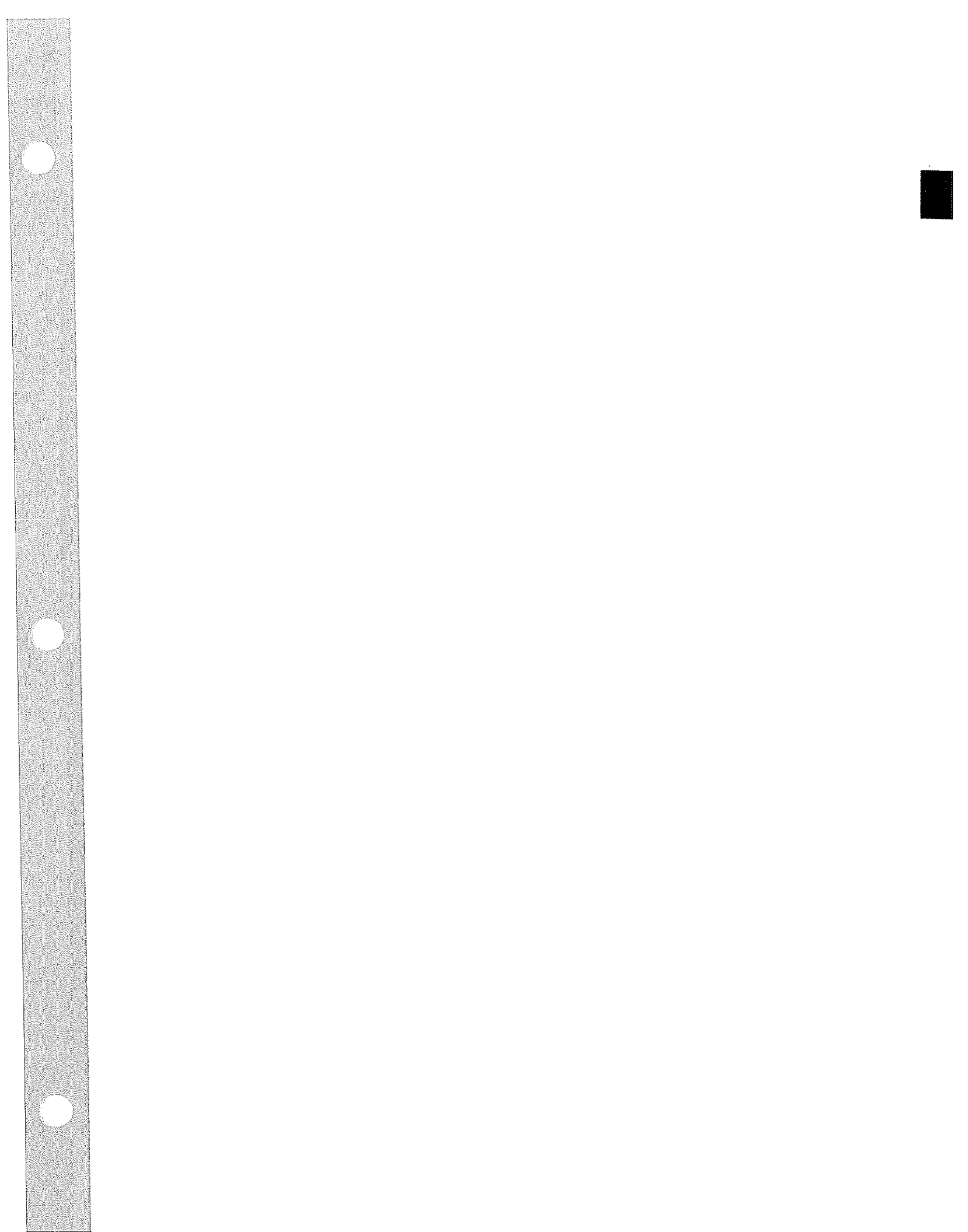
RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Question:

Provide an electronic copy of the cost-of-service study.

Response:

Enclosed as a part of this filing is a CD-ROM that includes a copy of the cost-of-service study in electronic form.



Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

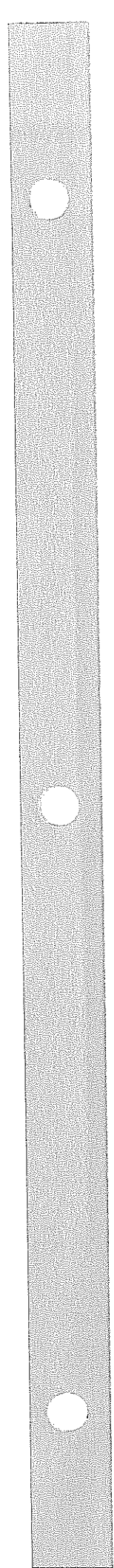
4. Refer to page 2 of Exhibit 13 of the application.

a. What is the basis for the mileage rate used in the calculation of the meter reading, collection, disconnect-reconnect charge?

Response: Grayson used the IRS mileage rate that was in effect in a prior year. The current IRS mileage rate is \$0.55. Since the IRS fluctuates the rate with the price of gas and other vehicle costs, Grayson proposed to use the older rate.

b. In Grayson's current tariff, Sheet 51 displays the cost support for work performed after normal working hours with a note at the bottom of the page that reads "I.B.E.W. union contract provides that an employee called out after completion of the scheduled workday will receive a minimum of 2 hours at 1 ½ time regular rate of pay." Grayson's current calculation of its overtime costs only uses one hour of pay. Explain whether the union contract requirement for pay based on 2 hours is still in force.

Response: The union contract requirement for a minimum of 2 hours is still in force. Grayson elected to use the actual time incurred in connection with the service requested by the customer.



**GRAYSON RECC
CASE NO. 2008-00254**

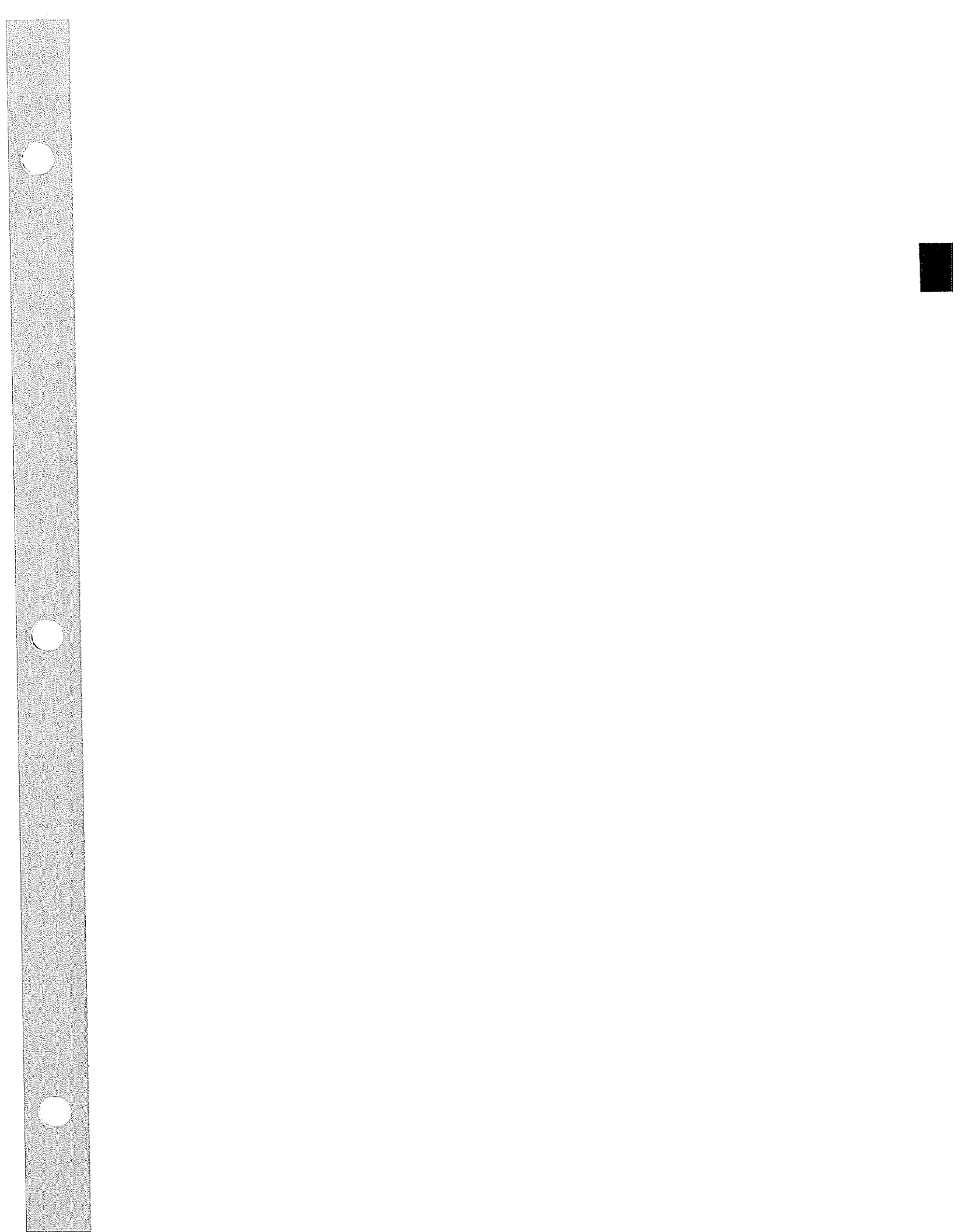
RESPONSE TO THE COMMISSION STAFF'S SECOND DATA REQUEST

Question:

Refer to Exhibit R of the application. State whether the methodology used for this cost-of-service study is different from that used in previous cases involving other East Kentucky Power distribution cooperatives and, if so, explain the differences.

Response:

The cost-of-service study presented in this case contains the same methodology that has been used in previous cases involving the other East Kentucky Power Cooperative distribution cooperatives.



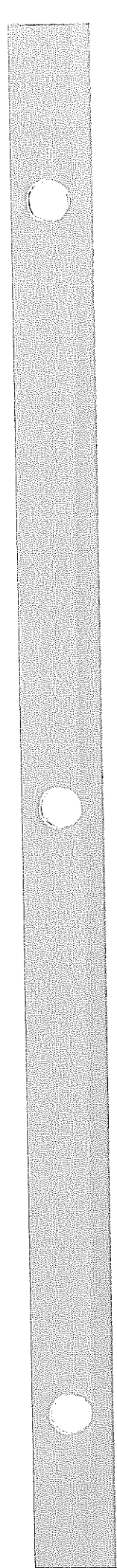
Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

6. Refer to Exhibit I of the application. Explain why the percentage increase was calculated by dividing the "Increase Amount" by the "Proposed Rate" rather than dividing it by the "Existing Rate".

Response: This was an incorrect formula only. The increase should have been divided by the existing rate.



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

7. Refer to Exhibit S at 4, which shows the amount of the proposed increase based on attaining a Times Interest Earned ratio ("TIER") of 2.0X.

a. Describe the methodology employed by Grayson in determining that 2.0X was the appropriate TIER on which to base its requested rate increase.

Response: A TIER of 2.0x will allow Grayson to increase its margins, which will result in an increase in equity. This will allow Grayson to meet its mortgage requirement for TIER and DSC, and hopefully, allow it to continue to return capital credits to its members.

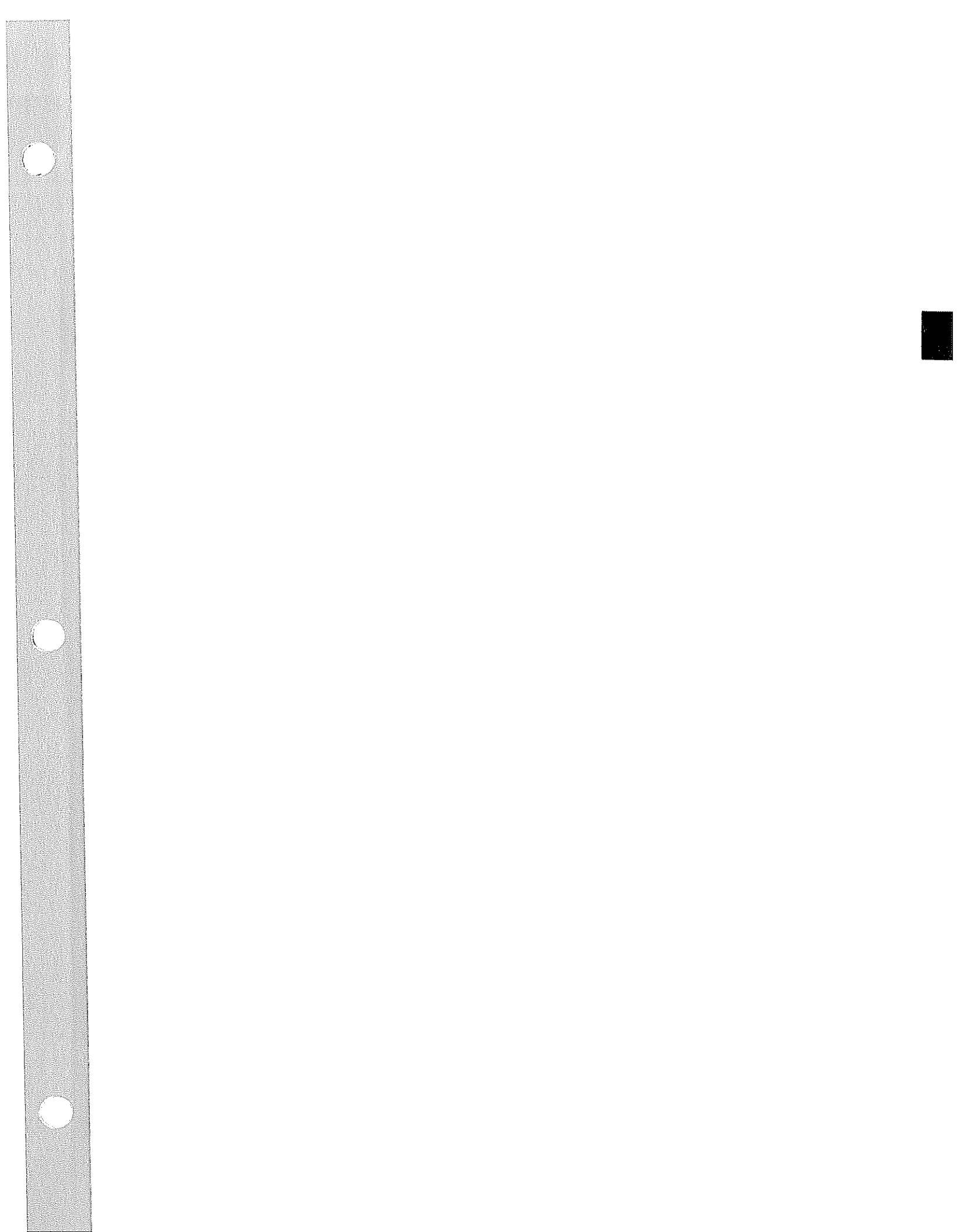
b. Is Grayson aware of any studies performed by Rural Utilities Service ("RUS") or the National Rural Utilities Cooperative Finance Corporation ("CFC") on the subject of appropriate TIER level for an electric distribution cooperative? If yes, identify the studies and when they were performed.

Response: Grayson is not aware of any studies performed by either RUS or CFC that addresses an appropriate TIER level. Both have minimum requirements in their mortgage agreements. CFC will periodically address equity levels, but does not give a specific or target level that is appropriate, but does give ranges. This is generally about 35%.

c. Grayson's request in this case for a 2.0X TIER would produce net margins of roughly \$3.4 million. For each of the calendar years immediately preceding the 2008 test year, provide the approximate net margins that would have been realized if Grayson had achieved a TIER of 2.0X.

Response: The request in this case would only generate margins of \$1,703,974, as reflected in Exhibit S, page 2 of the application, to arrive at a TIER of 2.0x, not margins of roughly \$3,4 million. The margins for the previous 5 years are as follows:

<u>Year</u>	<u>Net Margins</u>
2007	1,487,150
2006	1,438,084
2005	1,242,554
2004	1,058,258
2003	1,034,435



Grayson Rural Electric Cooperative

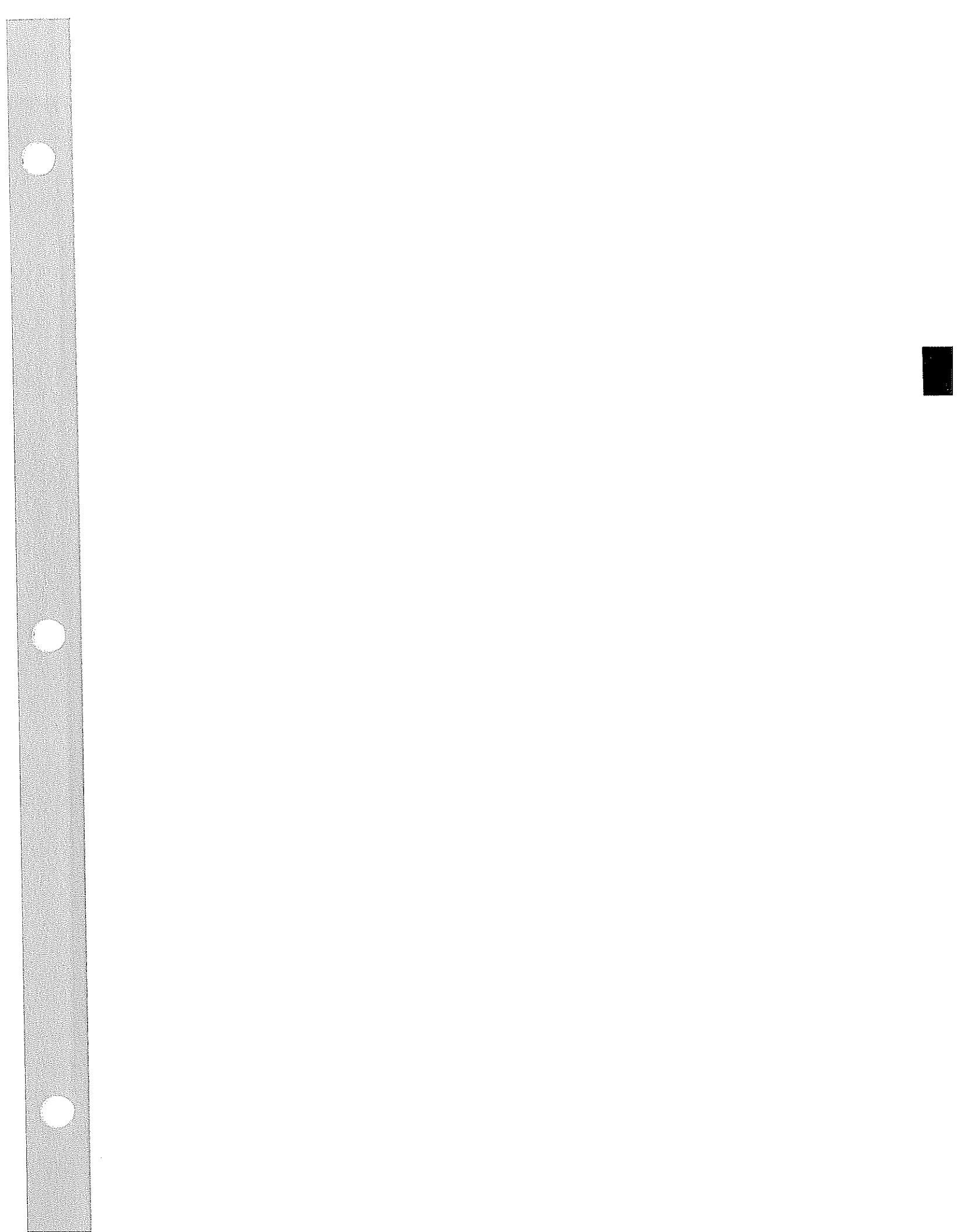
Case No. 2008-00254

Second Data Request of Commission Staff

8. Refer to Exhibit Y. Depreciation expense for General Plant in Exhibit Y, Trial Balance, is \$88,334.47, however in Exhibit 3 depreciation expense is for the test year for General Plant is \$237,443. Provide a detailed explanation for the discrepancy between the two reported depreciation expenses.

Response:

Total depreciation accrual	237,443
Charged to transportation clearing	<u>(149,109)</u>
Depreciation expense	<u><u>88,334</u></u>



Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

9. Refer to Exhibit 1 at 3-4.

a. For each employee listed on Table 1 below, explain in detail why they worked less than 2,080 hours in the test-period.

	<u>Employee No.</u>	<u>Regular Hours</u>
(1)	100	1,928
(2)	203	1,840
(3)	215	1,120
(4)	220	1,840
(5)	231	1,272

Response: Employees 100, 203 and 215 were on short term disability for a portion of the year for surgeries. Employees 220 and 231 were on workers compensation for a portion of the year due to injuries. Work related injuries result in workers compensation and non-work related injuries relate to the short term disability. All employees have returned to work on a full time basis.

b. Explain why 2,080 hours was used in calculating normalized wages rather than the actual hours worked during the test-period.

Response: Normal annual hours in a year are 2,080, except leap year which has an extra day, or 2,088 hours. Leap year occurred during the test year.

c. If an employee worked over 2,080 regular hours in the test period, explain why they would also have payments for vacation/sick leave.¹

Response:

d. Explain why the majority of the employees worked over 2,080 regular hours in the test period.

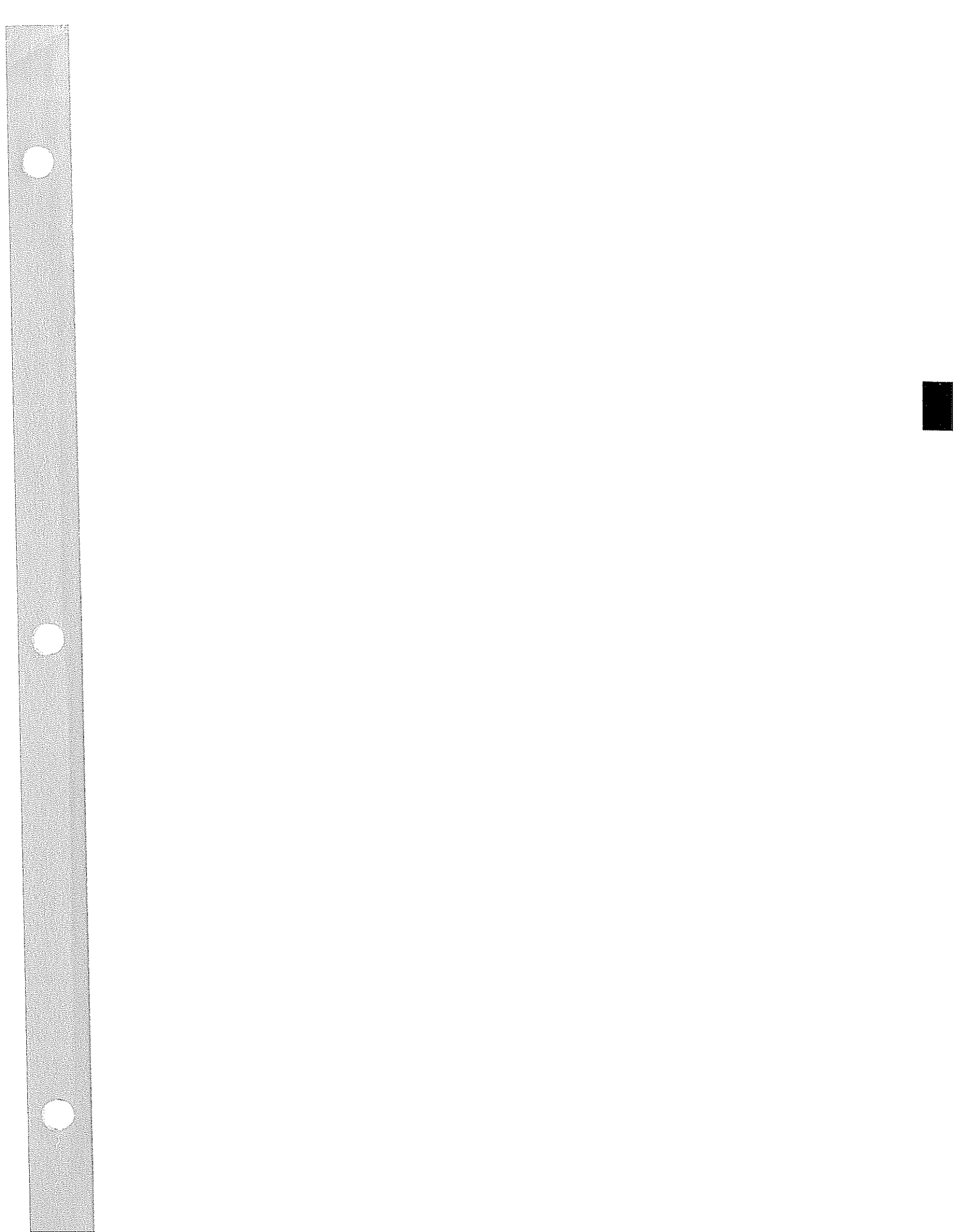
Response: The test year included leap year, which had 29 days in February, 2008.

e. If normalized wages assumes that each employee works 2,080 annual hours, or 40 hours per week, explain why there is also an allowance for vacation and sick time included in the calculation.

Response: To encourage employees to work on a regular basis, therefore, not requiring Grayson the have to hire additional employees, accumulated unused vacation and sick days are paid to employees. Vacation is paid for unused days up to 14 days per year for employees that earn over 15 days per year. Employees can elect to be paid for up to 96 hours per year for unused sick leave days during the year. Sick leave is paid at ½ the hourly pay rate.

Having employees working facilitates the planning process for crews, office services, and other functions. Grayson feels that work is more productive with full crews and full staffing than if employees sporatically use vacation and sick days.

¹ Employee 100: Regular Hours 2,088; Vacation/Sick Hours 105.



Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

10. Refer to Exhibit 1 at 3-4.

a. The manager of operations received a wage increase of 10.7 percent in the test-period and 12.3 percent in the first preceding year. Provide a detailed explanation for the levels of wage increases given to this employee.

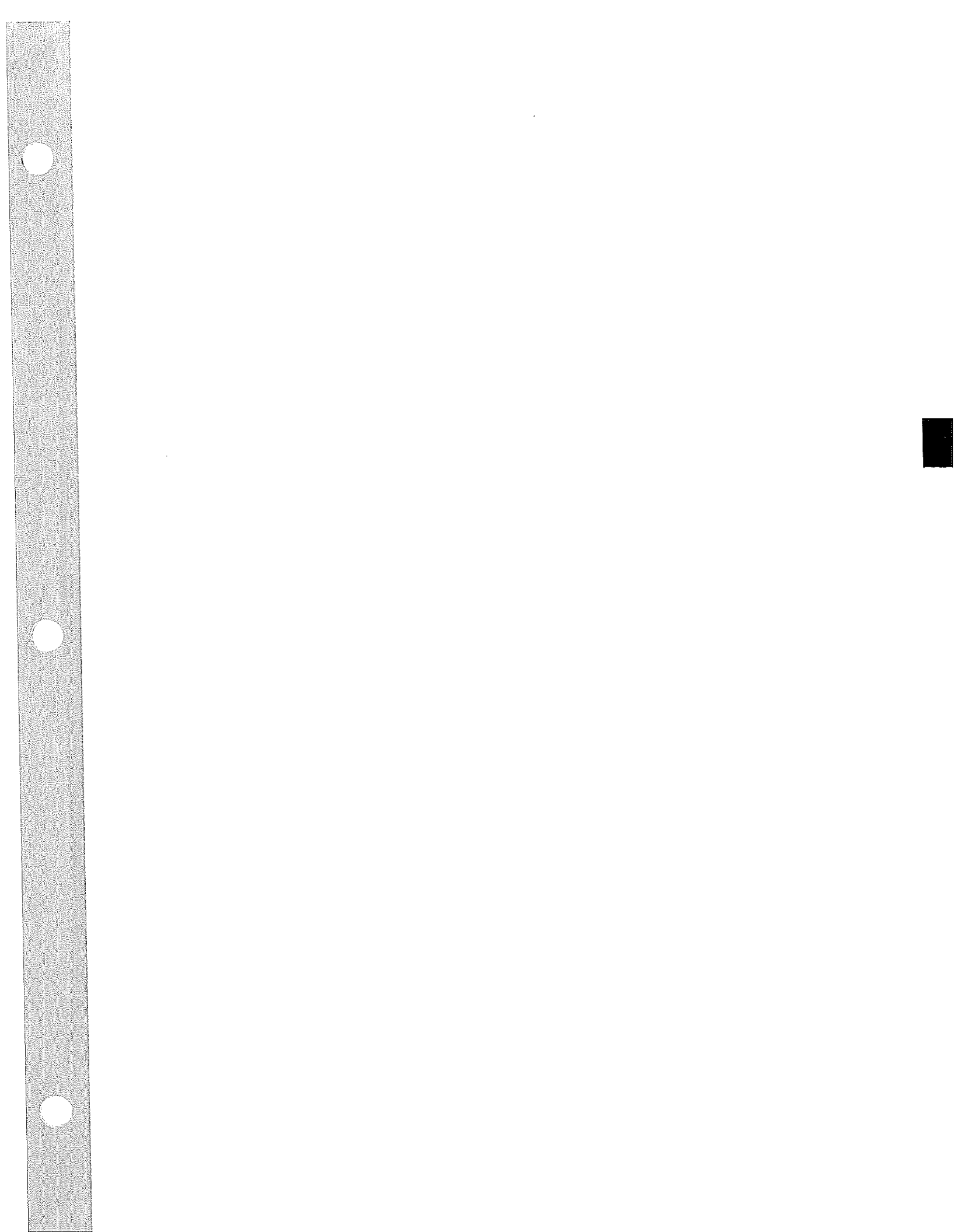
Response:

The first increase was due to a re-classification from Assistant Superintendent to Superintendent of Operations. The second was due to an adjustment that better reflected his additional responsibilities and performance.

b. The manager, marketing and member services, received a 12.2 percent increase in the first preceding year. Provide a detailed explanation for the level of wage increases given to this employee.

Response:

This was due to a range adjustment in the wage and salary plan.



Grayson Rural Electric Cooperative

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Second Data Request of Commission Staff

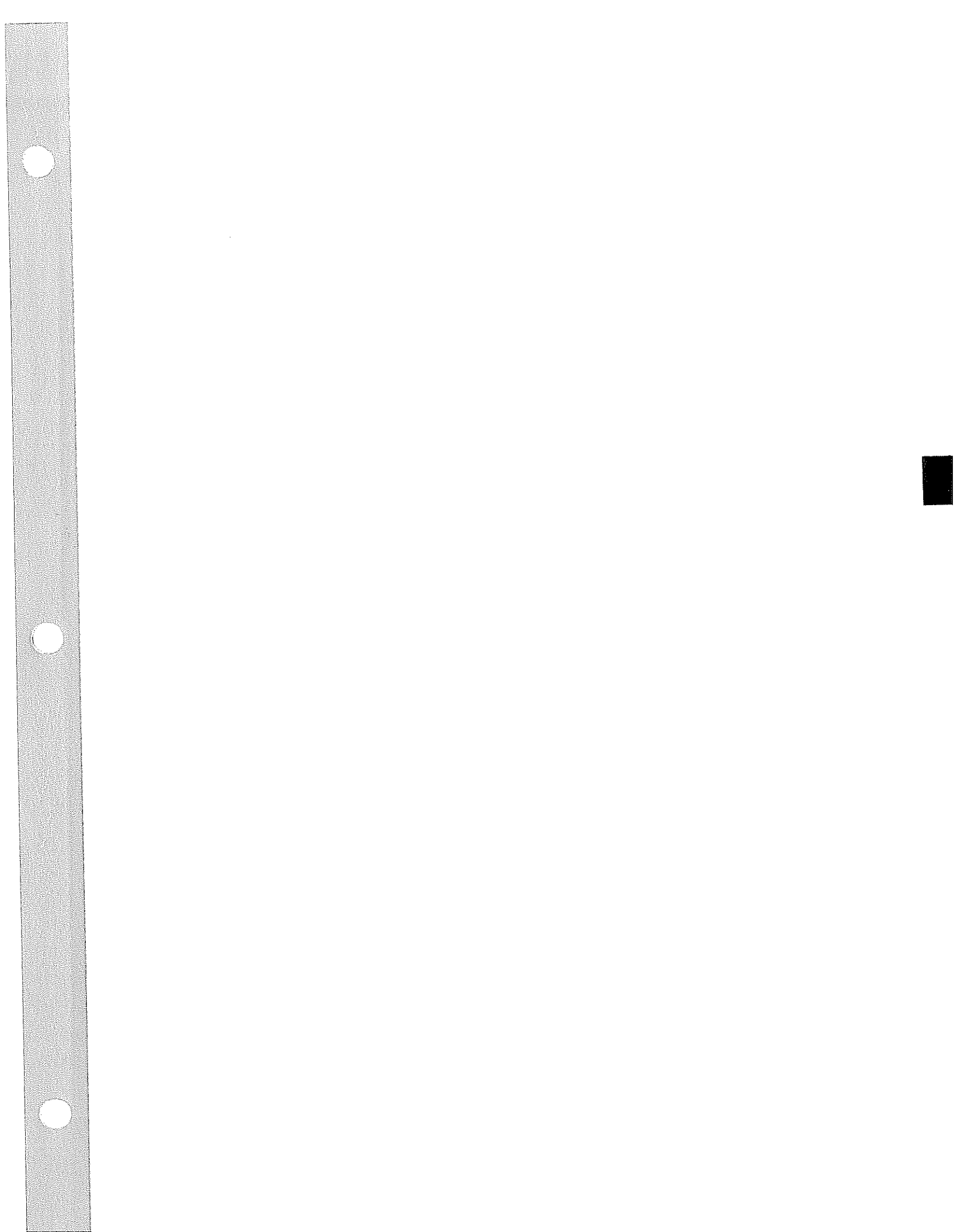
11. Refer to Exhibit 1 at 8.

a. Grayson has included employee hospitalization and benefit expense of \$28,641 in administrative and general expenses. Describe the nature of this expense and explain why it is added to administrative and general.

Response: As part of the new union contract, Grayson is requiring all union employees to purchase two 100% cotton long-sleeve shirts with the company logo each year to meet NESC codes. As a result, Grayson agrees to credit each employee with \$250 for the purchase of the shirts, with remaining funds to be used toward the purchase of approved boots, clothing and tools necessary to the job. The new contract started May 2007. This expense is included in Account 926.00.

b. Provide a detailed explanation for the 169 percent increase that occurred in this expense between 2006 and 2007.

Response: See a. above.



Grayson Rural Electric Cooperative

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Second Data Request of Commission Staff

12. Refer to Exhibit 3.

a. On page 3 Grayson states that “[T]he ending plant balance is multiplied by rates that are within RUS approved guidelines.” Given this statement, explain why, in the comparison² of the proposed rates to the RUS recommended maximum and minimum rates, that the proposed rate exceed the RUS maximum for 6 of the 8 categories shown.

Response: RUS allows for rates above or below these when the rates are supported by a depreciation study.

b. Has Grayson submitted its Depreciation Study to the RUS for its approval?

Response: Yes.

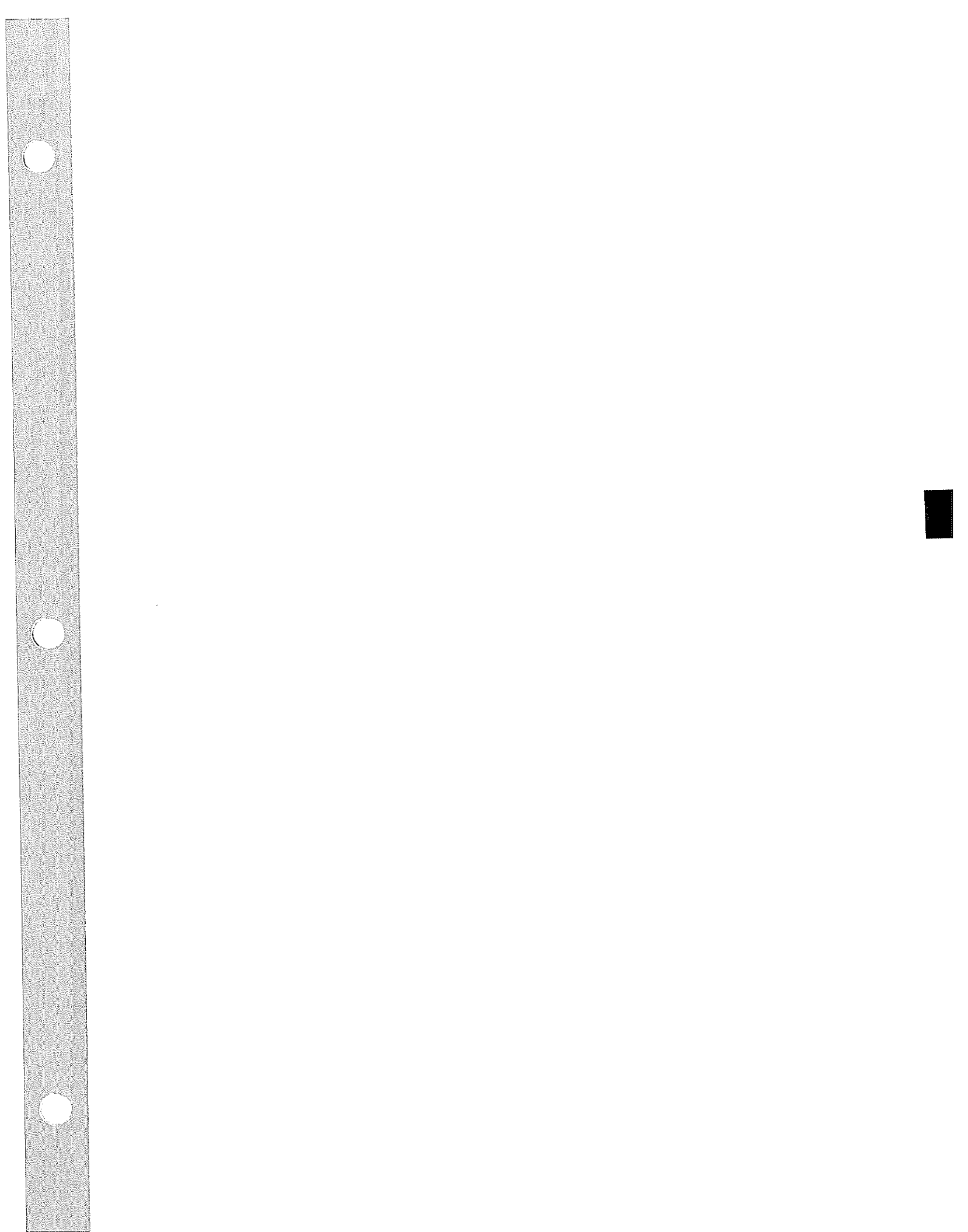
(1) If the response to 12(b) is yes, provide all correspondence, notes, memoranda, and related documents that Grayson has received from RUS regarding its Depreciation Study.

Response: Grayson has not received any correspondence from RUS yet.

(2) If the response to 12(b) is no, when will Grayson seek the approval of RUS?

Response: n/a

² Service Life and Salvage Study and Recommended Depreciation Accrual Rates as of December 31, 2007 (“Depreciation Study”). Section 2, Scope.



Grayson Rural Electric Cooperative

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Second Data Request of Commission Staff

13. Refer to Exhibit 3, at 2. This is a schedule comparing the normalized depreciation with the test-year expense. Provide the account detail for test-year depreciation expense for the distribution plant that totals \$8,992,599.

Response: Grayson does not have distribution plant depreciation total of \$8,992,599, the amount of depreciation for Grayson's distribution plant is \$1,471,175. This is shown in the "Revised Exhibit 3" that is attached to this response.

Grayson Rural Electric Cooperative
Case No. 2008-00254
May 31, 2008

Schedule 3
page 2 of 6
Revised

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Account Number	Description	Test Year Balance	Rate	Normalized Expense	Test Year Expense	Exclude Items Fully Depreciated
Distribution plant:						
		31,054	2.86%	888	941	
362	Station equipment	18,663,608	4.99%	931,314	555,782	
364	Poles, towers & fixtures	14,468,542	4.84%	700,277	429,572	
365	Overhead conductors & devices	308,059	3.13%	9,642	9,193	
367	Underground conductor & devices	6,722,239	3.45%	231,917	200,531	
368	Line transformers	5,493,899	4.02%	220,855	163,647	
369	Services	1,313,762	6.67%	87,628	39,740	
370	Meters	1,266,049	6.67%	84,445	37,302	
370.10	Meters, AMI	1,174,155	4.09%	48,023	34,467	
371	Installations on customer premises					
		<u>49,441,367</u>		<u>2,314,990</u>	<u>1,471,175</u>	
General plant:						
		79,057				
389	Land	935,639	2.50%	23,391	20,570	
390	Structures and improvements	548,623	6.00%	32,917	30,335	
391	Office furn and eqt	1,414,533	16.00%	155,231	149,109	444,338
392	Transportation	7,564	5.00%	107	103	5,418
393	Stores	34,303	5.00%	1,540	2,139	3,507
394	Tools, shop and garage	181,491	5.00%	9,008	8,280	1,325
395	Laboratory	48,447	14.00%	6,016	5,886	5,475
396	Power operated	279,309	7.00%	18,291	16,913	18,013
397	Communications	119,561	5.00%	5,780	4,108	3,952
398	Miscellaneous					
		<u>3,648,527</u>		<u>252,282</u>	<u>237,443</u>	
		<u>53,089,894</u>		<u>2,567,272</u>	<u>1,708,618</u>	
	Total electric plant					

Items that are fully depreciated are removed from the ending balance to compute test year depreciation.

Exhibit 3

page 3 of

Witness: Alan Zumstein

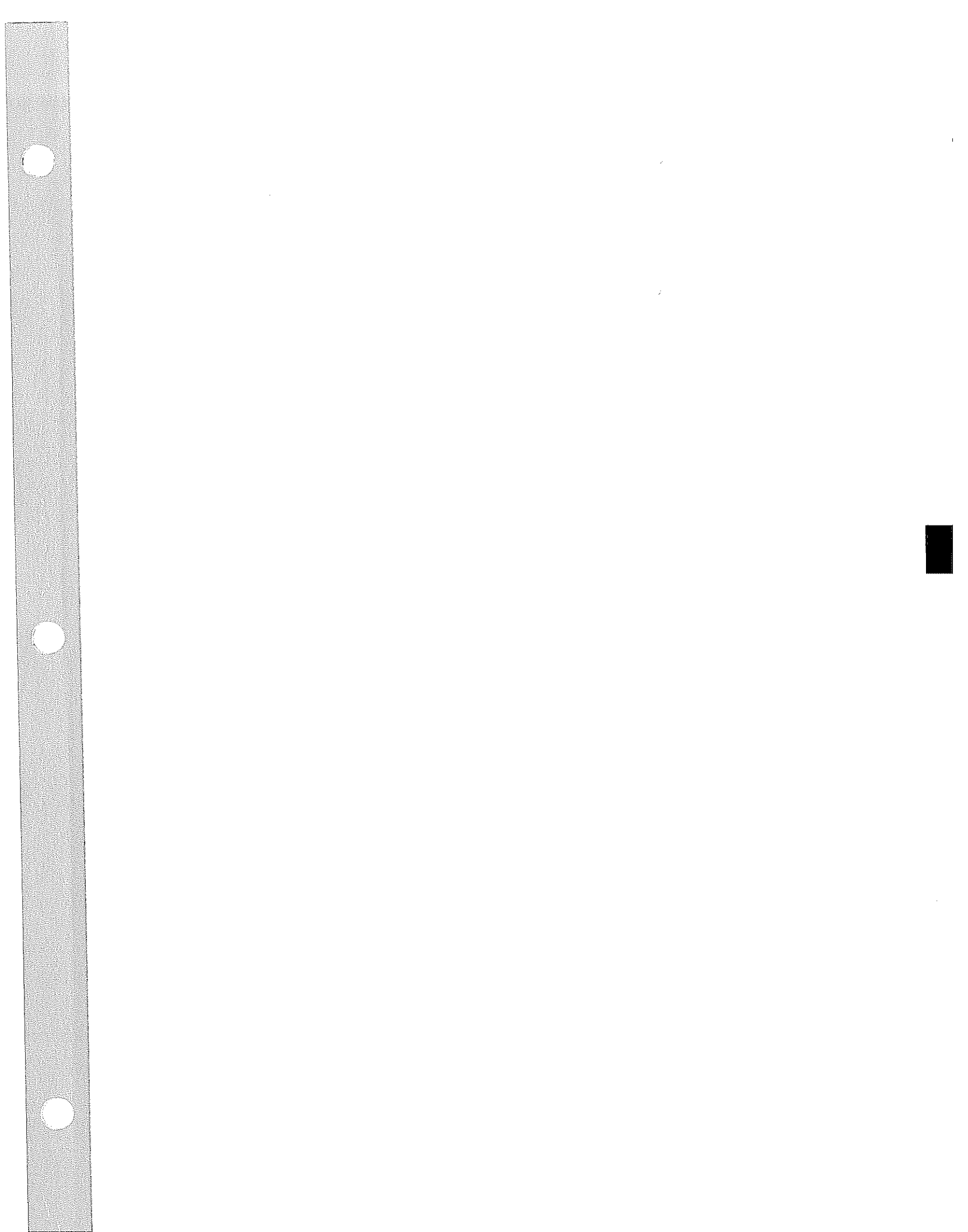
Grayson Rural Electric Cooperative
Case No. 2008-00254
May 31, 2008

Revised

	<u>Normalized</u>	<u>Test Year</u>	<u>Adjustment</u>
Total depreciation accruals	2,567,272	1,708,618	858,654
Less amount to transportation clearing	<u>155,231</u>	<u>149,109</u>	<u>6,122</u>
Depreciation expense	<u>2,412,041</u>	<u>1,559,509</u>	<u>852,532</u>

The allocation of the increase in depreciation on transportation equipment is based on actual test year transportation clearing.

<u>Account</u>	<u>%</u>	<u>Amount</u>
Construction and retirement WIP	34%	\$2,108
Others	1%	72
Distribution - operations	15%	921
Distribution - maintenance	27%	1,647
Consumer accounts	7%	423
Consumer service and information	6%	350
Administrative and general	<u>10%</u>	<u>601</u>
Total	<u>100%</u>	<u>\$6,122</u>



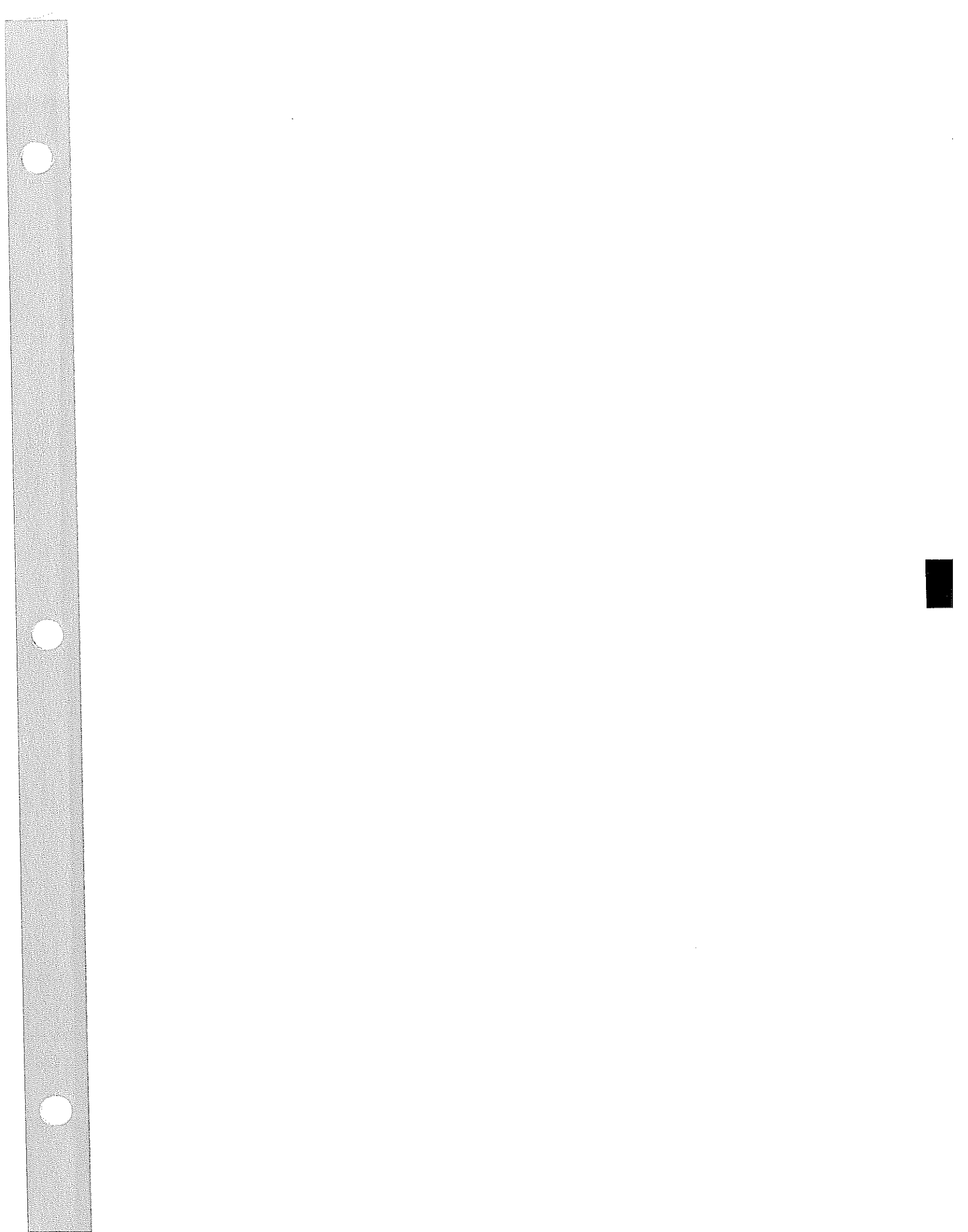
Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

14. Refer to Exhibit 3, at 3. Grayson is proposing to increase depreciation expense by \$858,000, or 54.8 percent, based on the results of the first Depreciation Study that has been performed by Grayson. Explain why it is appropriate to increase depreciation expense by this amount.

Response: The information for the depreciation guideline curve as reflected in Exhibit 3, page 6 indicates that Grayson has been using rates that have been too low based on growth of plant and the reserve ratio. The rates reflected in the depreciation study will help Grayson improve these ratios. Grayson inadvertently inserted \$426,201 in Exhibit S of the application instead of the calculated increase on page 3 of the application.



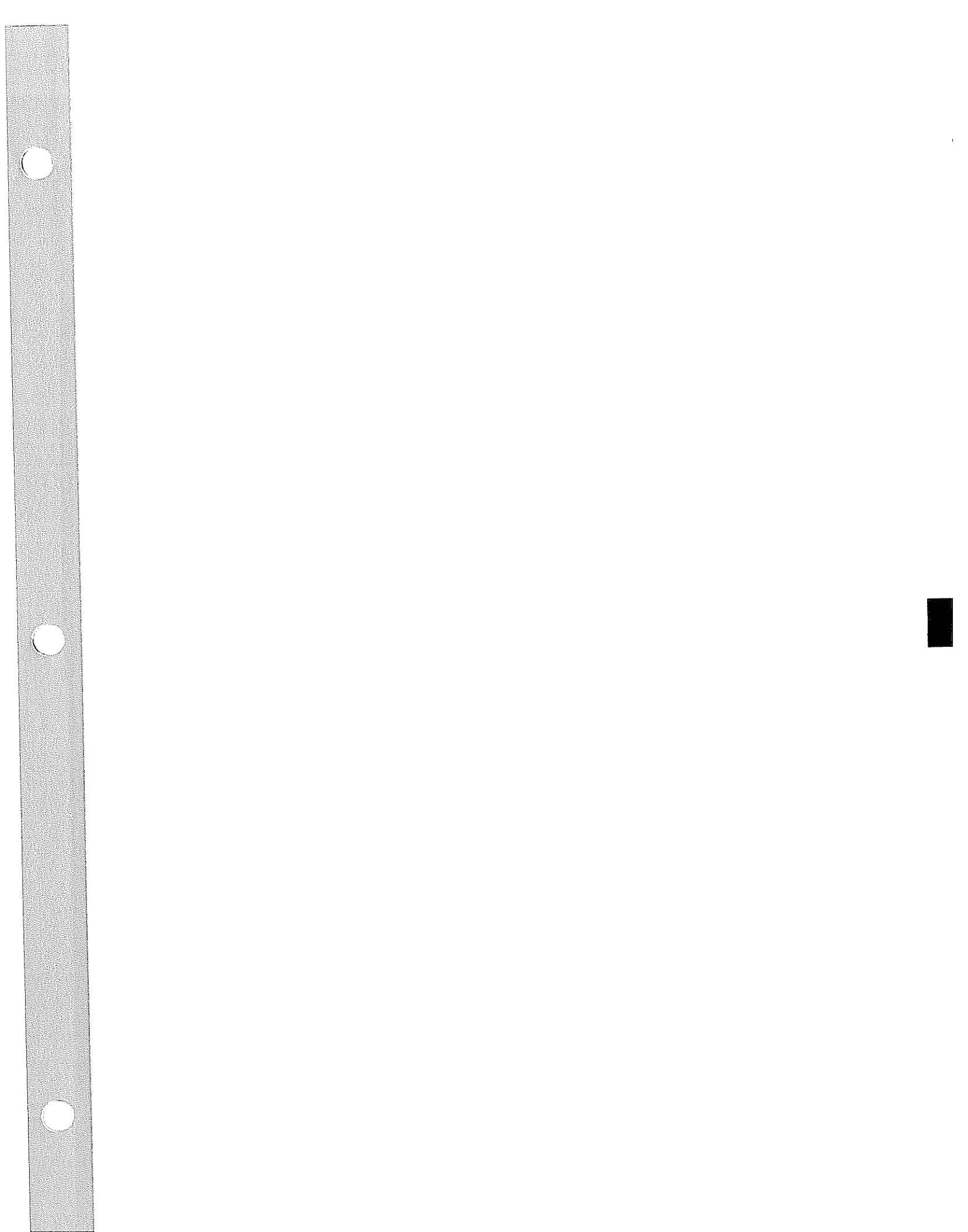
Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

15. Refer to Exhibit 5 at 2. Provide an explanation for the significant variance between the annualized interest expense and the test-year interest costs for RUS loan #1B431, \$3,956,836 and RUS loan #1B430, \$4,800,000.

Response: Loan #1B431 in the amount of \$4,000,000 was advanced during July, 2007 and loan #1B430 in the amount of \$4,800,000 was advanced during May 2008.



Question 16

Page 1 of 2

Witness: Alan Zumstein

Grayson Rural Electric Cooperative

Case No. 2008-00254

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16. Refer to Exhibit 5, page 3. Provide Actual Interest Cost for the year-end as of December 31, 2007.

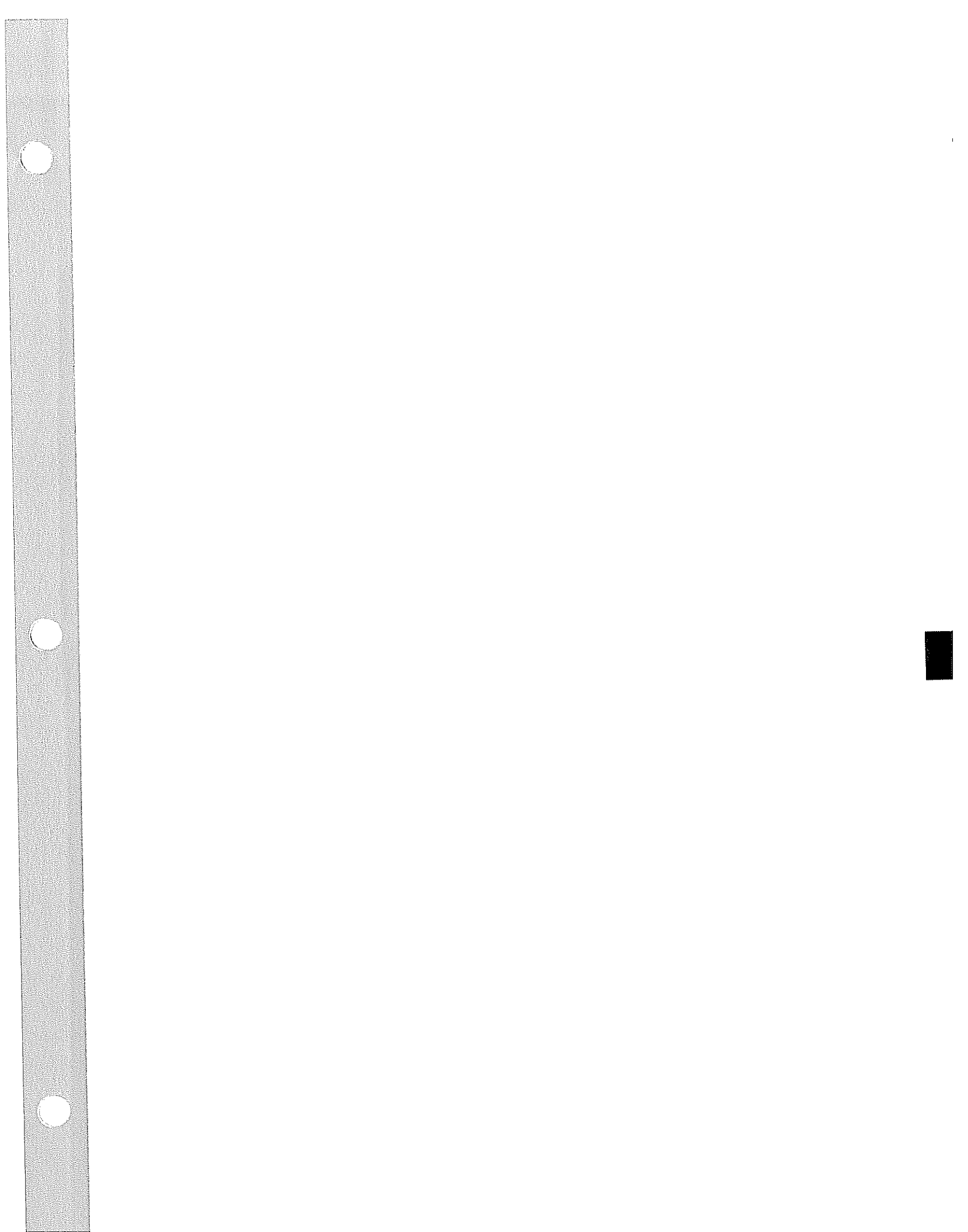
Response: Copy is attached.

Grayson Rural Electric Cooperative
 Case No. 2008-00254
 Schedule of Outstanding Long-Term Debt
 December 31, 2007

Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	Cost Rate to Maturity (g)	Year End Cost Col (d)x(g) (j)
RUS loans					
1B320	Jul-74	Jul-09	33,393	5.000%	1,837
1B330	Sep-75	Sep-10	59,059	5.000%	3,248
1B340	Jul-77	Jul-12	156,880	5.000%	8,628
1B350	Jun-78	Jun-13	162,434	5.000%	8,934
1B360	Aug-79	Jul-14	536,997	5.000%	29,535
1B370	Jan-82	Dec-16	590,763	5.000%	32,492
1B380	Jul-85	Jul-20	599,983	5.000%	32,999
1B390	Feb-88	Feb-23	873,055	5.000%	48,018
1B400	Apr-91	Apr-26	1,130,729	5.000%	62,190
1B410	Jul-94	Jul-29	2,110,263	5.000%	116,064
1B420	Jun-96	May-31	7,388,772	5.000%	406,382
1B430	Oct-04	Sep-39	1,969,371	2.220%	48,092
1B431	Oct-04	Sep-39	3,979,023	4.950%	82,581
1B430	Oct-04	Sep-39	-	4.630%	0
			<u>19,590,722</u>		<u>881,000</u>
FFB loans					
H0010	Nov-99	Oct-34	<u>10,100,551</u>	4.540%	<u>488,977</u>
CFC loans					
9003	Mar-74	Mar-09	17,188	7.00%	1,152
9005	Oct-75	Sep-10	32,375	6.40%	1,984
9007	Aug-77	Aug-12	82,987	6.75%	5,365
9009	Dec-78	Dec-13	82,962	6.40%	5,085
9011	May-80	May-15	275,673	6.80%	17,953
9014	Mar-85	Feb-20	295,918	5.90%	16,721
9015	Feb-87	Feb-22	281,796	5.90%	15,923
9016	Dec-89	Dec-24	405,474	6.40%	24,853
9017	Feb-94	Feb-29	497,956	5.90%	28,137
			<u>1,972,329</u>		<u>117,173</u>
Total long term debt and annualiz			<u>31,663,602</u>		<u>1,487,150</u>

Annualized cost rate [Total Col. (j) / Total Col. (d)] 4.70%

Actual test year cost rate [Total Col (k) / Total Reported in Col (d)]



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

17. Refer to Exhibit 5 at 2.

a. This is a schedule of Grayson's outstanding long-term debt. Identify each of the long-term debt issuances that have short-term fixed interest rates, and state how often the interest rates can be repriced.

Response: See attached schedule.

b. For those long-term debt issuances identified in 30(b), provide a schedule showing the effective interest rates for the 2-year period from January 1, 2007 through December 31, 2008.

Response: The following is for the FFB loans.

December 2006	4.903%
March 2007	5.023%
June 2007	5.042%
September 2007	4.823%
January 2008	3.835%
March 2008	3.197%
June 2008	1.338%
September 2008	1.699%
RUS loan #1B430 rates:	
November 2007	4.950%
November 2008	2.220%

c. Provide an update of the schedule on pages 2 and 3 that reflects the current interest rates for long-term debt applied to the long-term debt balances as of the end of the proposed test year.

Response: Schedule attached.

Grayson Rural Electric Cooperative
 Case No. 2008-00254
 Schedule of Outstanding Long-Term Debt
 May 31, 2008

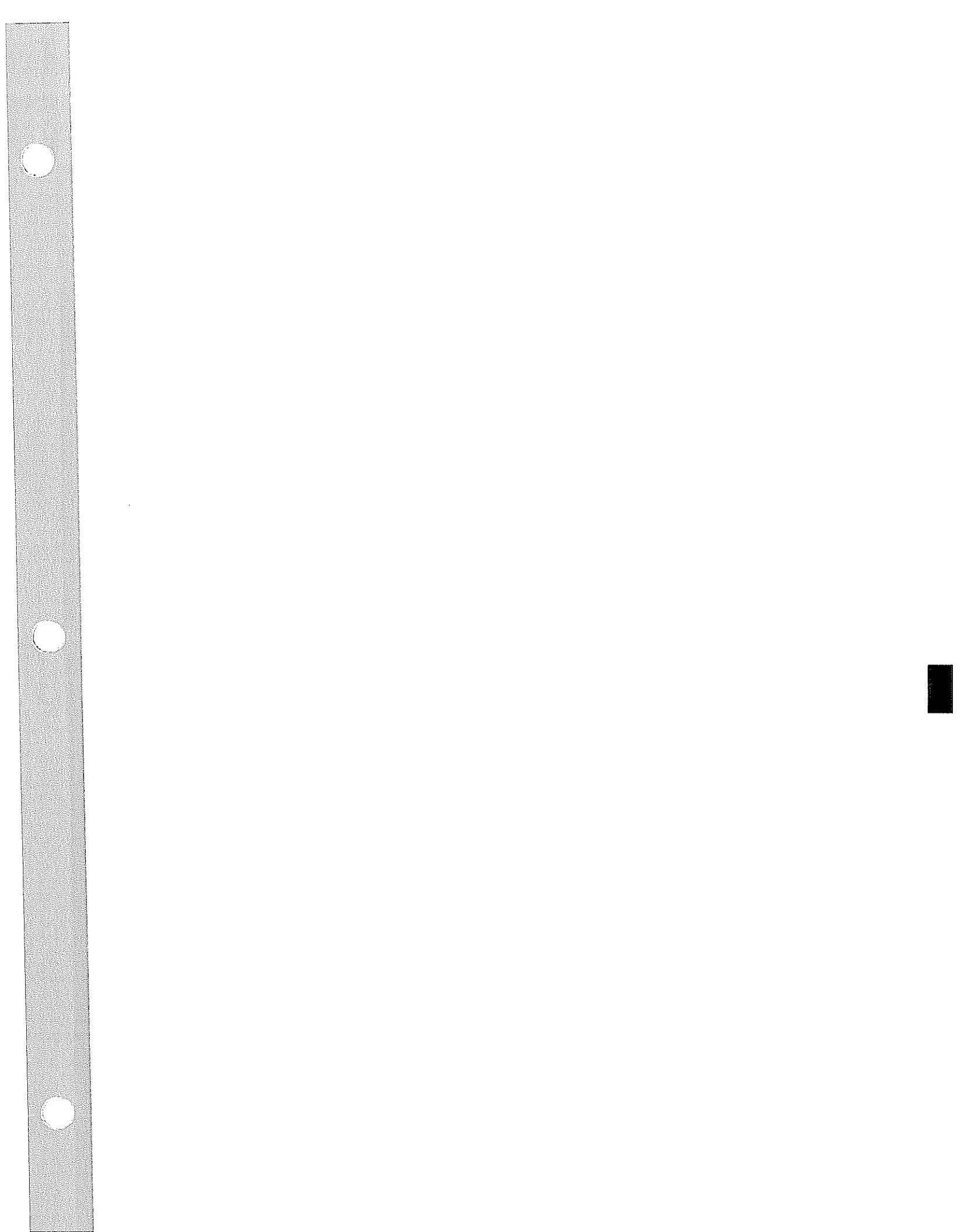
PSC-2-17 c.

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Type of Debt Issued (a)	Date of Issue (b)	Date of Maturity (c)	Outstanding Amount (d)	f = fixed v = variable	Interest Rate Term	New Pricing Date	Cost Rate to Maturity 11/30/08	Annualized Cost
RUS loans								
1B320	Jul-74	Jul-09	22,606	f	maturity		5.000%	1,130
1B330	Sep-75	Sep-10	48,917	f	maturity		5.000%	2,446
1B340	Jul-77	Jul-12	141,143	f	maturity		5.000%	7,057
1B350	Jun-78	Jun-13	149,460	f	maturity		5.000%	7,473
1B360	Aug-79	Jul-14	501,631	f	maturity		5.000%	25,082
1B370	Jan-82	Dec-16	564,298	f	maturity		5.000%	28,215
1B380	Jul-85	Jul-20	585,176	f	maturity		5.000%	29,259
1B390	Feb-88	Feb-23	856,426	f	maturity		5.000%	42,821
1B400	Apr-91	Apr-26	1,114,523	f	maturity		5.000%	55,726
1B410	Jul-94	Jul-29	2,086,832	f	maturity		5.000%	104,342
1B420	Jun-96	May-31	7,317,607	f	maturity		5.000%	365,880
1B430	Oct-04	Sep-39	1,958,381	f	1 yr maturity	01/01/09	2.220%	43,476
1B431	Oct-04	Sep-39	3,956,836	f	maturity		4.950%	195,863
1B430	Oct-04	Sep-39	4,800,000	f	maturity		4.630%	222,240
			<u>24,103,836</u>					<u>1,131,010</u>
FFB loans								
H0010	Nov-99	Oct-34	<u>10,037,463</u>	f	quarterly	01/01/09	2.630%	<u>263,985</u>
CFC loans								
9003	Mar-74	Mar-09	11,656	f	maturity		7.00%	816
9005	Oct-75	Sep-10	26,901	f	maturity		6.40%	1,722
9007	Aug-77	Aug-12	74,951	f	maturity		6.75%	5,059
9009	Dec-78	Dec-13	76,560	f	maturity		6.40%	4,900
9011	May-80	May-15	258,488	f	maturity		6.80%	17,577
9014	Mar-85	Feb-20	283,057	f	maturity		5.90%	16,700
9015	Feb-87	Feb-22	273,868	f	maturity		5.90%	16,158
9016	Dec-89	Dec-24	397,258	f	maturity		6.40%	25,425
9017	Feb-94	Feb-29	489,951	f	maturity		5.90%	28,907
			<u>1,892,690</u>					<u>117,264</u>
Total long term debt and annualiz			<u>36,033,989</u>					<u>1,512,259</u>

Annualized cost rate [Total Col. (j) / Total Col. (d)]

Actual test year cost rate [Total Col (k) / Total Reported in Col (d)]



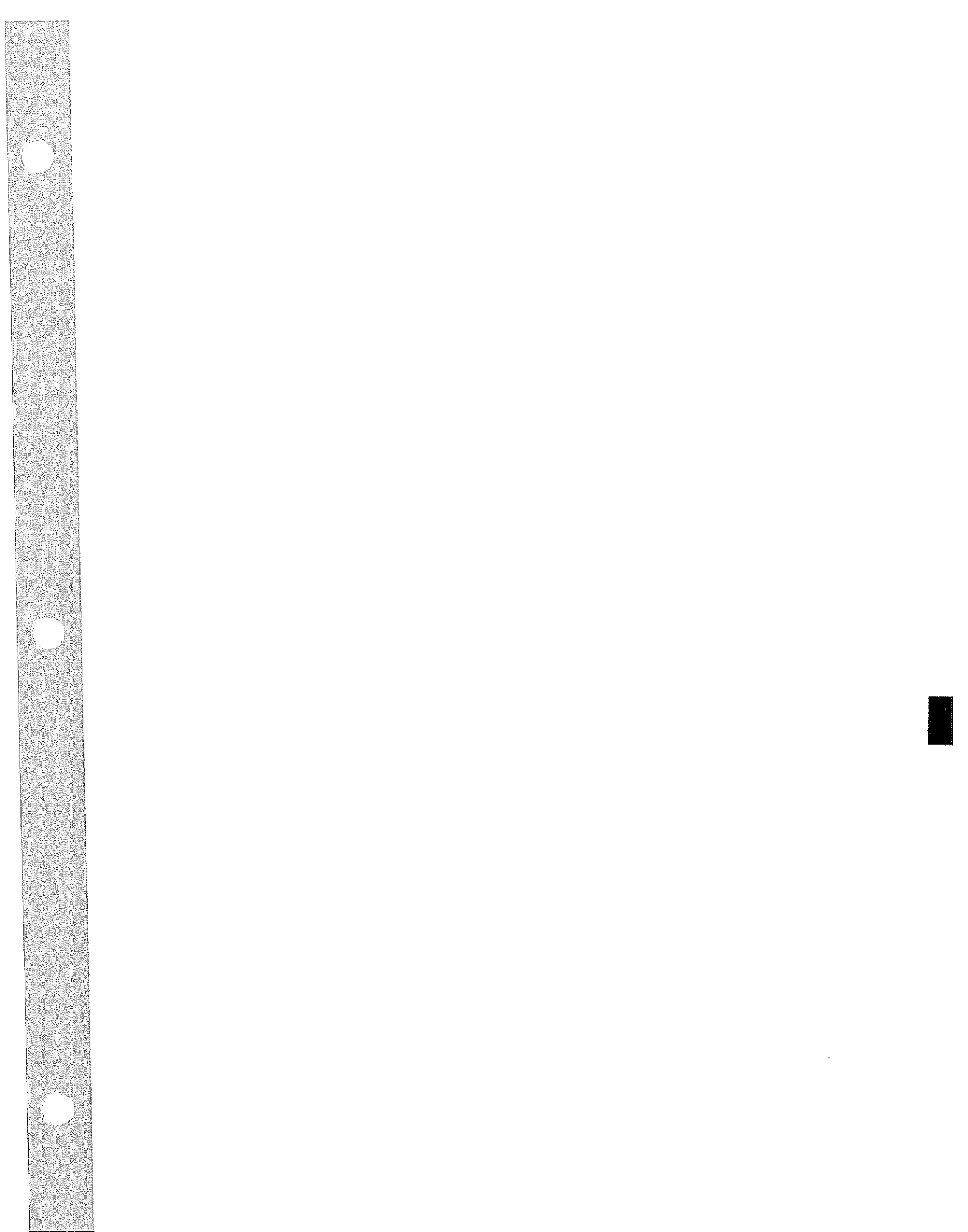
Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

18. Refer to Exhibit 5 at 2 and 4. As of December 31, 2007, Grayson reports that there is no outstanding balance for RUS loan #1B431 that was issued in October, 2004. However, Grayson reports an outstanding balance of \$4.8 million for this loan on May 31, 2008. Provide a detailed explanation of why a loan issued in October 2004 does not have an outstanding balance until May 31, 2008.

Response: Funds were not advanced until May 2008.



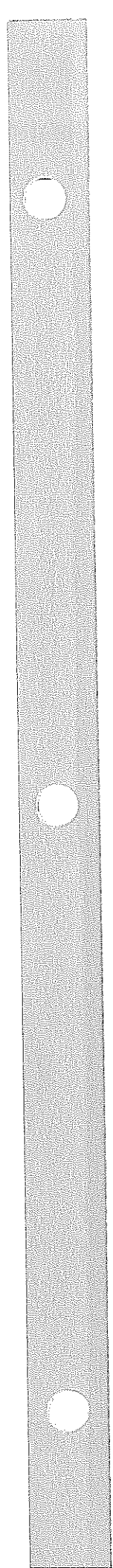
Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

19. Refer to Exhibit 6 at 1. Exhibit 6 indicates that the exhibit is Fleming Mason's updated study of SFAS No. 106. Provide the exhibit for Accounting for Postretirement Benefits for Grayson.

Response: the amounts reflected in Exhibit 6 are Grayson's numbers and amounts. An incorrect cooperative name was listed on this page.



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

20. Refer to Exhibit 7 at 2-3.

a. Provide an explanation for the nature of the two Retirement and Security Program exhibits, System #1-18061-001 and System # 01-18061-002.

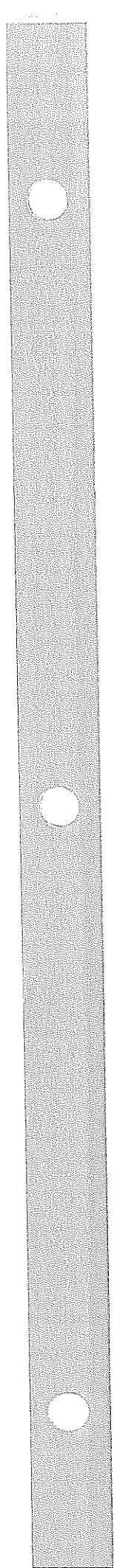
Response:

NRECA chooses to segregate union employees and non-union employees into different groups, which may allow for different benefits for each group.

b. Describe in detail the difference in the two programs.

Response:

In Grayson's case there is no difference in benefits for either group



Grayson Rural Electric Cooperative

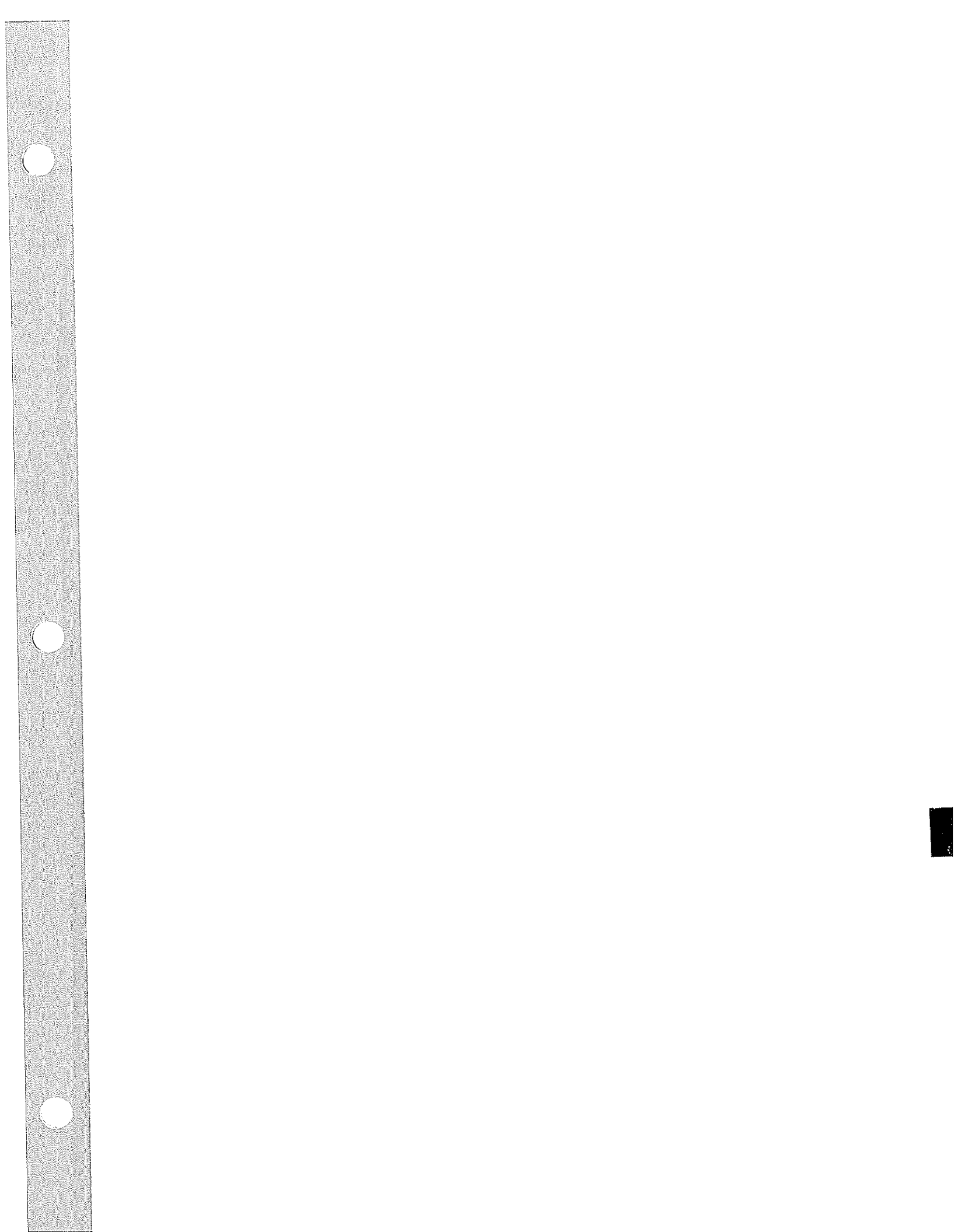
Case No. 2008-00254

Second Data Request of Commission Staff

21. Refer to Exhibit 7 at 2. Provide an explanation for the increase in the benefit level from 1.40 to 2.0 in 1993.

Response:

This change occurred during NRECA's moratorium on employer contributions, where it was a good time to provide an increase in employee's benefits at a reduced cost.



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

22. Refer to Exhibit 7 at 3.

a. Provide an explanation for the increase in the benefit level from 1.40 to 2.0 in 1999.

Response:

That change was negotiated as part of the labor contract beginning that year.

b. Explain the employee contribution that occurred in 1995.

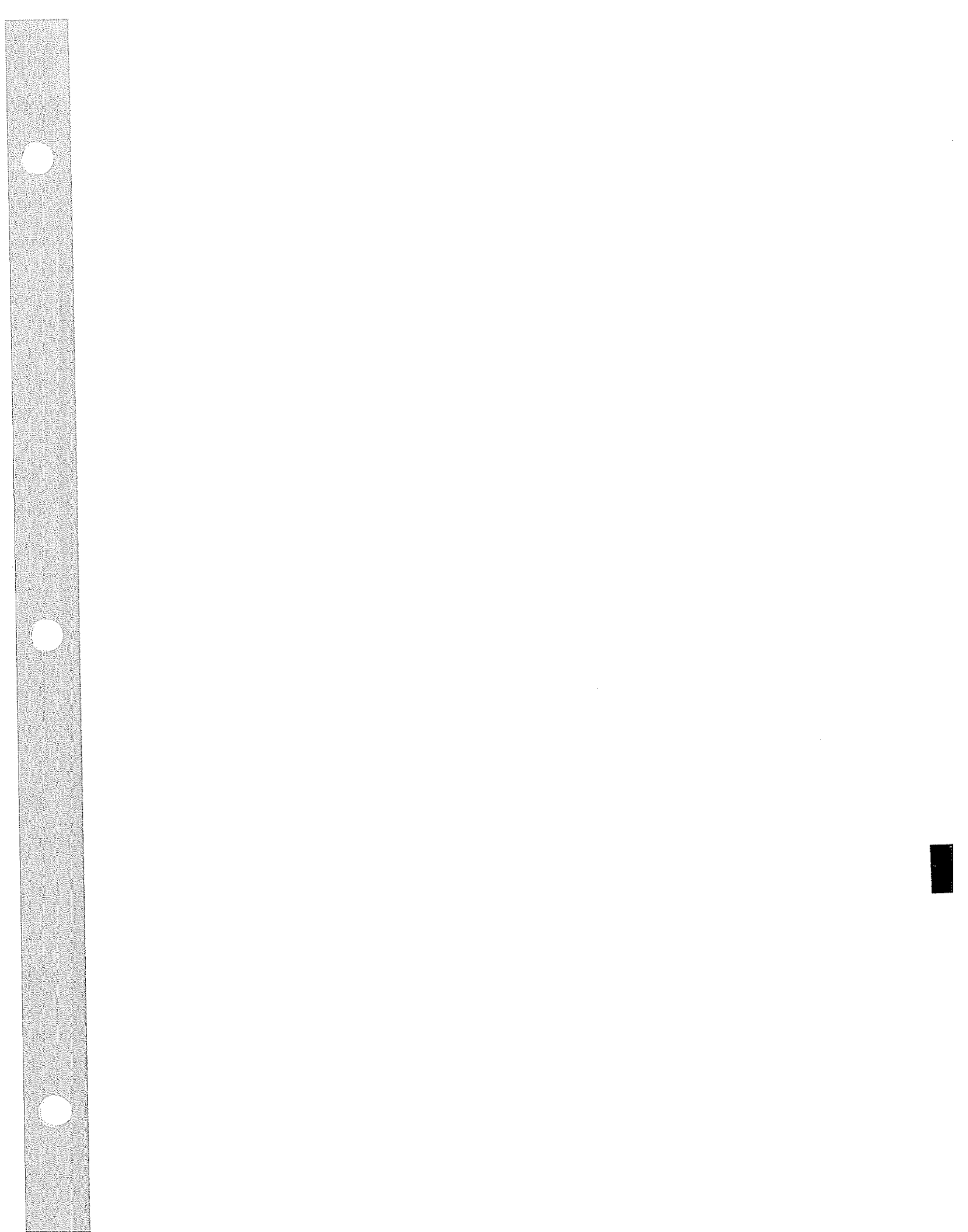
Response:

The employee contribution was required prior to moratorium taking effect and resumed in 1995 until changed in May of 1995.

c. Explain why Grayson has not required its employees to contribute to their retirement plan since 1995.

Response:

The contribution rate is less when the employer pays all of the contribution.



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

23. Refer to Exhibit 11 of the application.

a. On page 4, describe the nature of the expense of \$16,702.68 labor and benefits and how the amount was derived. Does this amount result in duplication of labor and benefits in other accounts?

Response: Employee time related to members capital credit records. This is not a duplication of labor and benefits in other accounts.

b. On page 4, provide the calculation of how the amount of \$54,648.64 dues in associated organizations was derived.

Response: The dues were derived as follows:

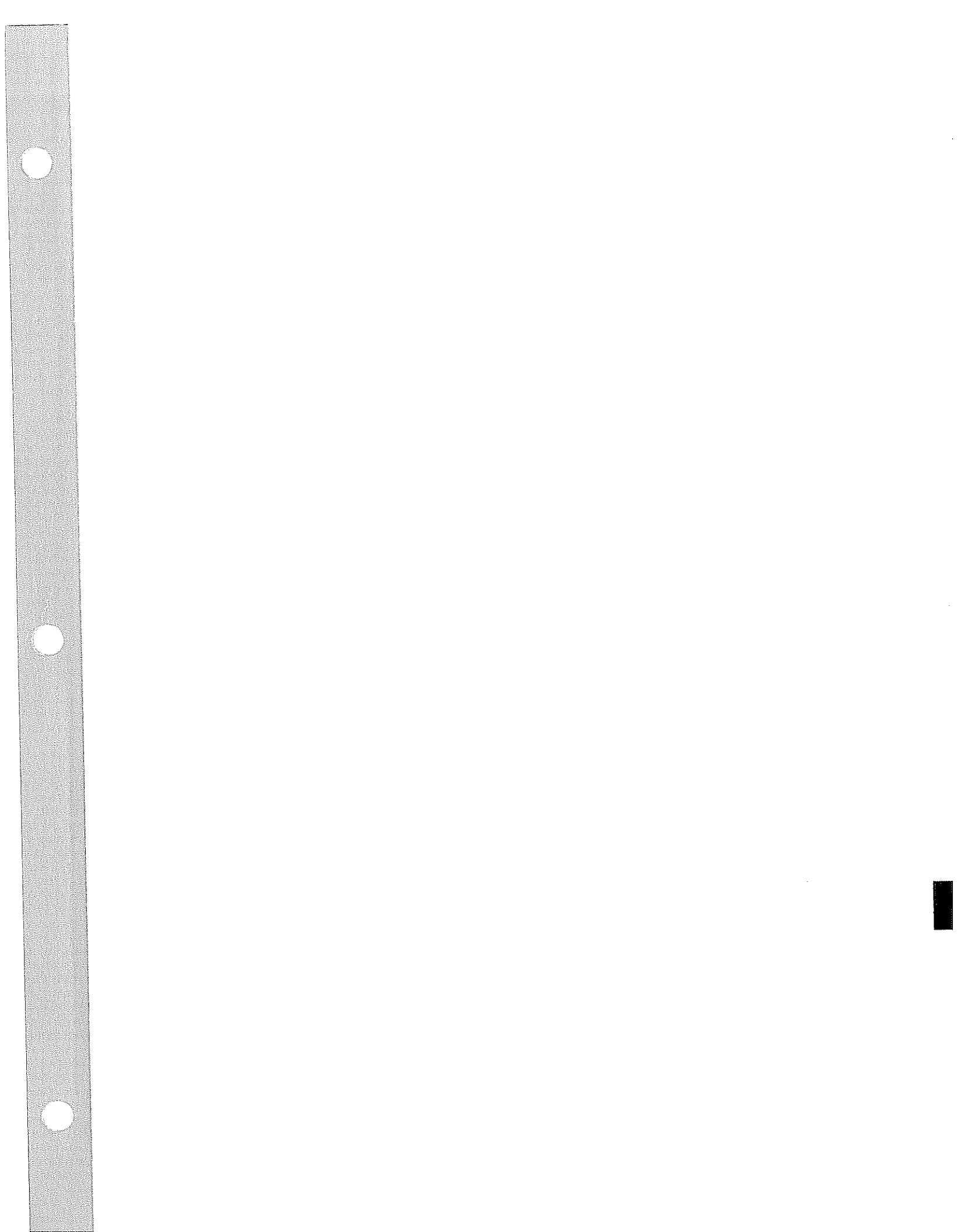
Account 165.20, Prepaid dues	
Balance 06/07	32,072.26
Accrual	54,648.64
Payments made	<u>54,977.26</u>
Balance 05/08	<u><u>31,743.64</u></u>

c. On page 4, describe the nature of the credit of \$2,540.59 Partner plus reimbursement and why this payment should be excluded for rate-making purposes.

Response: These are receipts from East Kentucky Power who has discontinued this program.

d. On page 7, describe the nature of the credit of \$4,015.07 Partner plus reimbursement and why this payment should be excluded for rate making purposes.

Response: These are receipts from East Kentucky Power who has discontinued this program.



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

24. Refer to Exhibit 12 of the application.

a. Given that the last time Grayson filed a rate case was in 1998, explain the rationale for the 3-year amortization period.

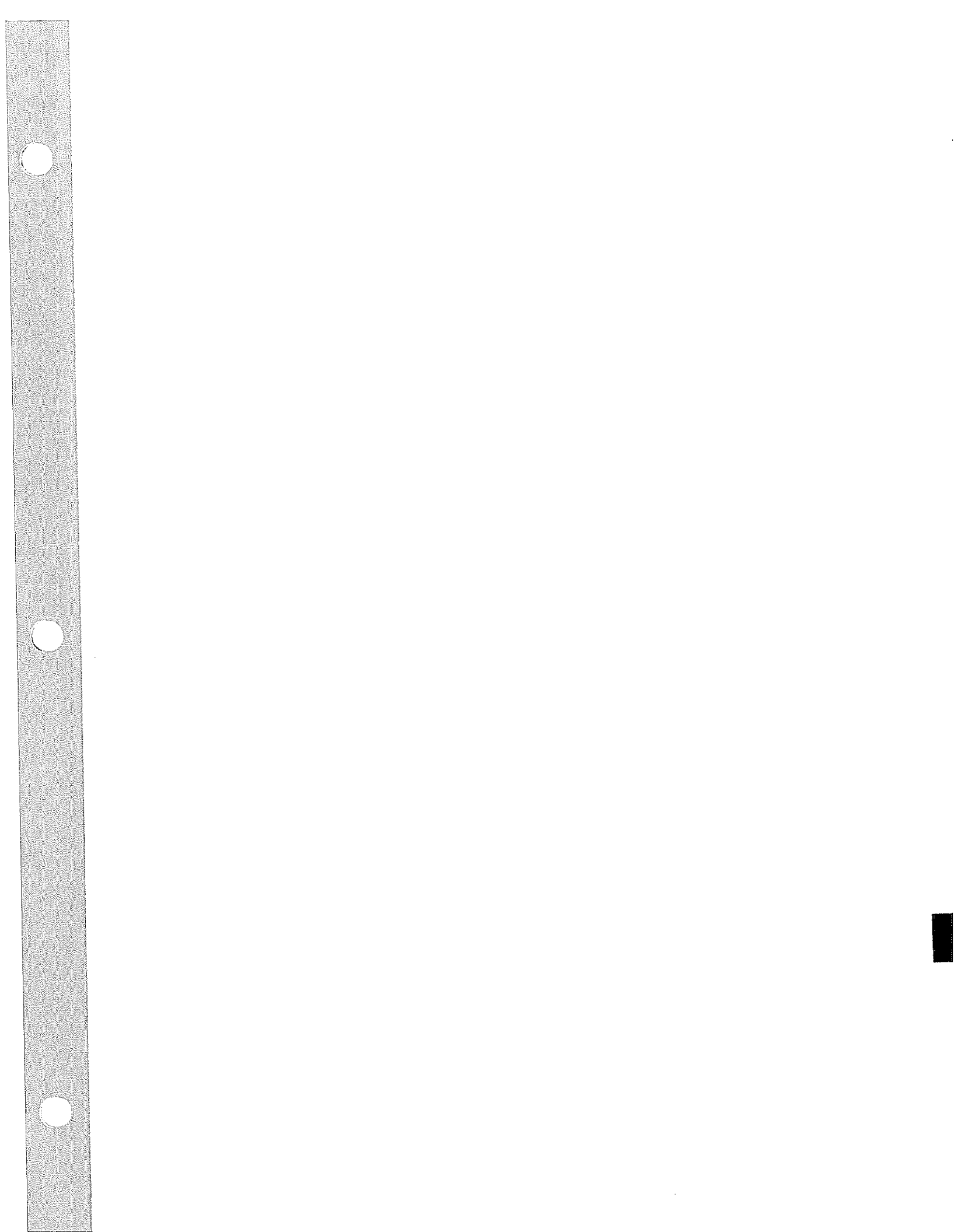
Response: Grayson has been very fortunate in that it has not been necessary to file for an increase since 1992, however, with rising costs and expenses, it is not likely that Grayson will go this long before another increase is required. That length of time is an unknown. Given those circumstances, Grayson has elected to use the same amortization period as other cooperatives that have recently filed applications with this Commission and has elected a 3-year amortization period.

b. *Grayson estimates the expenses associated with this rate case.* On a monthly basis, beginning in May 2008, provide the amount of Grayson's actual rate-case expenses, by category, as was done in the estimate.

Response: Attached.

Grayson Rural Electric Cooperative
 Case No. 2008-00254
 Monthly Update of Rate Case Expenses

	October	November	December	January	February	Total
External Costs:						
Attorney						0
Consulting	18,000	32,365				50,365
Advertising		3,689				3,689
Supplies	614	30				644
Subtotal	18,614	36,084	0	0	0	54,698
Internal Costs:						
Labor and benefits						
Total	18,614	36,084	0	0	0	54,698



Grayson Rural Electric
Case NO. 2008-00254
1st Data Request of the Commission Staff

1. Refer to Exhibit 21. Odd numbered pages from the Union contract are missing from the application. Provide pages 3, 5, 7, 9, 11, 13, 15, 17, 19, and 21.

Response: The entire contract is attached.

INDEX

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Section 4. All employees who are members of the UNION on the effective date of this Agreement shall be required to remain members of the UNION in good standing as a condition of employment during the term of this Agreement. Local Union 317 will provide the COOPERATIVE a complete and current membership list, updated as necessary. Huntington Local 317 will provide the COOPERATIVE with an enrollment card for any new UNION member before the 31st day of employment, so that UNION dues can be added to his/her payroll deduction. The COOPERATIVE agrees to collect UNION dues and remit them to Huntington Local 317 on a quarterly basis, and also to collect kitty fund dues and remit them to Local 317 treasurer on a monthly basis. New employees and employees who are not now members of the UNION shall be required to become and remain members of the UNION in good standing as a condition of employment within thirty-one (31) days following the date of their employment or the effective date of the Agreement, whichever is later. The terms of this Agreement shall apply to all such employees prior to their becoming members of the UNION.

Section 5. The COOPERATIVE agrees not to discriminate against any employee on account of UNION membership or UNION activity. The COOPERATIVE agrees to withhold UNION dues through the weekly payroll deduction plan and submit them to the Union Hall.

Section 6. The COOPERATIVE will recognize the following number of properly certified UNION representatives for the purpose of representing employees in the manners specified in this Agreement.

- (a) Business Manager of Local Union No. 317.
- (b) Assistant Business Manager of Local Union No. 317.
- (c) Immediate I B E W International Representative.
- (d) The Joint Conference Committee Consisting of three (3) representatives of the UNION.
- (e) Steward.

When a properly certified UNION representative is unable to participate as specified by this Agreement for any reason, the UNION will notify the COOPERATIVE within twenty-four (24) hours and the COOPERATIVE will recognize an alternate, certified by the UNION, who may act for him.

ARTICLE III MANAGEMENT CLAUSE

President & CEO of the COOPERATIVE has the exclusive authority to execute all of the various functions and responsibilities incident hereto which are vested in the COOPERATIVE. The direction of the workforce, the establishment of plant policies; the determination of the processes and means of operations, the units of personnel required to perform such processes and other responsibilities incidental to the operation and maintenance of the electrical system are vested in the COOPERATIVE. Such duties, functions, and responsibilities shall include the management of the work, the direction of the work, the supervision, direction and control of the working force, the right to hire, the right to discharge, right to discipline for just cause, or place employees, and are vested exclusively in the COOPERATIVE. The UNION shall not abridge this right provided there is no discrimination and nothing is done in violation of this Agreement. Nothing in this Agreement shall be construed to in any way restrict the installation, use, or application of labor saving devices, or equipment, provided safety of employees is not jeopardized. The UNION will be notified of any changes in **Board Policy # 504 Sick Leave, Accrual of Sick Leave and Accounting of Sick Leave Earned, Board Policy # 505 Payment of Sick Leave Upon Retirement or Termination, Board Policy # 510 Vacation, Board Policy # 511 Jury Duty, Board Policy # 512 Family Leave, Military Leave, etc., and Board Policy # 514 Insurance Benefits.**

The exercise of such authority shall not conflict with the rights of the UNION under the terms of this Agreement.

ARTICLE IV CONTINUITY OF OPERATION

Section 1. The UNION agrees that it will not authorize a strike, work stoppage, picket line, slow down or secondary boycott for the life of this Agreement. The COOPERATIVE agrees that it will not engage in a lockout.

ARTICLE VI

VACATIONS

Section 1. An employee will be entitled to a vacation with pay in each calendar year, based upon the length of his/her continuous service in accordance with the following schedule:

- (a) One year but less than eight years of continuous service - ten workdays of vacation.
- (b) Eight years or more of continuous service - one additional day of vacation for each additional year of continuous service, including the eighth year, not to exceed twenty-six (26) workdays of vacation.
- (c) An employee must complete the full minimum continuous service requirements before becoming eligible to take vacation or additional vacation.

Section 2. The vacation period shall be on a calendar year basis from January 1, to December 31, inclusive.

- (a) An employee may carry forward into the succeeding year a maximum of 30 days of vacation earned, but not taken, or after 12 years of service may sell back to the COOPERATIVE vacation time in accordance with **Board Policy # 510 Vacation**.
- (b) No employee may be credited at the beginning of any calendar year with more than 30 days of previously accumulated vacation. All vacation earned in excess of the 30 day carry over will be taken within the vacation period.

Section 3. If a day observed as a holiday occurs during an employee's vacation such employee shall receive an additional day of vacation.

Section 4. Vacations are scheduled by the COOPERATIVE to be taken during the vacation period. Preference within a department as to dates will be given on the basis of seniority, provided such preference is indicated prior to February 1st.

An employee entitled to ten (10) workdays of vacation shall take at least one full work week of vacation at one time. The remaining balance of vacation may be taken or carried over in accordance with **Board Policy 510 Vacation**.

No pay will be made to an employee in lieu of vacation time, except after an employee becomes eligible for fifteen (15) workdays or more annual vacation in accordance with **Board Policy # 510 Vacation**. For the purpose of this sub-section overtime rules applicable to vacation time are hereby suspended.

Section 5. An employee who is laid off, released or discharged or who resigns will be paid for vacation earned but not taken at the time his/her employment is terminated.

Section 6. In the event an employee who is entitled to a vacation dies before he/she has taken that vacation, the person designated as beneficiary of his/her Group Life Insurance shall be entitled to his/her vacation pay.

ARTICLE VII

HOURS OF WORK-OVERTIME

Section 1. Definitions:

Standard Workday means the continuous eight (8) hour period, excluding an interval of thirty (30) minutes for lunch, between the hours of 7:30 a.m. and 4:00 p.m., in any given day.

Standard Workweek means five (5) standard workdays, Monday through Friday inclusive within a workweek, amounting to a total of forty (40) hours

Section 7. An employee who has completed his/her scheduled work day and returned home, and is recalled by the COOPERATIVE to perform work will receive not less than two (2) hours pay at one and one-half (1½) times his/her base hourly rate, or one and one-half (1½) times his/her regular rate for such work performed, whichever is greater.

Section 8. Holidays not worked, jury duty time, vacations, and funeral absences, which are compensated for under other appropriate provisions of this Agreement, will be credited as hours worked in computing overtime except that, to avoid duplication, there will be credited only eight (8) hours for any one (1) calendar day.

Section 9.

- (a) An employee required to work overtime shall be allowed time to eat in accordance with applicable state laws.
- (b) An employee who is required to work overtime and who works ten (10) or more continuous and successive hours will be paid a meal allowance of five (\$5.00) dollars unless the meal is provided by the COOPERATIVE. Any meal allowance will be included in his/her regular paycheck for that pay period. An additional meal allowance will be allowed for each four (4) hours of consecutive work performed thereafter.
- (c) No time will be deducted for meal periods during such overtime work, it being understood that they will be made as short as possible.

Section 10.

- (a) The following holidays will be observed: New Years Day, Good Friday, Memorial Day, Independence Day, Labor Day, Thanksgiving Day, the day after Thanksgiving Day, Christmas Eve, and Christmas Day. Any employee who has served in the United States Military will be entitled to a holiday on Veteran's Day. **(In accordance with Board Policy # 513 Holidays)**
- (b) Should Christmas fall on a Saturday, the preceding Thursday and Friday will be observed as holidays. Should Christmas fall on Sunday, Monday and Tuesday will be observed as holidays.
- (c) Should one of these holidays fall on a Saturday, it will be observed on the Friday preceding. Should one of these holidays fall on a Sunday, it shall be observed on the Monday following. Work on such Saturdays or Sundays shall not be compensated for under the holiday pay rules.
- (d) An employee who works on a day observed as a holiday will be paid at the rate of one and one-half (1½) times his/her base hourly rate for all such time worked, plus an amount equal to eight (8) times his/her base hourly rate, provided he/she meets the requirements.

Section 11. In cases of emergencies, an employee on vacation may be recalled from vacation, and in such event, he/she shall be paid one and one-half (1½) times his/her base hourly rate for actual time worked in addition to vacation pay as provided in Article VI, Section 1, or, with the approval of the employee's Department Head, equivalent hours may be taken off in lieu thereof.

Section 12. A employee who is required to serve on a municipal, county, state or federal petit, or grand jury, or who is subpoenaed as a witness in any case to testify as to facts observed by him/her shall be paid for such service at his/her base hourly rate for the time lost from his/her standard workday by reason of such service in accordance with **Board Policy # 511 Jury Duty**, subject to the following provisions:

- (a) An employ called for jury duty or as a witness and who is temporarily excused from attendance at court must report for work if a four hour period of time remains to be worked in his/her standard workday.

Section 13. Employees may not trade days off except with the prior approval of their respective Department Heads, and provided further that no overtime premium is involved.

- (e) Overtime of less than thirty (30) minutes will not be charged
- (f) On the effective date of this Agreement all prior records of overtime are null and void.

Section 15. Overtime shall not be duplicated for the same hours under any of the terms of this Agreement, and to the extent that hours are compensated for as overtime under one provision they shall not be counted as hours worked in determining overtime compensation under the same or any other provisions, except as specifically provided therefore.

Section 16. An employee who has completed his/her probationary period and is a member of a reserve component of the Armed Forces and who is required to enter upon active annual temporary training duty, shall be paid the difference between the amount of pay he/she received from the Federal or State government for such duty and his/her base hourly rate for the time lost while on such duty up to a maximum period of two (2) weeks per year, subject to the following provisions:

- (a) An employee must submit to his/her Department Head, as soon as possible after receipt, evidence of orders to report for training.
- (b) When the employee returns to work he/she must submit to his/her Department Head a statement supporting payment for such duty.
- (c) Time off from work paid for under this section will not be counted as hours worked in the computation of overtime or premium pay.

ARTICLE VIII WAGES

Section 1. The base hourly rates, labor grades and job classifications as set forth in Section 6 of this Article shall have been fixed on a permanent basis which remains in effect for the duration of this Agreement.

Section 2. An employee who moves to a classification having a higher labor grade shall begin at the starting rate of the higher labor grade. However, if such starting rate is the same or less than his/her existing rate, he/she shall begin at the next step rate of the higher labor grade above his/her existing rate, but not to exceed the maximum.

Section 3. An employee who at the request of the COOPERATIVE is temporarily required to do the work in a classification other than his/her own shall suffer no reduction in his/her rate of pay. An employee assigned temporarily to do work in a job classification in a higher labor grade will be paid at the starting rate for the higher labor grade.

Section 4. An employee recalled to a classification will assume a rate at the same relative position in the rate range as he/she had established when placed on the recall list for such classification.

Section 5. The COOPERATIVE agrees to pay Maintenance Leadman's pay to at least one person in the north area and the south area at all times. It shall be at the discretion of the COOPERATIVE whether to substitute a Maintenance Leadman on a daily basis, in accordance with the work load. If an employee is designated to substitute for a Maintenance Leadman, he/she shall be paid Maintenance Leadman's pay for regular or overtime work.

Section 7. Effective July 1, 1975, all employees covered by this Agreement shall be paid on Friday of each week following one week's preparation time, from Sunday 12:01 a.m. to Saturday 12:00 p.m. In order to implement policy of paying on Friday of each week, the first payday will fall on July 13, 1975. When payday falls on a holiday, employees will be paid on the preceding day. (Amended 5/1/98)

In the event of a voluntary termination of employment an employee's final pay will be mailed or otherwise delivered on the regular scheduled payday. In the event of involuntary termination of employment the final pay will be mailed or otherwise delivered at the earliest practicable date.

Section 8. If a full-time employee (member of the UNION) is required to cut right-of-way, he/she will be paid at his/her regular rate of pay, plus fringes.

Section 9. Apprenticeship Program

The Apprenticeship Program for the position of (Lineman) shall be approved by the Kentucky Labor Cabinet and administered by the COOPERATIVE. The determination of whether or not there is a need for a person in the Apprenticeship Program shall be made independently and exclusively by the COOPERATIVE. Such person or persons shall be selected by the COOPERATIVE and eligibility for entry into the Apprenticeship Program shall be that established by the Apprenticeship Program as now exists or which may hereafter be adopted by the COOPERATIVE. Selection of such apprentices by the COOPERATIVE will be on the basis of qualifications and all applications will be afforded equal opportunity without regard to race, color, national origin, age or handicap so long as the applicants meet the qualifications established by the Apprenticeship Program.

Training which takes place as part of the Apprenticeship Program and shall be established and outlined in such Apprenticeship Program or such other program as may be adopted by the COOPERATIVE. The term of the Apprenticeship Program, training, schooling, responsibilities and obligations of the apprentice, standards of performance and other such matters shall be that which are contained in the Apprenticeship Program or other program as may be adopted by the COOPERATIVE.

The term of apprenticeship shall not be less than four (4) years of continuous employment. Apprentices will be paid at the following hourly rates of pay:

Apprentice/First Year - Seventy-five percent (75%) of the then existing wage rate for Lineman First Class.

Apprentice/Second Year - Eighty percent (80%) of the then-existing wage rate for Lineman First Class.

Apprentice/Third Year - Ninety percent (90%) of the then-existing wage rate for Lineman First Class.

Apprentice/Fourth Year - Ninety-five percent (95%) of the then-existing wage rate for First Class Lineman

First Class Lineman

An apprentice shall be on probation throughout the entire period of the Apprenticeship Program and shall accrue no seniority until such time as he/she has completed the full Apprenticeship Program. At the point in time when an Apprentice completes the entire Apprenticeship Program and is accepted as a regular employee of the COOPERATIVE, then his/her seniority shall date from the first day of employment in the Apprenticeship program. In the event of a reduction of force in the Lineman classification, Apprentices shall be laid off first and, in the event more than one (1) Apprentice is involved in the Apprenticeship Program, such Apprentices shall be laid off in such order as the COOPERATIVE shall determine in its sole discretion.

Section 4. Reduction in force

- (a) When a reduction in force is to be made in a classification, those having the least amount of classification seniority shall be the first to be declared surplus.
- (b) In accordance with (a), the employee with the least classification seniority may exercise one of the following options:
 - 1. Transfer to another department and/or classification for which he/she is qualified and displace any employee with less seniority.
 - 2. Accept a layoff.
- (c) An employee physically handicapped by reason of occupational injury while employed by the COOPERATIVE shall be given special consideration, subject to his/her qualifications and seniority if a vacancy occurs.
- (d) In the event of a surplus, the Steward will be given a list of the names of employees who are surplus.
- (e) In the event of a layoff, the COOPERATIVE will mail to the UNION office a list of the names of the employees laid off.
- (f) When a reduction in force is necessary, the COOPERATIVE will notify employees who are affected as far in advance as possible.

Section 5. Filling a vacancy

- (a) When the COOPERATIVE has determined that a vacancy exists in a classification, qualified employees on recall to that classification will be recalled in order of classification seniority, whether they have displaced other employees at the COOPERATIVE or have left the COOPERATIVE and are on the recall list.
- (b) When a vacancy cannot be filled by the procedures in (a) above, it will be posted for seven (7) calendar days at mutually agreed upon COOPERATIVE locations.
- (c) Vacancies will be awarded to the employee with the most seniority in another classification, who is qualified, and who has signed the posting subject to approval by the COOPERATIVE President & CEO. In the event a grievance is filed concerning qualifications under the preceding sentence, it shall be initiated at Step 2 of the grievance procedure. The hearing may be attended by the aggrieved employee and a representative of the UNION. If the grievance is not settled satisfactorily, it may be appealed to the Third Step in the grievance procedure. In the event a dispute concerning qualifications is referred by either party to arbitration, the Arbitration Board, as defined in Article V, Section 1, Step 4, of the Agreement shall have the authority to render a decision based on the criteria established by the COOPERATIVE.
 - 1. An employee who has been awarded a vacancy will be transferred as soon as possible but not later than thirty (30) days after being notified of the award.
 - 2. An employee who has been awarded a vacancy will be required to accept the vacancy.
 - 3. An employee awarded a vacancy will be given up to thirty (30) days with proper instructions to learn the job. If he/she is unable to learn the job he/she may return to his/her base classification and displace the employee with the least classification seniority.

- (c) Any employee who is absent from work because of an occupational disability arising out of and in the course of his employment, or purposely self-inflicted, or due to willful misconduct, violation of plant rules, or refusal to use safety appliances.

Section 3. Accrual and Amount of Payment.

- (a) Payments at the employee's base hourly rate shall be made for non-occupational disability not to exceed the number of days of sick leave accrued to the employees credit.
- (b) Employees shall accrue sick leave at the rate of one (1) working day per month, with a maximum limitation of one hundred twenty (120) days that can be accumulated. Employees shall be required to furnish a doctor's certificate to substantiate all illness claims that exceed three (3) days. Any sick days which an employee has in excess of one hundred twenty (120) days will be paid by December 31 of the year involved. Further, employees will be permitted to use up to three (3) days of accumulated sick leave per year in accordance with **Board Policy # 504 Sick Leave , Accrual of Sick Leave and Accounting of Sick Leave** earned as personal days. In order to take such days, an employee must (1) notify, and obtain approval of the employee's immediate supervisor before the employee's shift begins.
- (c) Payments are applicable only for the standard working schedule of forty (40) hours per week or eight (8) hours per day, Saturdays, Sundays, and holidays excluded.
- (d) An employee shall not be required to furnish a doctor's slip for a three (3) day absence from work due to illness. In the event an employee is found to be abusing the leave of absence clause by substantial proof, the COOPERATIVE upon written notification to the UNION Steward and Local Union 317 of the I.B.E.W. may immediately suspend the said employee three (3) working days without pay. The employee will be subject to immediate dismissal upon second violation. (Amended 5/1/75)
- (e) An employee shall be paid all accumulated sick leave at age 62 and upon retirement from the COOPERATIVE.

Section 4. All disability payments provided for in this Agreement shall be reduced by the amount or amounts of any other benefit which might provide through state or federal legislation or workmen's compensation from the same type of disability and for the same period of absence. Such period of absence to be deducted from accrued sick leave.

Section 5. For any accident or sickness which qualifies for weekly benefits under the NRECA Comprehensive Major Medical Coverage Program, the employee will be required to exhaust all days of sick leave accrued to the employee's credit prior to being eligible for any such accident and sickness weekly benefits. Such checks which are received by an employee prior to exhausting days of sick leave accrued to his/her credit will be endorsed payable to the COOPERATIVE. **Board Policy 504 Sick Leave, Accrual of Sick Leave and Accounting of Sick Leave Earned.**

Section 6. Occupational Disability

Occupational disability shall be handled in accordance with **Board Policy # 504 Sick Leave, Accrual of Sick Leave and Accounting of Sick Leave Earned** and in compliance with all state and federal laws.

The COOPERATIVE will replace employees safety straps and/or pole climber gaffs when its has been determined by the Safety Committee they are worn to the point they are unsafe to use. Pole climber gaff replacement is limited to pole climbers with replaceable gaffs. Old safety straps and/or pole climber gaffs will become property of the COOPERATIVE for disposal.

The COOPERATIVE will pay one hundred twenty-five dollars (\$125) per year toward the purchase of prescription eyeglasses that meet OSHA standards for safety. The COOPERATIVE will not pay for eye examinations or medical treatment other than that covered by the COOPERATIVE'S medical insurance or workers compensation coverage. The COOPERATIVE will pay the difference in regular license and a Commercial Drivers License for Union members required to have CDL licenses, upon presentation of proper receipt of same.

The COOPERATIVE shall require all UNION employees to purchase two 100% cotton long-sleeved shirts with company logo each year to meet NESC. To that end, the COOPERATIVE agrees to credit each UNION employee's personal 143 00 account in the amount of \$250.00 on May 1st of each year of this agreement. In addition to the two shirts that meet safety standards, additional funds can be used toward the purchase of approved boots, clothing and tools necessary to the job. The COOPERATIVE will pay for logos on appropriate articles.

8/31/07
CA to ck
with Uni
on cargo
from 1 yr.
to the unit

Section 4. The COOPERATIVE and the UNION agree to abide by and follow explicitly the safety rules set forth by the National Electrical Safety Code and the National Fire Code-Electrical, safety codes specified by the Rural Utilities Services of the United States Department of Agriculture, safety codes established by the State of Kentucky and its political subdivisions, safety manual for rural electrical systems, and the rules and procedures established by the COOPERATIVE. Copies of these safety codes, rules and procedures will be made available by the COOPERATIVE so that employees may familiarize themselves with same.

In case of conflict between the rules of the various agencies listed above, the one affording the greatest protection to the employees shall apply.

Section 5. When a journeyman lineman is working on energized lines or equipment of 750 volts or above, the journeymen performing the work and the Dispatcher, or other representative designated by the COOPERATIVE, shall determine if and when he/she needs assistance and should be supplied same. At least two qualified workmen shall be provided where work is performed on live circuits of more than 750 volts between conductors. It is hereby agreed and expressly understood that the above does not restrict a qualified workman from working alone, from setting and removing meters, connecting or disconnecting services, opening and closing fuse disconnects, operating OCR's and OCB's (opening and closing) and also CSP or conventional transformers or other routine work. It is agreed that the above does not restrict a qualified workman working alone, from performing the necessary work of restoring service in the sub-station.

Section 6. No less than five (5) employees will be used when erecting poles of greater length than twenty-five (25) feet by hand. This does not include poles erected with mechanized equipment.

ARTICLE XIII INSURANCE & RETIREMENT

Section 1. The current retirement plan will remain in effect during the term of this Agreement under the following conditions:

Effective May 1, 1989 the members of the UNION shall be entitled to retire upon attaining age 62 in accordance with the retirement plan provided for the UNION by the COOPERATIVE through the National Rural Electric Cooperative Association as set out in Article XIII of this Agreement.

Section 4.

BENEFITS

PROGRAM	ELIGIBILITY	BENEFIT	PAID BY
RS&I	Employees	NRECA – Age 62 Benefit Level 2.0	Cooperative
401K	Employees	NRECA SelectRE – The Cooperative will contribute an amount equal to that portion formerly paid for LTD to a 401K Plan for each employee, in lieu of that contribution. (Effective May 1, 1996)	Cooperative
	Employee		Emp /Voluntary
Major Medical/Hospitalization	Employees, Directors and Eligible Dependents	90/70 PPO, \$250 Deductible/ Employee, \$1,000 Max out of pocket (Co-Insurance) \$25 Office Co-pay, \$50 Emergency Room Co-pay, Lab Card, Prescription Drug Plan # 7 \$15 brand/\$10 generic, mail order \$20 brand/\$10 generic, option to participate in Flex Plan. (No Cooperative contribution will be made to the Flex Plan).	Cooperative
	Retired Employees & Eligible Dependents	90/70 PPO, \$250 Deductible/Employee, \$1,000 Max out of pocket (Co-insurance) \$25 Office Co-pay, \$50 Emergency Room Co-pay, Lab Card, Basic Plus Prescription Drug Plan with option to purchase additional prescription coverage. Subject to Medicare eligibility and coverage.	Cooperative
	Spouse/Dependents Of a Deceased Active Employee Retired Employee and Deceased or Active Director	At the death of an active employee or director, retired employee or director, deceased employee or director, coverage selected by the Cooperative will be provided to the Spouse and eligible dependents until other coverage is available to the Spouse/Dependents through an employer, remarriage, or until the dependent child is no longer eligible for coverage. When the individual becomes eligible for Medicare, it shall be primary and GRECC'S coverage shall be secondary. Some contribution to the cost of coverage may be necessary, according to the participant's choice of plan.	Cooperative
Term Life Insurance	Employees	NRECA ElectRELIFE Basic two (2) Times your Salary	Cooperative
	Employees	NRECA ElectRELIFE Supplemental - \$10,000.00	Cooperative
	Retirees	NRECA ElectRELIFE Retired	Rtr. Voluntary

DISCONTINUANCE OF BENEFITS

Coverage under each type of benefit will cease on the earliest to occur of the following dates:

1. The date the Plan is discontinued.
2. The date you are no longer eligible for the type of benefit either because of an amendment to the Plan or because you have become a member of an ineligible group of employees.
3. The date that any required contribution on your part is due and unpaid.
4. The date you enter the Armed Forces on full-time active duty.
5. The date an employee becomes eligible for Long Term Disability and Medicare, they will be treated as retired and no longer a part of the Bargaining Unit.
6. The COOPERATIVE recognizes that an employee might have to take temporary long term disability in order to completely recover from an injury or illness and will be treated in accordance with Board Policy # 524 Reinstatement After Extended Sick Leave.

The above is subject to the terms and conditions as stated and explained in the individual policies.

Section 5.

- (a) The insurance program stated in Section 4 above will be made available to the employee during the entire period of any approved leave of absence.
- (b) Subject to the limitations of any of the insurance plans, an employee, while on unpaid leave of absence in excess of thirty (30) days, may continue coverage provided he/she makes arrangements to pay the full monthly premium at the time an invoice for such premium is presented to the COOPERATIVE by the insurance carrier. An employee on leave of absence for occupational disability or long-term disability shall not be required to pay any premiums other than those specified in Section 4 above.

Section 6. Whenever the insurance carrier notifies the COOPERATIVE of an increase or decrease in the cost of insurance to the employees, such announcement, immediately upon receipt by the COOPERATIVE, will be placed on all COOPERATIVE bulletin boards and a copy will be forwarded to the Business Manager of the UNION.

ARTICLE XIV MISCELLANEOUS

Section 1. Non-bargaining unit personnel shall not be prevented from performing necessary functions such as instruction or assistance to employees, provided the assistance rendered does not displace any of their personnel doing the work, or from operating equipment or processes in emergencies or for experimental, developmental, statistical and engineering purposes.

Section 2.

- (a) The COOPERATIVE will contract as it deems necessary with experienced professional engineering firms registered in Kentucky, to perform work of a developmental, experimental, statistical or engineering nature, and such firm may perform manual work as required by professional employees within its employment, or the COOPERATIVE may assign employees of the bargaining unit to work with employees of the firm as shall be arranged between the COOPERATIVE and the firm so contracted with.
- (b) The COOPERATIVE agrees that in its notice to Bidders for the construction, erection and/or purchasing of electric utility plant, a statement will be made that this agreement exists between the UNION and the COOPERATIVE.

The sum of UNION dues so collected shall be paid quarterly by the COOPERATIVE to the Financial Secretary of Local Union #317 of the INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, AFL-CIO. The Financial Secretary will issue a receipt in the name of the Local Union for each payment. The COOPERATIVE shall prepare and submit to the Financial Secretary quarterly a list of employees from whom UNION dues deductions were designating the amount deducted from each employee, plus a list of the names of employees removed from or added to the payroll during the current quarter.

ARTICLE XV EMPLOYEES' COOPERATION

Section 1. It is understood by both parties hereto that a greater part of the COOPERATIVE's lines are rural lines and that the revenue from said lines does not justify the paying of the same rate of pay as urban utilities' rates of pay, and that the workmen of the COOPERATIVE shall not follow the usual strict lines of demarcation of limited services usually specified to each class of workmen. It is therefore agreed by the UNION that all employees regardless of their classification, shall assist fellow employees in any work they are capable of doing or may be called on to perform that tends to expedite the business of the COOPERATIVE and on the particular job to which they have been assigned.

ARTICLE XVI TERM OF AGREEMENT

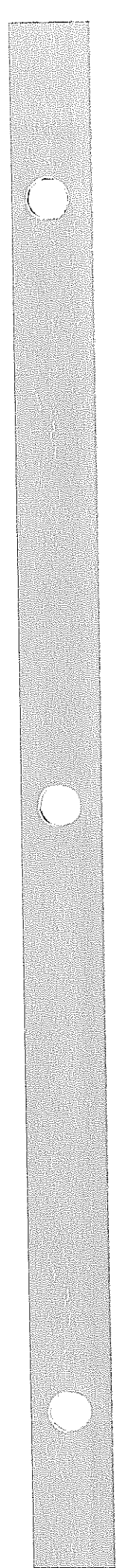
Section 1. This Agreement shall become effective as of May 1, 2007. Except as provided in Section 3 below, it shall continue in effect for a term of approximately six (6) years until 12:01 a.m., May 1, 2013, and shall automatically be renewed thereafter from year to year unless written notice is given by either party sixty (60) days prior to the expiration date that it is desired to terminate or amend this Agreement.

Section 2. Both notice of request for re-negotiation and lists of items to be amended will be sent by registered mail to the following:

- (a) INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL UNION NO. 317,
550 Adams Avenue, Huntington, West Virginia
- (b) GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION, Grayson, KY.

Section 3. Successor Clause

This agreement shall be binding upon the parties hereto, their successors and assigns. In the event that the Employer sells or transfers that part of its operations covered by this Agreement, such part of its operations shall continue to be subject to the terms and conditions of this Agreement for the term of said Agreement. The employer shall give notice of the existence of this Agreement to any purchaser or transferee of that part of the Employer's operation covered by this Agreement.



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

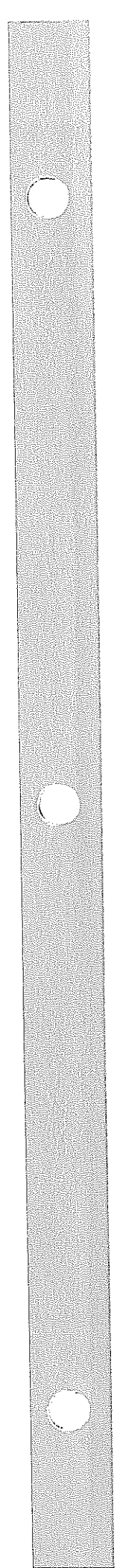
26. Refer to Exhibit 14 of the application.

a. On page 1, the Purchased Power Schedule indicates a May 31, 2008 year-end date; however, the months shown with data are January through December. Provide a Purchased Power Schedule with test-period data.

Response: The amounts listed are correct, the months should have been recorded as starting with June and going thru May.

b. On page 3, the Analysis of Fuel Adjustment and Environmental Surcharge indicates a May 31, 2008 year-end date; however, the months shown with the data are January through December. Provide an Analysis of Fuel Adjustment and Environmental Surcharge with test-year data.

Response: The amounts listed are correct, the months should have been recorded as starting with June and going thru May.



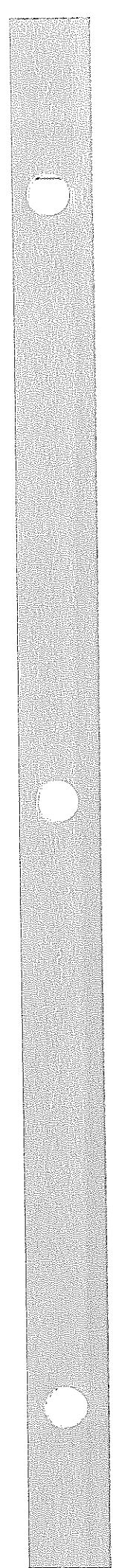
Grayson Rural Electric Cooperative

Case No. 2008-00254

Second Data Request of Commission Staff

27. Refer to Exhibit W of the application, which provides a comparison of income statement account levels for the test period and the 12 months immediately preceding the test period. Provide a detailed description of Account 224.40 – REA Notes Unadvanced.

Response: The Uniform System of Accounts prescribes setting up the entire loan when approved and reducing the balance as advances are received.



Grayson Rural Electric Cooperative
Case No. 2008-00254
Second Data Request of Commission Staff

28. Refer to Exhibit X of the application, which provides a comparison of income statement account levels for the test period and the 12 months immediately preceding the test period.

a. Page 1 of 5 shows that Account 586.00, Meter Expense, increased from \$439,000 in test year 2007 to \$517,000 in test year 2008. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

Grayson added a person to the metering staff in order to prepare for the planned retirement of another member of the staff.

b. Page 2 of 5 shows that Account 593.00, Maintenance of Overhead Lines Expense, increased from \$1,340,000 in test year 2007 to \$2,206,000 in test year 2008. Provide a detailed explanation for why this expense increased by this magnitude.

Response:

This is due in part the Case No. 2007-00494, An Investigation of the Reliability Measures of Kentucky's Jurisdictional Electric Distribution Utilities and Certain Reliability Maintenance Practices. To achieve a clearing cycle of 7 years, Grayson needed to increase the number of circuits cleared per years to meet that goal.

There is a \$94,071 Credit (FEMA reimbursement) included in test 2007 that offset storm related expenses in 2003.

c. Page 4 of 5 shows the total depreciation expense balance as \$1,560,000 for the test year 2008; yet schedule 3, pages 2 & 3, show different amounts for test-year depreciation expense. Provide a detailed explanation for the discrepancy between the three reported depreciation expenses.

Response: The response is as follows:

Exhibit X	
Account 403.60	1,470,000
Account 403.70	90,000
Total depreciation expense	<u>1,560,000</u>

Exhibit 3, revised	<u>Test Year</u>	<u>Normalized</u>	<u>Adjustment</u>
Distribution plant accrual	1,471,175	2,314,990	843,815
General plant accrual	237,443	252,282	14,839
Charged to clearing accounts	(149,109)	(155,231)	(6,122)
Charged to expense	<u>1,559,509</u>	<u>2,412,041</u>	<u>852,532</u>