

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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JAN 22 2009

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION) Case No. 2008-00254
FOR AN ADJUSTMENT OF RATES)

SUPPLEMENTAL 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 Supplemental 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.

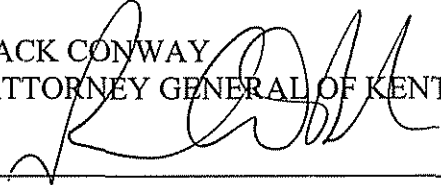
(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(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



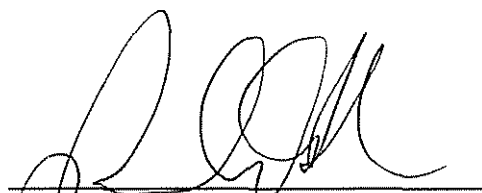
DENNIS HOWARD II
LAWRENCE W. COOK
PAUL D. ADAMS
ASSISTANT ATTORNEYS GENERAL
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315
dennis.howard@ag.ky.gov

CERTIFICATE OF SERVICE AND NOTICE OF FILING

I hereby give notice that this the 22nd day of January, 2009, 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
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1. Please refer to your response to AG-1-3: If GREC maintains that the revenue increase in this case should be \$3,161,265 and the proposed test year revenues \$25,154,657, then please reconcile this to the corresponding amounts of \$3,161,625 and \$26,654,018 shown on Exhibit G, page 1. In addition, please provide a revised Exhibit G, page 1 that would show that the correct amounts are \$3,161,265 and \$25,154,657.

2. With regard to the actual historic expenses for Account 593.10 – R-O-W Clearing for the annual periods ended 5/31/05 through 5/31/08, please provide the following information:
 - a. Provide the expenses for these four annual periods on a monthly basis.
 - b. Provide the actual monthly expenses for the months of June 2008 through December 2008.
 - c. Provide the originally projected expenses for the 12-month test period ending 5/31/08 as per GREC's Board-approved operating budget. [Note: if GREC prepares operating budgets on a calendar year basis, then provide the projected Account 593.10 expenses as per the GREC's Board-approved 2008 operating budget]
 - d. Provide the projected expenses for the 12-month test period ending 5/31/09 as per GREC's operating budget. [Note: if GREC prepares operating budgets on a calendar year basis, then provide the projected Account 593.10 expenses as per the GREC's 2009 operating budget].

3. With regard to the response to AG-1-8, please provide the following information:
 - a. Please provide the relevant pages of the PSC's Order in Case No. 2006-00494 that include the Commission's ruling that "emphasized and resulted in a plan to cover Grayson's entire system every 7 years." In addition, provide the date of this Order.
 - b. Provide a detailed description of GREC's R-O-W Clearing practice and procedures that were in place prior to the "plan to cover Grayson's entire system every 7 years."
 - c. Explain the differences between GREC's prior R-O-W clearing practices and activities and the R-O-W clearing practices and activities resulting from the "plan to cover Grayson's entire system every 7 years." In addition, explain why these differences should result in an Account 593.10 R-O-W Clearing expense increase from \$752,983 in the year prior to the test year to \$1,411,841 in the test year (an expense increase of 87.5%).
 - d. Provide the date (month and year) that GREC first started implementing the new R-O-W clearing practices and activities resulting from the "plan to cover Grayson's entire system every 7 years."

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- e. Provide copies of all internal GREC documentation describing the new R-O-W clearing practices and activities resulting from the “plan to cover Grayson’s entire system every 7 years.”
4. With regard to the response to AG-1-10, please provide a detailed description of the demonstration and selling activities underlying the labor and benefit expenses of \$28,340.
5. With regard to the response to PSC-2-9(e), please provide the following information:
 - a. Do the 2080 test year hours reflected for each employee in the determination of the employee’s annualized wages include the paid vacation and sick time allowed for each employee in the test year? If not, explain why not.
 - b. If 2080 hours (2,088 hours in a leap year) are always used in the determination of the annualized wages for each full-time employee for ratemaking purposes in all of GREC’s rate cases, doesn’t this mean that the paid vacation and sick time allowed for employees in each year (even when they are not used in the particular year and are transferred to the next year as unused vacation and sick time) are embedded in GREC’s rates?
 - c. The response to PSC-2-9(e) is not quite understood by the AG. Please explain again why an additional amount of \$35,643 for vacation and sick days (whether used or unused from prior years) should be reflected for ratemaking purposes over and above the annualized wages for each employee based on 40 hours per week.
6. With regard to the response to AG-1-13, please provide the actual summer and part time employees’ hours worked in calendar year 2008, in total and as broken out by employee number.
7. With regard to the response to AG-1-14, please provide the actual overtime hours worked in calendar year 2008.
8. Please expand the response to AG-1-12 by providing the actual monthly number of salaried and the actual monthly number of hourly employees for the years 2005, 2006, 2007, and 2008.
9. With regard to the response to AG-1-16, please provide the following information:
 - a. The 13-month average number of salaried employees underlying the actual total hours worked in 2005, 2006 and 2007 of 18,410, 18,191 and 18,070, respectively.

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- b. The 13-month average number salaried employees for calendar year 2008, as well as the actual total hours worked by the salaried employees in calendar year 2008.
 - c. The number of hours for which the average number of salaried employees in 2005, 2006, 2007 and 2008 were paid.
 - d. The 13-month average number of hourly employees underlying the actual total hours worked in 2005, 2006 and 2007 of 65,656, 63,571 and 61,572, respectively.
 - e. The 13-month average number hourly employees for calendar year 2008, as well as the actual total hours worked by the hourly employees in calendar year 2008.
 - f. The number of hours for which the average number of hourly employees in 2005, 2006, 2007 and 2008 were paid.
10. If the rates from GREC's 2007 depreciation study were to be used in this rate case, it would increase GREC's unadjusted test year depreciation expenses by \$852,000, or almost 55%. GREC has reflected approximately \$426,000, or half, of this \$858,000 depreciation expense increase for ratemaking purposes in this case. Is it GREC's intent (as a result of the magnitude of the \$852,000 depreciation expense increase) to transition into this large 55% depreciation expense increase by only reflecting half of the increase in this case or is the reflection of the as-filed increase of \$426,000 an error that should be corrected to \$852,000 thereby increasing the rate increase request by \$426,000? Please comment in detail.
11. With regard to the response to PSC-2-28(a), please provide the following information:
 - a. Is the cost associated with the person added to the metering staff included in the annualized payroll reflected in this case? If so, provide the amount of the total payroll amount for this added person included in the annualized payroll amount of \$2,390,163.
 - b. Is the cost associated with the planned retired member of the staff included in the annualized payroll reflected in this case? If so, provide the amount of the total payroll amount for this added person included in the annualized payroll amount of \$2,390,163.
 - c. When will the retirement of this staff member take place?
12. With regard to the \$76,436 test year expense for account 588 – Miscellaneous Distribution expense, please provide the following information:
 - a. Actual expenses booked for calendar year 2008.
 - b. Explanation for the approximate 54% increase from the \$49,691 expense booked prior to the test year to the \$76,436 booked in the test year.

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13. With regard to the December 2007 depreciation study performed by Mr. Adkins for Grayson, please provide the following information:
- a. What is the cost for Mr. Adkins' depreciation study that is included in the requested rate case expenses of \$72,000?
 - b. Since Mr. Adkins performed the exact same depreciation study for Big Sandy Rural Cooperative,¹ does the depreciation study cost to be provided in response to part (a) above represent a shared cost between Grayson and Big Sandy (and any other cooperatives which used the depreciation rates from Mr. Adkins' December 2007 depreciation study)? If not, why not?

¹ Resulting in distribution depreciation rates claimed in Big Sandy's pending rate case that are exactly the same as the proposed distribution depreciation rates in Grayson's pending rate case.