

Grayson Rural Electric Cooperative Corporation

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PUBLIC SERVICE
COMMISSION

May 6, 2009

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Case No. 2008-00254
Settlement Documents

Mr. Derouen:

Please find attached :

- A corrected copy of Grayson's Schedule 1, Domestic- Farm & Home Service Tarrif, replacing that file on or about April 27th in this case, and
- An executed copy of the Joint Settlement Stipulation and Recommendation.

If there are any questions, please feel free to contact me at (606) 475-2186.

Sincerely,



Don M. Combs
Mgr. Finance and Accounting

SCHEDULE 1

CLASSIFICATION OF SERVICE

DOMESTIC – FARM & HOME SERVICE

RATE PER UNIT

AVAILABILITY-DOMESTIC

Available to members of the Cooperative for all residential farm and home uses subject to its established rules and regulations. Approval of the Cooperative must be obtained prior to the installation of any motor having a rated capacity of five horsepower or more.

TYPE OF SERVICE

Single-phase and/or three-phase, 60 cycle, alternating current at the Cooperative's standard secondary voltages.

RATE PER MONTH

Customer Charge
Energy Charge Per KWH

\$10.00 (I)
.09655 (I)

FUEL ADJUSTMENT CLAUSE

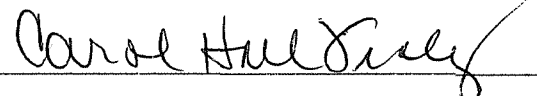
All rates are applicable to the Fuel Adjustment Clause and may be increased or decreased by an amount per KWH equal to the fuel adjustment amount per KWH as billed by the Wholesale Power Supplier plus an allowance for line losses. The allowance for line losses will not exceed 10% and is based on a twelve month moving average of such losses. The Fuel clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

MINIMUM CHARGE

The minimum monthly charge under the above rate shall be \$7.98 where 25 KVA or less of transformer capacity is required. For members requiring more than 25 KVA of transformer capacity, the minimum monthly charge shall be increased at a rate of \$.75 for each additional KVA or fraction thereof required. Where it is necessary to extend or reinforce existing distribution facilities, the minimum monthly charge may be increased to assure adequate compensation for the added facilities. Where the minimum charge is increased in accordance with this section, additional energy and demand shall be included in accordance with the foregoing rate schedule.

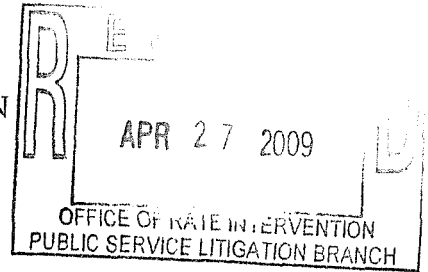
DATE OF ISSUE: April 20, 2009

Service on and after
EFFECTIVE DATE: April 1, 2009

ISSUED BY: 

President & C.E.O., 109 Bagby Park, Grayson, KY

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)

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION

It is the intent and purpose of the parties to this proceeding, being the applicant, Grayson RECC (“Grayson RECC”) and the intervenor, Attorney General of the Commonwealth of Kentucky (“Attorney General”) to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding which shall hereafter be referred to as the “Stipulation” and/or the “Recommendation.”

It is understood by all parties hereto that this Recommendation is not binding upon the Kentucky Public Service Commission (“Commission”), nor does it represent agreement on any specific theory supporting the appropriateness of any recommended adjustment to Grayson RECC’s rates. Grayson RECC and the Attorney General have expended considerable efforts to reach the stipulation and agreements that form the basis for this Recommendation. The parties, representing diverse interests and divergent viewpoints, agree that this Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Recommendation will eliminate the need for the Commission and the parties to expend considerable resources in litigation of this proceeding, and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission’s final order herein. Based upon the parties’ participation in a settlement conference and the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1. Grayson RECC filed an application for a rate adjustment seeking a total increase in base rate revenue in the amount of \$3,161,265 due to Grayson's distribution costs. The parties agree that Grayson RECC should be permitted to adjust its rates to permit a total increase in base rate revenue by this amount. All rate schedules have been adjusted to reflect the change in wholesale power costs applicable to each rate schedule based on a revised cost of service containing the new wholesale power costs. These wholesale rates impacted only the energy charge for each rate class. However, Grayson agreed to reduce the customer charge per month for its residential class (Schedule 1 – Farm & Home) from \$15.00 to \$10.00. The demand charges and customer charges for all other classes remain as contained in the original application. In addition, the non-recurring charges proposed by Grayson in the application have been agreed to by both parties.

2. Grayson RECC's proposed tariff revisions are attached in "Exhibit A" and should be adopted and should become effective as of April 1, 2009, or as soon thereafter as ordered by the Commission. Attached as "Exhibit B" is the testimony of James R. Adkins which explains the development of these rates.

3. Additional exhibits to this agreement include a comparative schedule of rates, "Exhibit D" which include the current rates, the rates proposed in the application and the rates that are a result of this agreement. Also attached is "Exhibit E" which is the revised cost of service study which provides the basis for the revenue requirements for each rate class as well as the proposed rate design.

4. Grayson RECC will implement the full proposed depreciation rates included in the depreciation study that accompanied the Application. These rates will be implemented in conjunction with the date of the Commission's Order to change rates.

5. It is the purpose and intent of the parties hereto that the revision in rates for Grayson RECC result in a 2.0 TIER (times interest earned ratio), and the revision in rates as proposed by this Recommendation and Stipulation will result in such a TIER rating.

6. Grayson RECC's Board of Directors has approved the stipulated and amended rate amount of \$3,161,265 including its treatment of depreciation.

7. Each party hereto waives all cross-examination of witnesses of the other parties hereto unless the Commission disapproves this Recommendation, and each party further stipulates and recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

8. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Grayson RECC or any other utility.

9. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.

10. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any and all matters involved herein, and that in such event the terms of this Recommendation shall not be deemed binding upon the parties hereto, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto, the Commission or its Staff in any such hearing.

11. Attached as "Exhibit C" is proof of revenue analysis showing that the proposed rate adjustments will generate the proposed revenue reduction to which the parties have agreed in paragraph (1) of this Stipulation.

12. Attached as "Exhibit F" are the computations for rate base and equity capitalization.

13. The parties hereto agree that the foregoing Recommendation is reasonable and is in the best interests of all concerned, and urge the Commission to adopt this Recommendation in its entirety.

This 27th day of April, 2009.

GRAYSON RECC

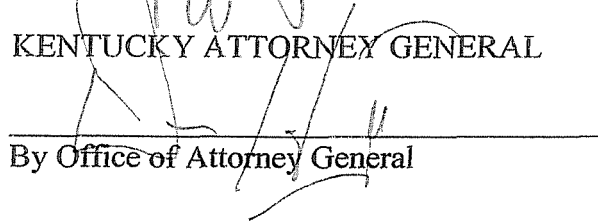


Carol H. Fraley
President and CEO, Grayson RECC



W. Jeffery Scott
Attorney for Grayson RECC

KENTUCKY ATTORNEY GENERAL



By Office of Attorney General