

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	)	CASE NO.
RETAIL ELECTRIC RATES EQUAL TO INCREASE	)	2008-00254
IN WHOLESALE POWER COSTS	)	

ORDER

On November 10, 2008, Grayson Rural Electric Cooperative Corporation ("Grayson") filed an application requesting approval of: (1) an increase in its base rates; (2) a pass-through of the increase in wholesale power cost from East Kentucky Power Company, Inc. ("EKPC"); (3) changes to certain nonrecurring charges; and (4) an increase in its pole attachment charges. Grayson is a consumer-owned rural electric cooperative organized pursuant to KRS Chapter 279 and engaged in the sale of electric energy to approximately 15,731 customers in the Kentucky counties of Carter, Elliott, Greenup, Lawrence, Lewis, and Rowan. It is one of 16 member distribution cooperatives that own and receive their wholesale power from EKPC.

Although Grayson proposed that its requested rate increase become effective on December 1, 2008, the Commission, by Order dated November 26, 2008, found that Grayson failed to meet the 30-day notice requirement as set forth in KRS 278.180(1) and 807 KAR 5:001, Section 10(1)(a)(7). Pursuant to the same Order, the Commission further found that the earliest possible effective date for Grayson's proposed electric rates was December 10, 2008. To allow consideration of the reasonableness of

Grayson's application, the Commission suspended the proposed rates for five months from their effective date, up to and including May 9, 2009. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), sought and was granted full intervention in this matter.

At the request of Grayson, an informal conference was held at the Commission's offices on April 15, 2009 to discuss the terms of the settlement agreement entered into between Grayson and the AG. The settlement agreement and other supporting documentation were filed with the Commission on April 27, 2009 and May 7, 2009, respectively. A copy of the settlement agreement is appended to this Order as Appendix A. The Commission conducted a public hearing on May 12, 2009 for the purpose of taking testimony concerning the reasonableness of the settlement agreement.

The settlement agreement provides for approval of the following requests:

1. Grayson be granted an increase in its base rate revenues of \$3,161,265, which reflects the amount requested in the application.
2. The residential customer charge has been decreased from \$15 proposed in the application to \$10 per month and the energy charges for most customer classes have been modified to make up the difference resulting from the change in the residential customer charge.
3. The modified nonrecurring and pole attachment charges as proposed by Grayson in its application.
4. Grayson will implement, in conjunction with the effective date of this Order, the depreciation rates that were proposed in the application.

Although not specifically addressed, the settlement rates also include an increase of \$1,375,165<sup>1</sup> in wholesale power costs as a result of the rate increase approved for EKPC in Case No. 2008-00409.<sup>2</sup>

Having reviewed the settlement agreement and the evidence of record in this proceeding, the Commission finds that the terms of the agreement are reasonable and in the public interest and should be approved. The proposed rates as set forth in the settlement agreement will produce an additional \$3,161,265 in annual base rate revenues and will also allow Grayson to pass through to its customers the increase in EKPC's wholesale power costs of \$1,375,165. Therefore, the Commission finds that the proposed rates provided for in the settlement agreement are fair, just, and reasonable rates for Grayson to charge for electric service.

The depreciation rates proposed by Grayson and contained in the settlement agreement were developed in a study that followed the guidelines established in "RUS Bulletin 183-1" and used Grayson's utility plant information for the 12-month period ending December 31, 2007. Upon review of Grayson's depreciation study, the Commission finds that the proposed depreciation rates are reasonable and that the effective date of those rates should be the date of this Order. We further find that the nonrecurring and pole attachment charges contained in the settlement agreement are reasonable and should be approved.

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<sup>1</sup> This amount is less than requested in the application because the increase approved for EKPC was less than proposed in EKPC's application.

<sup>2</sup> General Adjustment of Electric Rates of East Kentucky Power Cooperative, Inc. (Ky. PSC March 31, 2009).

Our approval of the settlement agreement is based solely on its reasonableness *in toto* and does not constitute approval of any rate-making adjustment or specific rate-making theory.

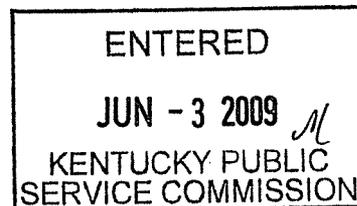
There have been several questions in the discovery process of this proceeding, as well as at the public hearing, regarding Grayson's demand-side management programs and its efforts to promote energy efficiency. The Commission believes that conservation, energy efficiency and demand-side management will become more important and cost-effective as there will likely be more constraints placed upon utilities whose main source of supply is coal-based generation. The Governor's proposed energy plan, *Intelligent Energy Choices for Kentucky's Future, November 2008*, calls for an increase in demand-side management by 2025. In addition, the Commission stated its support for cost-effective demand-side programs in response to several recommendations included in *Electric Utility Regulation and Energy Policy in Kentucky*, the report the Commission submitted in July 2008 to the Kentucky General Assembly pursuant to Section 50 of the 2007 Energy Act. Although Grayson has a number of demand-side management programs in place, the Commission believes that it is appropriate to encourage Grayson, and all other electric energy providers, to make a greater effort to offer cost-effective demand-side management and other energy efficiency programs.

IT IS THEREFORE ORDERED, that

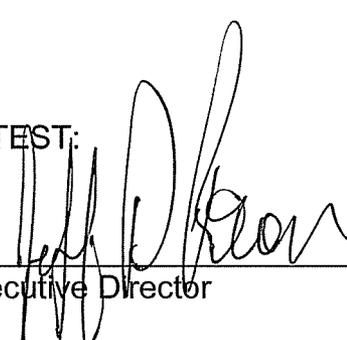
1. The rates and charges proposed by Grayson are denied.
2. The settlement agreement, appended hereto as Appendix A, is incorporated into this Order as if fully set forth herein.

3. The settlement agreement is adopted and approved in its entirety.
4. The rates and charges set forth in Appendix B are approved for service rendered by Grayson on and after the date of this Order.
5. The proposed depreciation rates, as agreed upon in the settlement agreement, are approved for implementation by Grayson on the date of this Order.
6. Within 20 days of the date of this Order, Grayson shall file new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were authorized by this Order.

By the Commission



ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2008-00254 DATED **JUN - 3 2009**

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 27 2009

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.

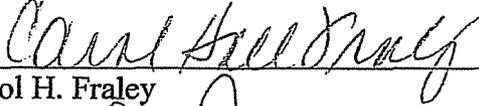
11. Attached as "Exhibit C" is proof of revenue analysis showing that the proposed rate adjustments will generate the proposed revenue reduction to which the parties have agreed in paragraph (1) of this Stipulation.

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

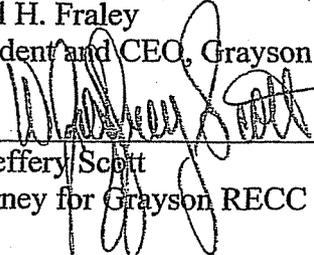
13. The parties hereto agree that the foregoing Recommendation is reasonable and is in the best interests of all concerned, and urge the Commission to adopt this Recommendation in its entirety.

This \_\_\_\_\_ day of April, 2009.

GRAYSON RECC



\_\_\_\_\_  
Carol H. Fraley  
President and CEO, Grayson RECC



\_\_\_\_\_  
W. Jeffery Scott  
Attorney for Grayson RECC

KENTUCKY ATTORNEY GENERAL

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By Office of Attorney General

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

APR 27 2009

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**

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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:

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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.

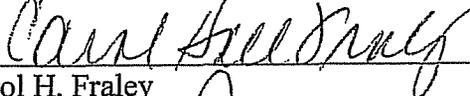
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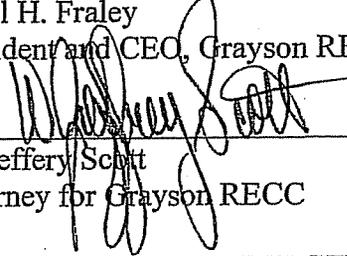
12. Attached as "Exhibit F" are the computations for rate base and equity capitalization.

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 \_\_\_\_\_ 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

EDULE 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

\$15.00 (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: *Carroll Hill*

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

SCHEDULE 2

CLASSIFICATION OF SERVICE

COMMERCIAL AND SMALL POWER LESS THAN 50 KVA, INCLUDING PUBLIC BUILDINGS, SCHOOLS, CHURCHES, ETC.

RATE PER UNIT

AVAILABILITY OF SERVICE

Available to members of the Cooperative for all Commercial and Small Power uses less than 50 KVA, 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

\$25.00 (I)  
.08863 (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 published 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 \$7.92 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: *Wm Hill Daley*

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

SCHEDULE 3

CLASSIFICATION OF SERVICE

OFF-PEAK MARKETING RATE

RATE PER UNIT

AVAILABILITY OF SERVICE

Available to members of the Cooperative eligible for service under Tariff Schedule 1--Domestic-Farm & Home Service, or Tariff Schedule 2--Commercial and Small Power Less than 50 KVA, who have installed Cooperative approved load management devices for the use of power during off-peak hours. This rate shall only apply to programs which have been expressly approved by the Public Service Commission to be offered under the Marketing Rate of East Kentucky Power Cooperative's Wholesale Rate Schedule A.

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

ON-PEAK RATE:

\$10.00 (I)

All KWH

OFF PEAK RATE:

.09655 (I)

All KWH

.05793 (I)

PEAK PERIODS

WINTER SCHEDULE

For the purpose of this tariff, the on-peak billing period for the months of October, November, December, January, February, March, and April is defined as 7 a.m. to 12 noon and from 5 p.m. to 10 p.m., local time, for all days of the week, including Saturday, Sunday and holidays. The off-peak billing period is defined as 10 p.m. to 7 a.m. and from 12 noon to 5 p.m., local time, for all days of the week, including Saturday, Sunday and holidays.

SUMMER SCHEDULE

For the purpose of this tariff, the on-peak billing period for the months of May, June, July, August, and September is defined as 10 a.m. to 10 p.m., local time, for all days of the week, including Saturdays, Sundays and holidays. The off-peak billing period is defined as 10 p.m. to 10 a.m., local time, for all days of the week, including Saturday, Sunday, and holidays.

DATE OF ISSUE: April 20, 2009

Service on and after  
EFFECTIVE DATE: Apr 1, 2009

ISSUED BY: *Carol Hood*

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

SCHEDULE 4

CLASSIFICATION OF SERVICE

LARGE POWER SERVICE-SINGLE AND THREE-PHASE

50-999 KVA (T)

RATE PER UNIT

AVAILABILITY

Available to consumers located on or near the Cooperative's facilities for Commercial service. Consumers shall contract for a definite amount of electrical capacity in kilovolt-amperes which shall be sufficient to meet normal maximum requirements but in no case shall the capacity contracted be less than 50 KVA. The Cooperative may not be required to supply capacity in excess multiples of 25 KVA.

TYPE OF SERVICE

Single-phase, three-phase, 60 cycles, at Cooperative's standard voltage.

RATE PER MONTH

Customer Charge  
Demand Charge per KW  
Energy Charge per KWH

\$60.91  
8.25 (I)  
.05338 (I)

DETERMINATION OF BILLING DEMAND

The billing demand shall be the maximum kilowatt demand established by the consumer for any fifteen consecutive minutes during the month for which the bill is rendered, as indicated or recorded by a demand meter and adjusted for power factor as provided in the power factor adjustment clause.

POWER FACTOR ADJUSTMENT

The consumer agrees to maintain unity power factor as nearly as practicable. The measured demand will be demand to correct for average power factors lower than 90%, and may be so adjusted for other consumers if and when the Cooperative deems necessary. Such adjustments will be made by increasing the measured demand by 1% for each 1% by which the average power factor is less than 90% lagging.

RULES AND REGULATIONS

Service under this tariff is subject to the terms of all rules and regulations of the Cooperative that have been or may be adopted by its Board of Director's.

DATE OF ISSUE: April 20, 2009

Service on and after  
EFFECTIVE DATE: Apr. 1, 2009

ISSUED BY:

*Carol Anne Gray*

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

SCHEDULE 6

CLASSIFICATION OF SERVICE

OUTDOOR LIGHTING SERVICE – SECURITY LIGHTS

RATE PER UNIT

AVAILABILITY

Available to customers, other than towns and villages, for dusk to dawn outdoor lighting on existing overhead secondary circuits.

RATE PER LIGHT PER MONTH

7,000	Lumens Mercury Vapor Lamp	\$9.57 (I)
10,000	Lumens Mercury Vapor Lamp	12.13 (I)
	Flood Lighting	16.79 (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.

CONDITIONS OF SERVICE

1. The Cooperative shall furnish, install, and maintain the outdoor lighting equipment including lamp, luminaire, bracket attachment and control device on an existing pole of the Cooperative, electrically connected so that power for operation of the light does not pass through out the meter for the consumer's other usage, at a location mutually agreeable to both the Cooperative and the customer.

2. The Cooperative shall maintain the lighting equipment, including lamp replacement, at no additional cost the customer within 72 hours after the customer notifies the Cooperative of the need for maintenance of the lighting equipment.

3. The lighting equipment shall remain the property of the Cooperative. The customer shall protect the lighting equipment from deliberate damage.

DATE OF ISSUE: April 20, 2009

Service on and after  
EFFECTIVE DATE: Apr. 1, 2009

ISSUED BY: *Carol Hill Daley*

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

SCHEDULE 7

CLASSIFICATION OF SERVICE

ALL ELECTRIC SCHOOLS (A.E.S.)

RATE PER UNIT

APPLICABLE

In all territory served by Seller.

AVAILABILITY

Available to all public or not-profit private schools whose total energy requirement, including but not limited to heating, air conditioning, lighting and water heating, is supplied electricity furnished by the Cooperative, subject to its established rules and regulations.

CHARACTER OF SERVICE

The electric service furnished under this rate schedule will be 60 cycle, alternating current, single phase or three phase service, present facilities permitting, and at the following nominal voltages: Single Phase, 120, 102/240, 480, 204/480 volts; Three Phase, 120/240, 120/208Y, 240/280, 277/480Y volts.

RATE PER MONTH

Customer Charge

\$30.00 (I)

Demand Charge per KW

6.00 (I)

Energy Charge per KWH

.06286 (I)

MINIMUM CHARGE

the minimum annual charge shall be sufficient to assure adequate compensation for the facilities installed to serve the consumer, and in no event shall it be less than \$9.00 per KVA of required transformer capacity as determined by the Cooperative, or the amount specified in the contract for service, whichever is greater.

TERMS OF CONTRACT

Service under this rate schedule will be furnished under an "Agreement for Purchase of Power", for a term of not less than five (5) years.

TERMS OF PAYMENT

The above rates are net, the gross being ten percents higher. In the event the current monthly bill is not paid within fifteen (15) days from the mailing date of the bill, the gross rates shall apply.

DATE OF ISSUE: April 20, 2009

Service on and after  
EFFECTIVE DATE: Apr. 1, 2009

ISSUED BY:

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

SCHEDULE 13 (a)

CLASSIFICATION OF SERVICE

LARGE INDUSTRIAL SERVICE – HLF

1,000 TO 4,999 KVA

RATE PER UNIT

AVAILABILITY

Available to all members of the Cooperative whose monthly contract demand is equal to or greater than 500 KW but less than 5,000 KW. All use is subject to the established rules and regulations of the Cooperative that have been or may be adopted by its Board of Directors.

CONDITION OF SERVICE

An "INDUSTRIAL POWER AGREEMENT" shall be executed by the member for service under this schedule.

TYPE OF SERVICE

Three-phase, 60 hertz, alternating current as specified in the "INDUSTRIAL POWER AGREEMENT".

RATE PER MONTH

Customer Charge

\$547.15

Demand Charge per KW of Billing Demand

6.99 (l)

Energy charge per KWH

.04315

DETERMINATION OF BILLING DEMAND

The monthly billing demand shall be the greater of (A) or (B) listed below:

(A) The contract demand

(B) The ultimate consumer's highest demand, during the current month or preceding eleven months, coincident with the load center's peak demand. The load center's peak demand is the highest average rate at which energy is used during any fifteen minute interval in the below listed hours for each month ( and adjusted for power factor as provided herein):

<u>Months</u>	<u>Hours Applicable For Demand Billing - EST</u>
October through April	7:00a.m. to 12:00 Noon 5:00p.m. to 10:00 p.m.
May through September	10:00a.m. to 10:00 p.m.

DATE OF ISSUE: April 20, 2009

Service on and after  
EFFECTIVE DATE: Apr 1, 2009

ISSUED BY:

*Carol Hill Drury*

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

GRAYSON RURAL ELECTRIC  
COOPERATIVE CORPORATION

CANCELLING 1<sup>st</sup> Revised SHEET NO: 18.10

**SCHEDULE 17**

**CLASSIFICATION OF SERVICE**

**WATER PUMPING SERVICE**

**RATE PER UNIT**

**Availability**

Available for water pumping service in areas served by the Cooperative.

**Conditions**

Consumer shall have the option of service under this schedule or any other applicable rate schedule. Consumer, having selected one schedule, will continue to be billed under such schedule for not less than twelve (12) consecutive months, unless there should be a material and permanent change in Consumer's use of service.

**Rate**

Customer Charge Per Month – Includes No kWh Usage

On Peak Energy - kWh Per Month

Off Peak Energy – kWh per Month

\$40.00 (I)  
.11100 (I)  
.05570 (I)

**On - Peak Hours and Off-Peak Hours**

**On Peak Hours**

May through September

10:00 a.m. to 10:00 p.m. EST

October through April

7:00 a.m. to 12:00 noon EST

5:00 p.m. to 10:00 p.m. EST

**Off Peak Hours**

May through September

10:00 p.m. to 10:00 a.m. EST

October through April

12:00 noon to 5:00 p.m. EST

10:00 p.m. to 7:00 a.m. EST

**Minimum Monthly Charge**

The minimum monthly charge shall be the minimum charge specified in the contract, or the minimum monthly customer charge, or \$.75 per KVA of installed transformer capacity, whichever may be greater.

**Fuel Cost Adjustment Charge**

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. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

DATE OF ISSUE: April 20, 2009

Service on and after  
EFFECTIVE DATE: Apr 1, 2009

ISSUED BY:

*Carol Hill Daley*

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

GRAYSON RURAL ELECTRIC  
COOPERATIVE CORPORATION

SCHEDULE 18

CLASSIFICATION OF SERVICE

CAMPS AND BARNES

RATE PER UNIT

**Terms of Payment**

Available for camps and barns in areas served by the Cooperative that are not eligible to be classified as permanent residential farm and home uses subject to 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**

Customer Charge  
Energy Charge

\$20.00 (N)  
.09655 (N)

**MINIMUM MONTHLY CHARGE**

minimum monthly charge shall be the minimum charge specified in the contract, or the minimum monthly customer charge, or \$0.75 per KVA or installed capacity, whichever is greater.

**FUEL ADJUSTMENT CHARGE**

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. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.

DATE OF ISSUE: April 20, 2009

Service on and after  
EFFECTIVE DATE: Apr. 1, 2009

APPROVED BY: *Carol Hill Suley*

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

GRAYSON RURAL ELECTRIC  
COOPERATIVE CORPORATION

FOR: ENTIRE AREA SERVED  
PSC NO.: 4  
Original SHEET NO.: 9.00  
CANCELING PSC NO.: 3  
Original SHEET NO.: 9.00

SCHEDULE 9	CLASSIFICATION OF SERVICE	RATE PER UNIT
CABLE TELEVISION ATTACHMENT TARIFF		

APPLICABILITY

In all territory served by the Cooperative on poles owned and used by the Cooperative for its electric plant.

AVAILABILITY

To all qualified CATV operators having the right to receive service.

RENTAL CHARGE PER MONTH

The yearly rental charge per attachment shall be as follows:

Two-party pole attachment	\$6.54	(I)
Two-party anchor attachment	4.37	(I)
Two-party grounding attachment	.29	(D)
Three-party pole attachment	\$5.23	(I)
Three-party anchor attachment	2.88	(I)
Three-party grounding attachment	.18	(D)

BILLING

Rental charges shall be billed annually based on the number of pole attachments. the rental charges are net, the gross being ten percent (10%) higher. in the event the current annual bill is not paid within fifteen (15) days from the date of the bill, the gross rate shall apply.

SPECIFICATIONS

A. The attachment to poles covered by this tariff shall at all times conform the requirements of the National Electric Safety Code, 1981 Edition, and subsequent revisions thereof, except where the lawful requirements of public authorities may be more stringent, in which case the latter will govern.

B. The strength of poles covered by this agreement shall be sufficient to withstand the transverse and vertical load imposed upon them under the storm loading of the National Electrical Safety Code assumed for the are in which they are located.

DATE OF ISSUE April 20, 2009

EFFECTIVE DATE April 1, 2009

ISSUED BY

*Carol Healy*  
President & CEO

109 BAGBY PK., GRAYSON KY

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RULES AND REGULATIONS

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23. METER BASES

Each customer shall provide his/her own meter base.

24. METER READING

Each customer receiving service will read his/her meter on the first (1st) day of each month and have the reading in the Cooperative office no later than the fifteenth (15th) of that month. In the event the member fails to read the meter as outlined or fails to notify the Cooperative office for three successive months, the Cooperative's serviceman will read the meter and the customer will be billed \$30.00 for this service. (I)

25. SEPARATE METER FOR EACH SERVICE

The Cooperative will normally furnish a single meter at the point of connection to the customer's premises. Any customer desiring service at two or more separately metered points of connection to the system shall be billed separately at each point and the registration of such meters shall not be added for billing purposes.

26. LOCATION OF METERS

Meter locations shall require approval of the Cooperative and shall, at all times, be kept easily accessible for reading, testing, removing, and making necessary adjustments and repairs.

27. PRIMARY METERING

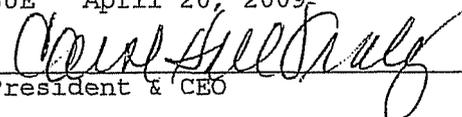
In those instances when primary metering is utilized, the customer will own, operate, and maintain all facilities past the metering point.

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DATE OF ISSUE April 20, 2009

EFFECTIVE DATE April 1, 2009

ISSUED BY

  
President & CEO

109 BAGBY PK., GRAYSON KY

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RULES AND REGULATIONS

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28. POINT OF DELIVERY

The point of delivery is the point as designated by the Cooperative on the customer's premises where current is to be delivered to the building or premises; namely, the point of attachment or connection to customer owned facilities. A member requesting a delivery point different from the one designated by the Cooperative will be required to pay the additional cost of providing the service at such delivery point. All wiring and equipment beyond this point of delivery shall be supplied, owned, and maintained by the customer.

29. VOLTAGE FLUCTUATIONS CAUSED BY CUSTOMER

Electric service must not be used in such manner as to cause unusual fluctuations or disturbances to the Cooperative's distribution system. The Cooperative may require the customer, at his/her own expense, to install suitable apparatus which will limit such fluctuation in accordance with the requirements as set forth in 807 KAR 5:041, Section 6.

30. METER TESTING - CUSTOMER REQUESTED

The Cooperative will, at its own expense, make periodic tests and inspections of all meters to maintain a high standard of accuracy and to conform with the regulations of the Public Service Commission. The Cooperative will make additional tests of the meter at the request of the customer provided such request is not made more frequently than once each twelve (12) months. The customer has a right to be present when the meter is tested and will be notified in advance as to the date and approximate time the testing will take place in order for them to make arrangements to be present. If the meter is found to be more than 2% fast or slow, an adjustment will be made to the customer's bill in accordance with 807 KAR 5:006, Section 10. If such test shows that the meter was not more than 2% fast or slow, a meter test fee of \$40.00 may be assessed the customer to cover the cost of the meter test as per 807 KAR 5:006, Section 18. If a customer requests more than one (1) meter test in a twelve (12) month period, the \$40.00 fee shall be deposited in advance for each subsequent test. The deposit shall be refunded if the meter is found to be more than 2% fast or slow. (I)

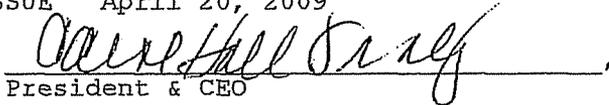
31. FAILURE OF METER TO REGISTER

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DATE OF ISSUE April 20, 2009

EFFECTIVE DATE April 1, 2009

ISSUED BY

  
President & CEO

109 BAGBY PK., GRAYSON KY

RULES AND REGULATIONS

42. INSTALLATION AND RECONNECTION CHARGES

A service charge will be made for all reconnects made under 807 KAR 5:006, Section 8. Service charge for reconnects made during normal working hours - \$30.00. Service charge for reconnects made after normal hours - \$70.00. (I)  
(I)

43. INSTALLATION AND RECONNECTION CHARGES - EXCEPTIONAL CIRCUMSTANCES

When, upon a customer's request, an installation or reconnection takes place after normal working hours and by the nature of the installation or reconnection should require more than two (2) hours to complete, the customer shall be charged an additional \$50.00 for each hour, or portion of an hour, exceeding two (2) hours. This charge shall be in addition to the \$70.00 charge for the first mandatory two (2) hours. (I)  
(I)

44. COLLECTION OF DELINQUENT ACCOUNTS

Should it become necessary for the Cooperative to send a serviceman to the customer's premises for collecting a delinquent account, a service charge of \$30.00 will be applied to the customer's account for the extra service rendered, due and payable at the time such delinquent account is collected. If service is disconnected for nonpayment, an additional charge of \$30.00 will be added for reconnecting service during regular work hours. The charge may be assessed if the utility representative actually terminates service or if, in the course of the trip, the customer pays the delinquent bill to avoid termination. The charge may also be made if the utility representative agrees to delay termination based on the customer's agreement to pay the delinquent bill by a specific date. The Cooperative may make a field collection charge only once in any billing period. (I)  
(I)

45. RETURNED CHECK CHARGE

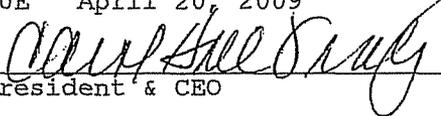
When a check received in payment of a customer's account is returned unpaid by the bank for any reason, the Cooperative will notify the customer by form letter "Notice of Returned Check" stating the amount of the check and the reason for return. A \$25.00 service charge will be added to the customer's account for each returned check. (I)

Issuance of a check that is later returned unhonored by the bank will not delay the normal collection procedures.

DATE OF ISSUE April 20, 2009

EFFECTIVE DATE April 01, 2009

ISSUED BY

  
President & CEO

109 BAGBY PK., GRAYSON KY

GRAYSON RECC  
CASE NO. 2008-00254

DIRECT TESTIMONY OF JAMES R. ADKINS

1Q. What is the purpose of your testimony?

1A. The purpose of my testimony is to explain the development of the rates based on the settlement that has been reached with the Office of the Attorney General (“OAG”). The OAG has agreed to let Grayson RECC (“GRECC”) increase its rates by the amount requested for GRECC’s increase in distribution costs. GRECC agreed to reduce its customer charge for Schedule 1 – Farm & Home from the requested \$15.00 to \$10.00. An additional fact is the increase in wholesale power costs recently granted to East Kentucky Power Cooperative (“EKPC”) in Case No. 2008-00409 and this increase was a part of the original application. However, since the increase granted to EKPC was less than the amount contained in the original application, this reduction has been included in the development of rates for this settlement.

2Q. What was the amount of the increase requested in the application?

2A. The application requested a total increase of \$4,660,266 with \$3,161,265 due to GRECC’s own costs and \$1,499,001. However, with the decrease in its purchased power costs, GRECC agreed to amount is \$4,537,102 with \$3,161,265 due to GRECC’s costs and \$1,375,837 for its wholesale power cost increase.

3Q. What process did GRECC use to determine the changes to each rate class based on the decrease in wholesale power costs?

3A. The cost of service study (“COSS”) filed with the application was revised to reflect this wholesale power cost decrease. This result in a decrease in the proposed energy rate for most rate classes and with no changes in a couple of rate classes. This revised COSS is provided as Exhibit E to this settlement. The proof that the proposed rates will provide the amount of revenue requested is provided in Exhibit C to this settlement. Exhibit D provides a comparison of the current rates, the proposed rates in the application and the rates proposed as a part of this settlement.

4Q. Will these proposed rates meet the needs of Grayson.

4A. The proposed rates as a result of this settlement will provide for the immediate financial needs of GRECC and should insure that GRECC will meet its mortgage requirements for a few years.

5Q. Does this conclude your testimony?

5A. This concludes my testimony.

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

Schedule I - Farm and Home

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		E/F
			Rates	Revenues	Rates	Revenues	
Customer Charge	171,181	\$1,370,618					
Customer Charge, normalized	157,793		\$8.16	\$1,287,591	\$10.00	\$1,577,930	
Energy charge per kWh	186,688,210	14,501,278					
Energy charge per kWh, normalized	183,445,786		\$0.07868	14,433,514	\$0.09102	16,697,235	\$1
				0		0	
Total from base rates		15,871,896		<u>\$15,721,105</u>		<u>\$18,275,165</u>	
Fuel adjustment		991,976				18,289,989	
Environmental surcharge		931,381					
Total revenues		<u>\$17,795,253</u>					
Amount				(\$150,791)		\$2,554,060	
Percent				-1.0%		16.2%	
Average monthly bill		\$92.72		\$91.84		\$106.76	
Amount				(\$0.88)		\$14.92	
Percent				-1.0%		16.2%	

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

Schedule 18 - Camps and Barns

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		EK F
			Rates	Revenues	Rates	Revenues	
Customer Charge	13,388		\$8.16	\$109,246	\$20.00	\$267,760	
Energy charge	3,242,424		\$0.07868	255,114	\$0.09102	295,125	\$0
						0	
Total from base rates		0		<u>\$364,360</u>		<u>\$562,885</u>	
Fuel adjustment							
Environmental surcharge							
Total revenues							
						<u>\$0</u>	
Amount				\$364,360		\$198,525	
Percent				0.0%		54.5%	
Average monthly bill		\$0.00		\$27.22		\$42.04	
Amount				\$27.22		\$14.83	
Percent				0.0%		54.5%	

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

Schedule 2 - Small Commercial

<u>Description</u>	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		EK F
			Rates	Revenues	Rates	Revenues	
Customer Charge	13,976	\$111,219	\$8.10	\$113,206	\$25.00	\$349,400	
Energy charge	16,913,798	1,312,754	\$0.07868	1,330,778	\$0.07931	1,341,433	\$0
				<u>0</u>		<u>0</u>	
Total from base rates		1,423,973		<u>\$1,443,983</u>		<u>\$1,690,833</u>	
Fuel adjustment		93,775					
Environmental surcharge		<u>84,422</u>					
Total revenues		<u>\$1,602,170</u>					
Amount				\$20,011		\$246,850	
Percent				1.4%		17.1%	
Average monthly bill		\$101.89		\$103.32		\$120.98	
Amount				\$1.43		\$17.66	
Percent				1.4%		17.1%	

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

Schedule 3, Off-Peak Marketing Rate

<u>Description</u>	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		EK R
			Rates	Revenues	Rates	Revenues	
Customer Charge	1,183	\$9,425	\$8.10	\$9,582	\$10.00	\$11,830	
Energy charge							
On peak rate	1,379,377	106,793	\$0.07868	108,529	\$0.09102	125,551	\$0
Off peak rate	611,650	28,484	\$0.04721	28,875	\$0.05461	33,402	\$0
				0		0	
Total from base rates		144,702		<u>\$146,986</u>		<u>\$170,783</u>	
Fuel adjustment		10,426					
Environmental surcharge		8,478					
Total revenues		<u>\$163,606</u>					
Amount				\$2,284		\$23,797	
Percent				1.6%		16.2%	
Average monthly bill		\$122.32		\$124.25		\$144.36	
Amount				\$1.93		\$20.12	
Percent				1.6%		16.2%	

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

Schedule 4 - Large Power

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		Ekl R
			Rates	Revenues	Rates	Revenues	
Customer Charge	789	\$47,217	\$60.91	\$48,058	\$60.91	\$48,058	:
Demand Charge	76,713,066	559,250	\$7.42	569,211	\$7.42	569,211	
Primary meter	33,894,200	242,099	\$7.27	246,411	\$7.27	246,411	
Energy charge	19,708,171	104,069	\$0.05320	1,048,475	\$0.05320	1,048,475	\$0
Primary meter	14,880,000	1,686,478	\$0.05187	771,826	\$0.05187	771,826	\$0
Total from base rates		2,639,113		<u>\$2,683,980</u>		<u>\$2,683,980</u>	
Fuel adjustment		191,824					
Environmental surcharge		154,414					
Total revenues		<u>\$2,985,351</u>					
Amount				\$44,867		\$0	
Percent				1.7%		0.0%	
Average monthly bill		\$3,344.88		\$3,401.75		\$3,401.75	
Amount				\$56.87		\$0.00	
Percent				1.7%		0.0%	

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

Schedule 7 - All Electric Schools

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		E
			Rates	Revenues	Rates	Revenues	
Customer Charge	96	2,634	\$27.90	\$2,678	\$30.00	\$2,880	
Demand Charge	19,854,000	86,791	\$4.44	88,152	\$6.00	119,124	
Energy charge	5,836,500	310,072	\$0.05384	314,237	\$0.06037	352,350	\$
				0		0	
Total from base rates		399,497		<u>\$405,067</u>		<u>\$474,354</u>	
Fuel adjustment		31,696					
Environmental surcharge		<u>23,683</u>					
Total revenues		<u>\$454,876</u>					
Amount				\$5,570		\$69,286	
Percent				1.4%		17.1%	
Average monthly bill		\$4,161.43		\$4,219.45		\$4,941.18	
Amount				\$58.02		\$721.73	
Percent				1.4%		17.1%	

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

Schedule 13A - Large Industrial Service

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		EK F
			Rates	Revenues	Rates	Revenues	
Customer Charge	12	\$6,469	\$547.15	\$6,566	\$547.15	\$6,566	\$
Demand Charge	29,781.600	161,881	\$5.51	164,097	\$5.51	164,097	
Energy charge	15,009,600	634,681	\$0.04315	647,664	\$0.04315	647,664	\$
				0		0	
Total from base rates		803,031		<u>\$818,327</u>		<u>\$818,327</u>	
Fuel adjustment		72,705					
Environmental surcharge		49,009					
Total revenues		<u>\$924,745</u>					
Amount				\$15,296			\$0
Percent				1.9%			0.0%
Average monthly bill		\$66,919.23		\$68,193.89		\$68,193.89	
Amount				\$1,274.65			\$0.00
Percent				1.9%			0.0%

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

Schedule 17 - Water Pumping Service

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		EKI R:
			Rates	Revenues	Rates	Revenues	
Customer Charge	12	212	\$18.00	\$216	\$36.79	\$441	:
Energy charge							
On-Peak energy	6,640	513	\$0.078680	522	\$0.078680	522	\$0.1
Off-Peak energy	12,300	580	\$0.047210	581	\$0.047210	581	\$0.0
	18,940						
				0		0	
Total from base rates		1,304		<u>\$1,319</u>		<u>\$1,545</u>	
Fuel adjustment		88					
Environmental surcharge		82					
Total revenues		<u>\$1,474</u>					
Amount				\$15		\$225	
Percent				1.1%		17.1%	
Average monthly bill		\$108.68		\$109.93		\$128.72	
Amount				\$1.25		\$18.79	
Percent				1.1%		17.1%	

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

Schedule 5 - Street Lighting

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		EK R
			Rates	Revenues	Rates	Revenues	
175 Watt light	1,310	10,178	\$7.91	10,362	\$9.26	12,131	
kWh	<u>98,250</u>						
				<u>0</u>		<u>0</u>	
Total from base rates		10,178		<u>\$10,362</u>		<u>\$12,131</u>	
Fuel adjustment		815					
Environmental surcharge		843					
Total revenues		<u>\$11,836</u>					
Amount				\$184		\$1,769	
Percent				1.8%		17.1%	

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

Schedule 6 - Security Lights

Description	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		EK F
			Rates	Revenues	Rates	Revenues	
7,000 Lument MV	46,381	355,643	\$7.82	362,699	\$9.16	424,850	\$
10,000 Lument MV	0	0	\$9.91	0	\$11.60	0	\$
Flood lights	2,369	31,794	\$13.71	32,479	\$16.05	38,022	\$
kWh	<u>3,849,402</u>						
Billing adjustments				<u>0</u>		<u>0</u>	
Total from base rates		387,437		<u>\$395,178</u>		<u>\$462,872</u>	
Fuel adjustment							
Environmental surcharge							
Total revenues		<u>\$387,437</u>					
Amount				\$7,742		\$67,694	
Percent				2.00%		17.1%	

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

Envirowatts

<u>Description</u>	Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed		Ek F
			Rates	Revenues	Rates	Revenues	
Envirowatts		2,724	\$0.025100	2,724	\$0.025100	2,724	\$0.
kWh		<u>108,500</u>					
Billing adjustments				<u>0</u>		<u>0</u>	
Total from base rates		2,724		<u>\$2,724</u>		<u>\$2,724</u>	
Fuel adjustment							
Environmental surcharge							
Total revenues		<u>\$2,724</u>					
Amount				\$0		\$0	
Percent				0.0%		0.0%	

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

Billing Determinants	Test Year Revenues	Normalized Case No. 2006-00517		Proposed	
		Rates	Revenues	Rates	Revenues
Total from base rates	264,993,898	21,683,855	21,993,393		25,155,599
Fuel adjustment		1,393,306			
Environmental surcharge		1,252,311			
Total revenues		24,329,472			
Per Form 7	264,993,898	24,329,472			
Increase	0	0			
Amount			309,538		3,162,206
Percent			1.4%		14.4%

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

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29

Rate Schedule	Kwh Useage	Test Year Revenue	Percent of Total	Normalized Case No. 2006-0522	Percent of Total	Proposed Revenue	Percent of Total	Increase Amount	Increase Percent	Proposed Revenue	Percent of Total
Schedule 1, Farm and Home	183,445,786	\$15,871,896	73%	\$15,721,105	71%	\$18,275,165	73%	\$2,554,060	16.2%	\$19,289,621	73%
Schedule 18, Camps and Barns	3,242,424	0	0%	364,360	2%	562,885	2%	198,525	54.5%	580,816	2%
Schedule 2, Small Commercial	16,913,798	1,423,973	7%	1,443,983	7%	1,690,833	7%	246,850	17.1%	1,848,470	7%
Schedule 3, Off-Peak Marketing Rate	1,991,027	144,702	1%	146,986	1%	170,783	1%	23,797	16.2%	180,442	1%
Schedule 4, Large Power	34,588,171	2,639,113	12%	2,683,980	12%	2,683,980	11%	0	0.0%	2,778,621	10%
Schedule 7, All Electric Schools	5,836,500	399,497	2%	405,067	2%	474,354	2%	69,286	17.1%	488,886	2%
Schedule 13A, Large Industrial Servi	15,009,600	803,031	4%	818,327	4%	818,327	3%	0	0.0%	862,403	3%
Schedule 17, Water Pumping Servic	18,940	1,304	0%	1,319	0%	1,545	0%	225	17.1%	1,902	0%
Schedule 5, Street Lighting	98,250	10,178	0%	10,362	0%	12,131	0%	1,769	17.1%	12,969	0%
Schedule 6, Security Lights	3,849,402	387,437	2%	395,178	2%	462,872	2%	67,694	17.1%	483,642	2%
Envirowatts	108,500	2,724	0%	2,724	0%	2,724	0%	0	0.0%	2,724	0%
Rounding differences						(269)		(269)			
<b>Total from base rates</b>	<b>265,102,398</b>	<b>21,683,855</b>	<b>100%</b>	<b>\$21,993,393</b>	<b>100%</b>	<b>\$25,155,330</b>	<b>100%</b>	<b>\$3,161,937</b>	<b>14.4%</b>	<b>\$26,530,496</b>	<b>100</b>
Fuel adjustment billed		1,393,306									
Environmental surcharge billed		1,252,311									
		\$24,329,472									
<b>Increase</b>				<b>\$309,538</b>		<b>\$3,161,937</b>				<b>\$1,375,165</b>	
										<b>\$1,786,460</b>	

Grayson Rural Electric Cooperative  
Revenue Reports

Rate	Month	# Accts	exclude light, kwh	Light kwh	Envirowatts kwh	Billed Demand	Energy Revenue	Envirowatt Revenue
13	June, 2007	1	1,171,200	172		2,493.600	\$57,199.66	
Cooks	July	1	1,178,400	172		2,493.600	\$57,463.47	
	August	1	1,336,800	172		2,493.600	\$71,969.81	
	September	1	1,351,200	172		2,493.600	\$72,591.17	
	October	1	1,742,400	172		2,493.600	\$89,471.45	
	November	1	1,735,200	172		2,688.000	\$90,231.91	
	December	1	1,461,600	172		2,688.000	\$78,426.07	
	January, 2008	1	1,329,600	172		2,688.000	\$72,730.27	
	February	1	1,348,800	172		2,688.000	\$73,558.75	
	March	1	1,363,200	172		2,688.000	\$74,180.11	
	April	1	624,000	172		2,688.000	\$42,283.64	
	May	1	367,200	172		1,185.600	\$22,924.49	
	Total	12	15,009,600	2,064	0	29,781.600	\$803,030.80	\$0

COMPARATIVE RATE SCHEDULES

	<u>Current</u>	<u>Proposed in Application</u>	<u>Proposed in Settlement</u>
<b><u>Schedule 1 - Farm &amp; Home</u></b>			
Customer charge	\$ 8.16	\$ 15.00	\$ 10.00
Energy charge	0.07868	0.09284	0.09655
<b><u>Schedule 18 Camps &amp; Barns</u></b>			
Customer charge	\$ 8.16	\$ 20.00	\$ 20.00
Energy charge	0.07868	0.09284	0.09655
<b><u>Schedule 2 - Small Commercial</u></b>			
Customer charge	\$ 8.10	\$ 25.00	\$ 25.00
Energy charge	0.07868	0.08909	0.08863
<b><u>Schedule 3 - Off-Peak Marketing</u></b>			
Customer charge	\$ 8.16	\$ 15.00	\$ 10.00
Energy charge	0.07868	0.09284	0.09655
Off Peak Energy	0.04721	0.05570	0.05793
<b><u>Schedule 4 - Large Power</u></b>			
Customer charge	\$ 60.91	\$ 60.91	\$ 60.91
Demand charge	\$ 7.42	\$ 8.25	\$ 8.25
Demand charge - Primary Meter	\$ 7.27	\$ 8.00	\$ 8.00
Energy Charge	0.05320	0.05385	0.05338
Energy Charge - Primary Meter	0.05187	0.05250	0.05205
<b><u>Schedule 7 - All Electric Schools</u></b>			
Customer charge	\$ 27.90	\$ 30.00	\$ 30.00
Demand charge	\$ 4.44	\$ 6.00	\$ 6.00
Energy charge	0.05384	0.06333	0.06286
<b><u>Schedule 13A - Large Industrial Service</u></b>			
Customer charge	\$ 547.15	\$ 547.15	\$ 547.15
Demand Charge	\$ 5.51	\$ 6.99	\$ 6.99
Energy Charge	0.04315	0.04315	0.04315
Off-Peak			
<b><u>Schedule 17 Water Pumping Service</u></b>			
Customer Charge	\$ 18.00	\$ 40.00	\$ 40.00
On Peak Energy	0.07868	0.11100	0.11100
Off Peak Energy	0.04721	0.05570	0.05570
<b><u>Schedule 5 - Street Lighting</u></b>			
175 Watt Light	\$ 7.91	\$ 9.93	\$ 9.90
<b><u>Schedule 6 - Security Lights</u></b>			
7,000 Lumens	\$ 7.82	\$ 9.61	\$ 9.57
10,000 Lumens	\$ 9.91	\$ 12.17	\$ 12.13
Flood Lights	\$ 13.71	\$ 16.84	\$ 16.79

**COMPARATIVE RATE SCHEDULES**

**Schedule 9 - Cable Television Attachment Tariff**

Two Party pole attachment	\$	5.02	\$	6.54	\$	6.54
Two Party anchor attachment	\$	4.24	\$	4.37	\$	4.37
Two Party grounding attachment	\$	0.32	\$	0.29	\$	0.29
Three Party pole attachment	\$	4.57	\$	5.23	\$	5.23
Three Party anchor attachment	\$	2.80	\$	2.88	\$	2.88
Three Party grounding attachment	\$	0.20	\$	0.18	\$	0.18

**Non-recurring Charges**

Return Check	\$	15.00	\$	25.00	\$	25.00
Meter Reading	\$	24.00	\$	30.00	\$	30.00
Collection	\$	24.00	\$	30.00	\$	30.00
Installation/Reconnect	\$	24.00	\$	30.00	\$	30.00
Meter Test	\$	35.00	\$	40.00	\$	40.00
Exceptional Circumstance	\$	29.00	\$	50.00	\$	50.00
Overtime	\$	58.00	\$	70.00	\$	70.00

Grayson Rural Electric Cooperative  
Case No.2008-00154  
Purchased Power  
Test Year Billing Determinants  
May 31, 2008

Exhibit 14  
page of  
ss: Alan Zumstein

	Billing Demand		Total KWH Billing				Total Kwh	Green Power	Metering Point	Substation Charge	
	Schedule C	Schedule E	Schedule C	On-Peak	Off-Peak	2373				2855	
June	2,462	43,326	1,171,407	12,185,947	7,374,249	20,731,603	10,100	13	6	7	
July	2,462	47,235	1,177,789	13,042,260	7,795,145	22,015,194	10,100	13	6	7	
August	2,462	53,111	1,337,726	15,426,211	9,100,520	25,864,457	10,100	13	6	7	
September	2,462	44,845	1,352,038	11,324,466	7,125,869	19,802,373	10,100	13	6	7	
October	2,454	39,275	1,741,858	7,973,343	9,498,023	19,213,224	8,600	13	6	7	
November	2,687	52,319	1,735,953	9,780,393	11,741,946	23,268,292	8,600	13	6	7	
December	2,687	58,513	1,460,475	12,161,997	14,748,739	28,371,211	8,600	13	6	7	
January	2,687	72,794	1,329,372	13,875,375	17,274,491	32,479,238	8,600	13	6	7	
February	2,687	59,870	1,347,947	12,013,612	15,129,388	28,490,947	8,600	13	6	7	
March	2,687	56,650	1,362,988	10,600,075	13,468,827	25,451,890	8,600	13	6	7	
April	2,687	39,663	1,074,800	7,805,654	9,564,508	18,444,962	8,600	13	6	7	
May	2,687	34,844	1,074,800	8,829,294	7,378,335	17,282,429	7,900	13	6	7	
Adjustment (1)	-1,500		-1,158,400								
<b>Total</b>	<b>29,611</b>	<b>602,455</b>	<b>15,008,753</b>	<b>135,018,627</b>	<b>130,220,040</b>	<b>281,405,820</b>	<b>108,500</b>	<b>156</b>	<b>72</b>	<b>84</b>	

(1) Schedle 13A, Large Industrial customer contract

Grayson Rural Electric Cooperative  
Case No.2008-00154  
Purchased Power  
May 31, 2008

Billing Rates	1-Apr-07	1-Aug-07	<b>EKPC Proposed</b>
KW-Sch C	\$6.22	\$6.22	\$ 6.81
KW-Sch E2	\$5.22	\$5.22	\$ 5.71
KWH-Sch B/C	\$0.027325	\$0.033455	\$ 0.036622
KWH-Sch E2 On-Peak	\$0.036340	\$0.042470	\$ 0.046491
KWH-Sch E2 Off-Peak	\$0.028774	\$0.034904	\$ 0.038209
KVA 3000-7499	\$2,373	\$2,373	\$ 2,598.00
KVA 7500-14999	\$2,855	\$2,855	\$ 3,125.00
Metering Point	\$125	\$125	\$ 137.00
Green Power	\$0.023750	\$0.023750	\$0.023750

	Billing Demand		Total Demand	Total KWH Billing	Schedule E		Energy Charges	Green Power	Metering Point	Substation Charge	7
	Sch C	Schedule E		Schedule C	On-Peak	Off-Peak				3000	
				All KWH							
January	15,314	226,162	241,475	32,009	442,837	212,187	687,033	240	1,625	14,238	
February	15,314	246,567	261,880	32,183	473,956	224,298	730,436	240	1,625	14,238	
March	15,314	277,239	292,553	44,754	655,151	317,645	1,017,549	240	1,625	14,238	
April	15,314	234,091	249,405	45,232	480,950	248,721	774,904	240	1,625	14,238	
May	15,264	205,016	220,279	58,274	338,628	331,519	728,421	204	1,625	14,238	
June	16,713	273,105	289,818	58,076	415,373	409,841	883,290	204	1,625	14,238	
July	16,713	305,438	322,151	48,860	516,520	514,790	1,080,170	204	1,625	14,238	
August	16,713	378,985	398,698	44,474	589,287	602,949	1,236,710	204	1,625	14,238	
September	16,713	312,521	329,235	45,096	510,218	528,076	1,083,390	204	1,625	14,238	
October	16,713	295,765	312,478	45,599	450,185	470,814	966,598	204	1,625	14,238	
November	16,713	207,041	223,754	24,173	331,506	333,840	689,519	204	1,625	14,238	
December	16,713	181,886	198,599	17,301	374,980	257,533	649,815	188	1,625	14,238	
<b>Total</b>	<b>193,510</b>	<b>3,144,815</b>	<b>3,338,326</b>	<b>496,032</b>	<b>5,579,592</b>	<b>4,452,212</b>	<b>10,527,836</b>	<b>2,576</b>	<b>19,500</b>	<b>170,856</b>	
Normalized using rates effective											
	<u>184,180</u>	<u>3,144,815</u>	3,326,996	<u>502,118</u>	<u>5,734,241</u>	<u>4,545,200</u>	<u>10,781,559</u>	<u>2,576.9</u>	<u>19,500</u>	<u>170,856</u>	
Proposed	<u>201,651</u>	<u>3,440,018</u>	<u>3,641,669</u>	<u>549,651</u>	<u>6,277,151</u>	<u>4,975,578</u>	<u>11,802,379</u>	<u>2,576.9</u>	<u>21,372</u>	<u>187,056</u>	
	203,129	3,470,141	3,673,270	553,838	6,324,813	5,013,341	11,891,992	2,577	19,500	170,856	

Normalized Adjustment

**Grayson Rural Electric Cooperative**  
**Case No. 2008-00254**  
 Analysis of Fuel Adjustment and Environmental Surcharge  
 May 31, 2008

An analysis of fuel adjustment and environmental surcharge as purchased and passed on to consumers as follows:

<u>Month</u>	<u>Sales</u>		<u>Purchased</u>	
	<u>Fuel Adjustment</u>	<u>Environmental Surcharge</u>	<u>Fuel Adjustment</u>	<u>Environmental Surcharge</u>
January	95,657	102,022	125,218	95,012
February	156,995	114,627	150,804	105,636
March	(5,581)	117,731	6,466	139,162
April	165,064	118,785	173,072	129,982
May	81,666	117,081	64,557	100,504
June	21,334	117,106	29,539	105,768
July	25,941	123,451	26,668	113,232
August	187,425	135,238	194,550	140,344
September	191,308	98,097	194,878	103,368
October	125,410	79,754	139,733	92,516
November	171,747	61,589	164,324	66,585
December	<u>176,804</u>	<u>67,327</u>	<u>132,933</u>	<u>56,963</u>
<b>Total</b>	<b><u>1,393,768</u></b>	<b><u>1,252,810</u></b>	<b><u>1,402,742</u></b>	<b><u>1,249,072</u></b>

<u>SUMMARY</u>			
	<u>Green Power</u>	<u>Schedule C</u>	<u>Sche</u>
Substation	\$470,828	\$22,062	\$
Demand	\$3,641,669	201,651	\$3
Energy	\$11,802,379	549,651	\$11.
Green Power	<u>2,577</u>	<u>2,577</u>	
<b>Total</b>	<b><u>\$15,917,553</u></b>	<b><u>\$2,577</u></b>	<b><u>\$773,363</u></b> <b><u>\$15.</u></b>

The fuel purchased and environmental surcharge from East Kentucky Power Cooperative is passed on to the consumers using the Fuel Adjustment and Environmental Procedures established by this Commission.

GRAYSON RECC

Case No. 2008-00254

Settlement - Exhibit E

Schedule 11

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Witness: Jim Adkins

Consumer Related Costs Allocators

A. Lines (poles and conduit)

	<u>Number of Consumers</u>	<u>Allocation Percent</u>
Schedule 1 - Farm and Home	14,233	91.29%
Schedule 2 - Small Commercial	1,174	7.53%
Schedule 3 - Off-peak Marketing	-	0.00%
Schedule 4 - Large Power	66	0.42%
Schedule 7 - All Electric Schools	8	0.05%
Schedule 13A - Large Industrial Service	1	0.01%
Schedule 17 Water Pumping	1	0.01%
Schedule 5 - Street Lighting	1	0.01%
Schedule 6 - Security Lights	107	0.69%
	15,591	100%

B. Transformers

Rate Class	<u>Number of Consumers</u>	<u>Minimum Transformer Cost</u>	<u>Relative Cost</u>	<u>Weight</u>	<u>Allocation Percent</u>
Schedule 1 - Farm and Home	14,233	330.3	0.18	2,558.19	88.26%
Schedule 2 - Small Commercial	1,174	456.2	0.25	291.41	10.05%
Schedule 3 - Off-peak Marketing	-	-	-	-	0.00%
Schedule 4 - Large Power	60	918.9	0.50	30.00	1.04%
Schedule 7 - All Electric Schools	8	1,837.7	1.00	8.00	0.28%
Schedule 13A - Large Industrial Service	1	-	-	-	0.00%
Schedule 17 Water Pumping	1	918.9	0.50	0.50	0.02%
Schedule 5 - Street Lighting	18	151.3	0.08	1.48	0.05%
Schedule 6 - Security Lights	107	151.3	0.08	8.81	0.30%
	15,602.00			2,898.39	1.00

GRAYSON RECC

Case No. 2008-00254

Settlement - Exhibit E

Schedule 11

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Witness: Jim Adkins

Consumer Related Costs Allocators

C. Services

Rate Class	# of Consumer	Minimum Service Cost	Relative Cost	Weight	Allocation Percent	
Schedule 1 - Farm ar #REF!	14,233	146	1.0	14,233	82.99%	82.99%
Schedule 2 - Small Commercial	1,174	315	2.2	2,542	14.82%	14.82%
Schedule 3 - Off-peak Marketing	100	15	0.1	10	0.06%	0.06%
Schedule 4 - Large Power	60	417	2.9	172	1.00%	1.00%
Schedule 7 - All Electric Schoools	8	-	-	-	0.00%	0.00%
Schedule 13A - Large Industrial Service	1	-	-	-	0.00%	0.00%
Schedule 17 Water Pumping	1	834	5.7	6	0.03%	0.03%
Schedule 5 - Street Lighting	87	54	0.4	32.29	0.19%	0.19%
Schedule 6 - Security Lights	4,208	5	0.0	156.17	0.91%	0.91%
	19,872.00			17,151	100.00%	100.00%

D. Meters

Rate Class	# of Consumer	Minimum Meter Cost	Relative Cost	Weight	Allocation Percent	
Schedule 1 - Farm and Home	14,233	49.57	1.00	14,233.00	90.03%	90.03%
Schedule 2 - Small Commercial	1,174	49.57	1.00	1,174.00	7.43%	7.43%
Schedule 3 - Off-peak Marketing	100	49.57	1.00	100.00	0.63%	0.63%
Schedule 4 - Large Power	66	217.93	4.40	290.16	1.84%	1.84%
Schedule 7 - All Electric Schoools	8	49.57	1.00	8.00	0.05%	0.05%
Schedule 13A - Large Industrial Service	-	-	-	-	0.00%	0.00%
Schedule 17 Water Pumping	1	217.93	4.40	4.40	0.03%	0.03%
Schedule 5 - Street Lighting	87	-	-	-	0.00%	0.00%
Schedule 6 - Security Lights	4,208	-	-	-	0.00%	0.00%
	19,877.00			15,809.56	1.00	1.00

GRAYSON RECC

Case No. 2008-00254

Settlement - Exhibit E  
 Schedule 11  
 Page 6 of 12  
 Witness: Jim Adkins

Consumer Related Costs Allocators

E. Consumer & Accounting Services

Rate Class	Consumer Records	Consumer Assistance	Total	Allocation Percent
Schedule 1 - Farm and Home	774,941	165,682	940,623	87.88%
Schedule 2 - Small Commercial	63,921	13,666	77,587	7.25%
Schedule 3 - Off-peak Marketing	1,361	291	1,652	0.15%
Schedule 4 - Large Power	5,390	2,305	7,695	0.72%
Schedule 7 - All Electric Schools	653	186	840	0.08%
Schedule 13A - Large Industrial Service	109	47	155	0.01%
Schedule 17 Water Pumping	68	12	80	0.01%
Schedule 5 - Street Lighting	592	253	845	0.08%
Schedule 6 - Security Lights	28,639	12,246	40,885	3.82%
	875,674	194,688	1,070,362	100%

Consumer Records

	Factor	Number of Consumers	Weight	Allocation Percentage	Expenses Allocated
Schedule 1 - Farm and Home	4.00	14,233	56,932	88.5%	774,941
Schedule 2 - Small Commercial	4.00	1,174	4,696	7.3%	63,921
Schedule 3 - Off-peak Marketing	1.00	100	100	0.2%	1,361
Schedule 4 - Large Power	6.00	66	396	0.6%	5,390
Schedule 7 - All Electric Schools	6.00	8	48	0.1%	653
Schedule 13A - Large Industrial Service	8.00	1	8	0.0%	109
Schedule 17 Water Pumping	5.00	1	5	0.0%	68
Schedule 5 - Street Lighting	0.50	87	44	0.1%	592
Schedule 6 - Security Lights	0.50	4,208	2,104	3.3%	28,639
	35.00	19,878	64,333	100%	875,674

Consumer Assistance

	Factor	Number of Consumers	Weight	Allocation Percentage	Expenses Allocated
Schedule 1 - Farm and Home	1.00	14,233	14,233	85.1%	165,682
Schedule 2 - Small Commercial	1.00	1,174	1,174	7.0%	13,666
Schedule 3 - Off-peak Marketing	0.25	100	25	0.1%	291
Schedule 4 - Large Power	3.00	66	198	1.2%	2,305
Schedule 7 - All Electric Schools	2.00	8	16	0.1%	186
Schedule 13A - Large Industrial Service	4.00	1	4	0.0%	47
Schedule 17 Water Pumping	1.00	1	1	0.0%	12
Schedule 5 - Street Lighting	0.25	87	22	0.1%	253
Schedule 6 - Security Lights	0.25	4,208	1,052	6.3%	12,246
	12.75	19,878	16,725	100%	194,688

Meter Reading			-	1.00
Consumer Records			875,674	#DIV/0!
Consumer Assistance			194,688	#DIV/0!

GRAYS, N RECC

CASE NO. 2008-00254

A. Energy Sales

Allocation proportional on retail sales

<u>Month</u>	Schedule 1 Farm and Home Wholesale E	Schedule 2 Small Commercial Wholesale E	Schedule 3 Off-peak Marketing Wholesale E	Schedule 4 Large Power Wholesale E	Schedule 7 All Electric Schools Wholesale E	Schedule Large I Serv Wholesale E
September	14,372,247	1,461,671	109,822	3,030,154	391,340	1,177,000
October	15,869,081	1,473,372	120,278	3,173,787	472,300	1,177,000
November	14,063,673	1,352,270	106,903	2,968,800	534,860	1,336,000
December	11,771,910	1,228,772	94,111	2,749,392	461,340	1,357,000
January	14,087,579	1,242,503	146,743	2,690,876	454,260	1,742,000
February	17,482,196	1,420,214	206,783	2,777,725	507,860	1,736,000
March	21,236,824	1,661,619	271,075	2,887,740	558,440	1,461,000
April	22,450,492	1,821,203	296,169	3,200,199	634,960	1,326,000
May	18,314,660	1,496,221	251,349	2,893,632	538,220	1,348,000
June	13,863,462	1,323,966	175,100	2,745,309	436,740	1,366,000
July	10,217,008	1,094,714	104,518	2,594,780	408,620	624,000
August	12,959,078	1,337,273	108,176	2,875,777	437,560	367,000
<b>Total</b>	<b>186,688,210</b>	<b>16,913,798</b>	<b>1,991,027</b>	<b>34,588,171</b>	<b>5,836,500</b>	<b>15,006,000</b>
<b>Total Schedule E</b>						
<b>Schedule E</b>						
<b>Percentage</b>	<b>74.68%</b>	<b>6.77%</b>	<b>0.80%</b>	<b>13.84%</b>	<b>2.33%</b>	<b>0.00%</b>

GRAYSON RECC

CASE NO. 2008-00254

A. Energy Sales

Allocation proportional on retail sales

Schedule 17 Water Pumping Wholesale E	Schedule 5 Street Lighting Wholesale E	Schedule 6 Security Lights Wholesale E	Total All Rates Wholesale E	Envirowatts Power	Total Schedule C Rates
3,360	8,325	314,293	20,862,412	10,100	20,872,512
3,360	8,250	315,403	22,614,231	10,100	22,624,331
3,920	8,250	319,108	20,694,584	10,100	20,704,684
2,520	8,250	319,467	17,986,962	10,100	17,997,062
440	8,250	319,473	20,692,524	8,600	20,701,124
360	8,250	321,022	24,459,610	8,600	24,468,210
200	8,250	320,713	28,406,461	8,600	28,415,061
240	8,250	324,791	30,065,904	8,600	30,074,504
240	8,250	322,533	25,173,905	8,600	25,182,505
440	8,250	322,781	20,239,248	8,600	20,247,848
1,280	7,875	323,729	15,376,524	8,600	15,385,124
2,580	7,800	326,089	18,421,533	7,900	18,429,433
18,940	98,250	3,849,402	264,993,898	108,500	265,102,398
			249,984,298		
0.01%	0.04%	1.54%	100.00%		

GRAYSON RECC

CASE NO. 2008-00254

**B. Wholesale Billing CP Contributions**

<u>Month</u>	Schedule 1 Farm and Home	Schedule 2 Small Commercial	Schedule 3 Off-peak Marketing	Schedule 4 Large Power	Schedule 7 All Electric Schools	Schedule Large II Serv
June	35,620	3,537	-	6,063	1,082	2
July	37,737	2,954	-	5,456	967	1
August	41,576	3,602	-	6,204	1,194	1
September	36,948	3,026	-	5,600	1,038	1
October	31,337	2,339	-	5,321	926	1
November	34,140	2,843	-	7,650	1,470	2
December	44,766	3,337	-	7,970	1,520	2
January	57,957	3,541	-	8,058	1,470	2
February	49,940	3,007	-	7,638	1,579	2
March	46,268	2,888	-	6,189	931	2
April	34,709	1,932	-	4,920	837	2
May	26,412	2,656	-	4,464	767	1
Total	477,410	35,662	-	75,533	13,781	25
Total Schedule E Percent	78.74%	5.88%	0.00%	12.46%	2.27%	0

Used to allocate wholesale power demand costs to rate classes.

GRAYSON RECC

CASE NO. 2008-00254

B. Wholesale Billing CP Contributions

Schedule 17 Water Pumping	Schedule 5 Street Lighting	Schedule 6 Security Lights	Total All Rates	Envirowatts Power	Total Schedule C Rates
3	-	-	48,462	18,000	2,157
3	-	-	49,026	18,000	1,909
4	-	-	54,530	18,000	1,950
3	-	-	48,567	18,000	1,952
2	-	-	41,892	18,000	1,967
2	19	754	49,154	18,000	2,276
4	19	754	60,920	18,000	2,550
3	19	768	74,792	18,000	2,976
3	19	761	64,988	18,000	2,041
3	-	-	58,630	18,000	2,351
2	18	765	45,209	18,000	2,026
2	-	-	36,067	18,000	1,766
34	94	3,802	632,237		25,921
			606,316		
0.01%	0.02%	0.63%	100.00%		100.00%

0.00%

Used to allocate wholesale power demand costs to rate classes.

# GRAYSON RECC

CASE NO. 2008-00254

## C. Monthly Peak Demands for Each Rate Class

<u>Month</u>	Schedule 1 Farm and Home	Schedule 2 Small Commercial	Schedule 3 Off-peak Marketing	Schedule 4 Large Power	Schedule 7 All Electric Schools	Schedule Large I Sen
June	37,883	4,581	637	7,712	1,261	:
July	40,115	5,060	630	7,669	1,224	:
August	44,310	5,610	651	8,888	1,755	:
September	38,306	4,842	658	7,922	1,593	:
October	36,171	3,965	672	7,851	1,535	:
November	34,140	3,833	679	7,650	1,470	:
December	44,768	4,540	679	8,010	1,738	:
January	57,957	4,387	679	8,273	1,730	:
February	49,940	4,036	679	8,059	1,685	:
March	46,268	4,218	679	7,929	1,585	:
April	38,656	3,677	672	7,317	1,432	:
May	41,057	3,817	686	7,714	1,426	:
Total	509,571	52,566	8,001	94,994	18,434	12
Percent	72.19%	7.45%	1.13%	13.46%	2.61%	:
Percent w/o Sched 13A	73.54%	7.59%	1.15%	13.71%	2.66%	(

Used to allocate distribution demand related costs to appropriate rate classes

# GRAYSON RECC

## CASE NO. 2008-00254

### C. Monthly Peak Demands for Each Rate Class

Schedule 17 Water Pumping	Schedule 5 Street Lighting	Schedule 6 Security Lights	Total All Rates	Envirowatts Power	Total Schedule C Rates
5	19	741	54,996	18,000	2,157
5	19	743	57,374	18,000	1,909
6	19	751	63,940	18,000	1,950
5	19	751	56,048	18,000	1,952
4	19	751	52,935	18,000	1,967
4	19	754	50,825	18,000	2,276
5	19	754	63,063	18,000	2,550
4	19	768	76,793	18,000	2,976
4	19	761	67,224	18,000	2,041
4	19	759	63,812	18,000	2,351
4	18	765	54,567	18,000	2,026
4	18	766	57,254	18,000	1,766
54	226	9,064	705,871	216,000	25,921
			692,910		
0.01%	0.03%	1.28%	100.00%	833.30%	100.00%
0.01%	0.03%	1.31%	100.00%		1033%

Used to allocate distribution demand related costs to appropriate rate classes

Witness: Alan Zumstein

Grayson Rural Electric Cooperative  
Case No. 2008-00254  
Computation of Rate of Return  
May 31, 2008

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	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
Net margins	(\$909,389)	\$1,703,974
Non-cash patronage dividends	-	0
Interest on long-term debt	<u>1,446,899</u>	<u>1,703,974</u>
Total	<u>537,510</u>	<u>3,407,948</u>
Net rate base	<u>48,086,884</u>	<u>47,184,332</u>
Rate of return	<u>1.12%</u>	<u>7.22%</u>
Equity Capitalization	<u>48,094,799</u>	<u>50,708,162</u>
Rate of return	<u>1.12%</u>	<u>6.72%</u>

Witness: Alan Zumstein

Grayson Rural Electric Cooperative

Case No. 2008-00254

Determination of Rate Base

May 31, 2008

	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
Gross rate base:		
Total electric plant	\$53,733,003	\$53,733,003
Material and supplies (13 months average for test year)	1,396,773	1,396,773
Prepayments (13 months average for test year)	596,352	596,352
Working capital: 12.5% of operating expense less cost of power	744,246	698,121
	56,470,374	56,424,249
Deductions from rate base:		
Accumulated depreciation	8,222,315	9,078,742
Consumer advances	161,175	161,175
Net rate base	\$48,086,884	\$47,184,332

	<u>Material</u>	<u>Prepayments</u>
May 2007	1,257,476	605,149
June	1,253,611	1,011,184
July	1,408,288	860,097
August	1,638,639	722,264
September	1,323,640	587,007
October	1,291,615	443,193
November	1,362,992	292,074
December 2008	1,366,831	705,464
January	1,446,190	566,617
February	1,499,519	552,077
March	1,561,045	420,118
April	1,495,879	490,683
May	1,252,330	496,644
Average	1,396,773	596,352

Witness: Alan Zumstein

Grayson Rural Electric Cooperative  
Case No. 2008-00254  
TIER and DSC Calculations  
May 31, 2008

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	<u>Actual</u> <u>Test Year</u>	<u>Adjusted</u> <u>Test Year</u>
<b>TIER:</b>		
Margins, excluding G&T capital credits and extraordinary items	(\$909,389)	\$1,703,974
Interest on long term debt	1,446,899	1,703,974
TIER	0.37	2.00
<b>DSC:</b>		
Margins, excluding G&T capital credits	(\$909,389)	\$1,703,974
Depreciation expense	1,559,510	2,411,912
Interest on long term debt	1,446,899	1,703,974
Principal payment on long term debt	3,712,293	3,712,293
DSC	0.41	1.07
DSC = (Margins + depreciation + interest / interest + principal payments)		

# Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292  
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

RECEIVED

MAY 07 2009

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 27<sup>th</sup> 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

GRAYSON RURAL ELECTRIC  
COOPERATIVE CORPORATION

FOR ENTIRE AREA SERVED  
PSC NO.: 4  
10<sup>TH</sup> REVISED SHEET NO.: 1.00  
CANCELING PSC NO.: 4  
9<sup>TH</sup> REVISED SHEET NO.: 1.00

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.

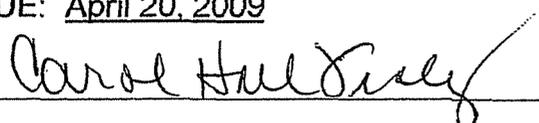
MINIMUM CHARGE

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

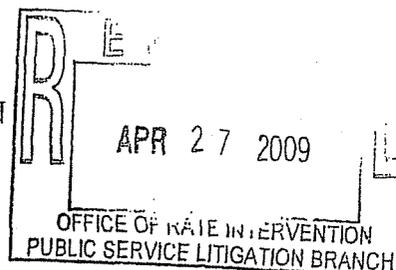
Service on and after  
EFFECTIVE DATE: April 1, 2009

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.

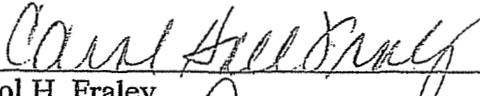
11. Attached as "Exhibit C" is proof of revenue analysis showing that the proposed rate adjustments will generate the proposed revenue reduction to which the parties have agreed in paragraph (1) of this Stipulation.

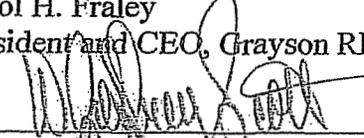
12. Attached as "Exhibit F" are the computations for rate base and equity capitalization.

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.

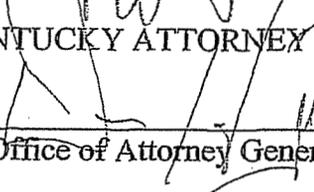
This 27<sup>th</sup> day of April, 2009.

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

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2008-00254 DATED JUN - 3 2009

The following rates and charges are prescribed for the customers in the area served by Grayson Rural Electric Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

#### SCHEDULE 1 FARM AND HOME

Customer Charge per Month	\$	10.00
Energy Charge per kWh	\$	.09655

#### SCHEDULE 2 COMMERCIAL AND SMALL POWER

Customer Charge per Month	\$	25.00
Energy Charge per kWh	\$	.08863

#### SCHEDULE 3 OFF-PEAK MARKETING

Customer Charge per Month	\$	10.00
Energy Charge per kWh	\$	.09655
Off-Peak Energy Charge per kWh	\$	.05793

#### SCHEDULE 4 LARGE POWER

Customer Charge per Month	\$	60.91
Demand Charge per kW	\$	8.25
Demand Charge per kW - Primary Meter	\$	8.00
Energy Charge per kWh	\$	.05338
Energy Charge - Primary Meter	\$	.05205

SCHEDULE 5  
STREET LIGHTING SERVICE

Base Rate per Light per Month:		
175 Watt Mercury Vapor Lamp	\$	9.90
Base Rate per Light per Year:		
175 Watt Mercury Vapor Lamp	\$	118.80

SCHEDULE 6  
OUTDOOR LIGHTING SERVICE – SECURITY LIGHTS

Base Rate per Light per Month:		
7,000 Lumens Mercury Vapor Lamp	\$	9.57
10,000 Lumens Mercury Vapor Lamp	\$	12.13
Flood Lights	\$	16.79

SCHEDULE 7  
ALL ELECTRIC SCHOOLS

Customer Charge per Month	\$	30.00
Demand Charge per kW	\$	6.00
Energy Charge per kWh	\$	.06286

SCHEDULE 13A  
LARGE INDUSTRIAL SERVICE

Customer Charge per Month	\$	547.15
Demand Charge per kW	\$	6.99
Energy Charge per kWh	\$	.04315

SCHEDULE 17  
WATER PUMPING SERVICE

Customer Charge per Month	\$	40.00
On-Peak Energy Charge per kWh	\$	.11100
Off-Peak Energy Charge per kWh	\$	.05570

SCHEDULE 18  
CAMPS AND BARNES

Customer Charge per Month	\$	20.00
Energy Charge per kWh	\$	.09655

SCHEDULE 9  
CABLE TELEVISION ATTACHMENTS

Annual charge as follows:

Two-party Pole Attachment	\$ 6.54
Two-party Anchor Attachment	\$ 4.37
Two-party Grounding Attachment	\$ .29
Three-party Pole Attachment	\$ 5.23
Three-party Anchor Attachment	\$ 2.88
Three-party Grounding Attachment	\$ .18

NONRECURRING CHARGES

Return Check	\$ 25.00
Meter Reading	\$ 30.00
Collection	\$ 30.00
Installation/Reconnect	\$ 30.00
Meter Test	\$ 40.00
Exceptional Circumstance	\$ 50.00
Overtime	\$ 70.00

Paul D Adams  
Office of the Attorney General Utility & Rate  
1024 Capital Center Drive  
Suite 200  
Frankfort, KY 40601-8204

Carol Hall Fraley  
President & CEO  
Grayson R.E.C.C.  
109 Bagby Park  
Grayson, KY 41143

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