Grayson Rural Electric Cooperative Corporation

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July 26, 2010

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P O Box 615
Frankfort, KY 40602-0615

RE; Case No. 2010-00230

Dear Mr. Derouen:

Enclosed you will find Grayson RECC's original and five copies of its responses to the Commissions Initial Data Request of July 14, 2010.

Sincerely,

Don M. Combs
Mgr. Finance & Accounting

C: Office of the Attorney General

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF INITIAL DATA REQUEST

Question:

Describe the type of meters currently in use on Grayson's system and their capabilities.

Response:

For services that would be eligible for the proposed rates, Grayson typically uses Single phase, 3-wire mechanical or digital meters. These work well with our existing Landys & Gyr TS-1 (one way communications) AMR system.

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CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF INITIAL DATA REQUEST

Question:

Describe any types of meters, not currently in use on Grayson's system, which would be necessary to implement any of the proposed rates in Grayson's application. Fully describe the capabilities of any such meters.

Response:

Grayson is currently installing equipment in its substations that will accommodate both the TS-1 and TS-2 modules. TS-2 modules (2-way communications) will add the following additional capabilities to our AMR system:

- 2 way communications
- Detailed Load Date
- Monitoring and reporting of voltage and demand
- Measuring usage in up to four separate time frames daily
- Disconnecting / Connecting remotely

These capabilities will accommodate the requirements of our proposed rates. For customers choosing a rate that requires the TS-2 module and the substation is not yet been converted to communicate with the TS-2, module, the meter would be read manually. We anticipate that all substations will be converted within a 2 year period

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF INITIAL DATA REQUEST

Question:

Refer to the proposed Residential Inclining Block Rate tariff filed in Exhibit A of the application, the updated tariff sheet provided in Grayson's filing of June 16, 2010 and to the 'Inclining Block Rate' section in Exhibit C4, page 1 of 1, provided with the application. Confirm that Grayson meant for the Residential Inclining Block Rate tariff page to reflect a rate for "All Over 500 kWh" of $3.7I3 2 rather than $.013732.

Response:

The correct rate for the Inclining Block Rate for "All Over 500 kWh should be $0.13732 and not $0.013732

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF INITIAL DATA REQUEST

Question:

Refer to the proposed Residential Demand and Energy Rate tariff filed in Exhibit A of the application, and to the "Demand Rate Schedule" section in Exhibit C4, page 1 *of* 1, provided with the application.

a. Explain why the rates in this tariff do not agree with the rates in Exhibit C4, the Summary of Rates.

b. State whether customers taking service under the proposed Residential or Small Commercial Demand and Energy tariffs would require different meters than the ones through which their usage is currently measured.

Responses:

a. The rates in Exhibit C4 differ with those in Residential Demand and Energy Tariff because of an error in preparing these documents. The correct rates are those listed in Exhibit C4 and are listed below. Revised tariffs for the Residential Demand and Energy Tariff are included as page 2 of this response.

Demand Charge - $4.23 per kW
Energy Charge - $0.06896 per kWh

b. See Response to Question 2.

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Questions:

Refer to the Testimony of James R. Adkins at pages 5 and 6, and ExhibitsC2 and C3. Mr. Adkins states that the Residential and Small Commercial Time-of-Day rates were developed in the same manner as the rate for Blue Grass Energy Cooperative Corporation ("Blue Grass") in Case No. 2009-00224,' and the proposed off-peak rate is shown to be .05500 in Exhibits C2 and C3 (prior to the fuel adjustment roll-in of .01077). Provide the calculation of the proposed off-peak rate and all supporting details and documents.

Response:

The off-peak rate of $0.05500 per kWh was a selected rate as opposed to a calculated rate which was approximately twenty mills greater than EKPC's corresponding Schedule E-2 off-peak energy rate of $0.034904 at that time. It is Grayson's intent to have a residential TOD rate that provides an incentive to move from on-peak usage to off-peak usage and the rate developed does provided that incentive in the estimation of Grayson.

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CASE NO. 2010-00230
RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Questions:

For the Residential lime of Day and Residential Demand and Energy Rate tariffs, Grayson is proposing a customer charge of $1 5. Explain how the $15 was determined. Provide all supporting calculations details and documentation.

Response:

Grayson had proposed a $15.00 in last general rate case in Case No. 2008-00154. However, through a settlement agreement the amount was reduced to $10.00. Grayson feels that it is justified in requesting such a rate because in Case No. 2008-00254, a customer charge in excess of $25.00 was justified. A customer charge rate of $25.87 was justified and included in page 1 of Exhibit E of the Settlement Stipulations with the Office of the Attorney General.

Grayson decided to utilize this $15.00 charge for two primary reasons. One, the greater the revenue requirements collected from rates other than energy provides will help provide a basis for developing a more favorable type of TOD rate design. And second, Grayson does not wish to set the customer charge so much higher than the current customer charge that it may discourage a member from selecting a TOD rate.

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RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Question:

Refer to Exhibit C1 of the application. Provide the page number(s) of the cost-of-service study filed in Case No. 2008-00254 on which the amounts shown in this exhibit can be found.

Response:

The expense amounts come from page 6, Schedule 4 of Exhibit E in the Settlement Stipulation in Case No. 2008-00254. The revenue amounts have been updated for the rates that were a result of 2008-00254. The expense amounts for Rate 2 – Small Commercial are the same as provided in the referenced schedule. The expense figures for the Rate 1 – Residential, Farm and Home differ as the revenues and expenses associated with the new rate class (Rate 18 – Barns and Camps) have been removed from Rate 1 – Residential, Farm and Home rate class. The expenses in Exhibit E in the Settlement Stipulation contained included the expenses associated with both Rate 1 – Residential Farm and Home and Rate 18 – Barns and Camps.

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GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Questions:

Refer to Exhibit C2 of the application. Under the "Development of Demand Rates" section, the kW demand is shown as 1,476,380. Explain why this does not agree with Exhibit D4, which shows the residential kW demand to be 1,502,475.

Response:

Listed below are the proper monthly demands that coincide with the 1,476,380. The 1,502,475 kW demand amounts represent the sum of Rate 1– Residential Farm and Home plus Rate 18 – Barns and Camps. The 1,476,380 is the proper amount for Rate 1 – Residential Farm and Home.

SUM OF INDIVIDUAL CONSUMERS KW DEMAND

Month	Residential Rate Class	Small Commercial Rate Class
June	111,109	8,242
July	111,902	8,424
August	114,714	8,680
September	108,619	8,600
October	120,326	9,028
November	125,667	8,845
December	129,481	8,781
January	140,473	8,554
February	135,477	8,383
March	133,993	9,419
April	125,444	9,363
May	119,174	7,211
	1,476,380	103,530

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Questions:

Refer to Exhibit D2 of the application, page 2 of 2. The Total Residential kWhs shown on this schedule is 186,225,188. Explain why this does not agree with the 183,445,786 kWhs shown for this rate class in Exhibit C1, page 1 of 2, and Exhibit C2.

Response:

Exhibit D2 is a bill frequency analysis and was developed prior to filing the application in Case No. 2008-00254 before the new Rate 18 – Barns and Camps was developed.

GRAYSON RECC
CASE NO. 2010-00230
RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Questions:

Refer to the application's cover letter requesting a Temporary Service Rate and a change to the Camps and Barns tariff.

a. Grayson's current tariff includes Schedule 8, Seasonal Services, which states that it includes temporary service.

(1) under Schedule 8. If no, explain.

(2) State whether temporary service is currently being billed If yes, state the number of temporary-service customers currently being billed under this rate and the amount of time they have been charged the rate.

b. Grayson is proposing a $50 customer charge and states that it is "approximately equal to two times the consumer revenue requirements for residential customers in Grayson's last rate case." Explain in detail the reasons, circumstances, factors, etc. which support setting the customer charge at twice the consumer revenue requirement.

c. Grayson states that it "has legal responsibility reasons to encourage final inspections by its members for conversion to permanent service." Explain what is meant by this statement.

d. Grayson states that it is proposing a change to the Camps and

Barns tariff to include, among other services, domestic water pumping stations. Grayson's current tariff includes a Schedule 17, Water Pumping Service.

(1) State the number of customers currently being served under Schedule 17.

(2) State whether Grayson is proposing to delete Schedule 17 from its current tariff.

(3) Explain the difference in the water pumping service that would be billed under the proposed General Service Rate and that which *is* billed under Schedule 17. Provide the number of customers that would be switched from Schedule17 to the new tariff and the effect it would have on customers' bills.

Response:

a.

(1) Schedule 8, Seasonal Service were revoked as part of Case No. 98-455.

(2) Currently temporary services are being billed under either Schedule 1, Farm and Home or Schedule 2, Small Commercial – the rate schedule that they would eventually fall under.

b. It is meant as an incentive to complete the building as quickly as possible to the extent that a Final Electrical Inspection can be given. Currently a builder can receive a Rough - In Certificate (not for occupancy), complete the structure, occupy the house and not request a Final Inspection (ready for occupancy) Certificate. Should the house subsequently burn, it would be easy to imply that Grayson was negligent in allowing the building to be occupied. Grayson cannot monitor structures under construction to see if anyone is living or working out of all that that have not received a Final Inspection Certificate.

c. Current State law requires a final electrical inspection to be performed by State Inspectors before it is occupied. Grayson feels that by charging a higher customer charge, it is giving the customer a financial incentive to adhere to state law.

d.

(1) Grayson currently serves one customer under Schedule 17.

(2) No.

(3) Schedule 17 contains an on peak / off peak rate that encourages customers to pump water during off peak times. The intention, in developing Schedule 17 was to service commercial loads, although it is not restricted to such services. We have identified services whose function is to pump water and are currently being billed under Schedule 1, Farm & Home. It is our intention to give them the option of moving to the proposed General Rate or to Schedule 17.

GRAYSON RECC
CASE NO. 2010-00230
RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Question:

Refer to the proposed Temporary Service Rate tariff. It states that the minimum monthly charge shall be $10 where 25 kVa or less of transformer capacity is required. Explain whether Grayson intended for this to be $10 or if Grayson meant to increase it to $50 to match the proposed customer charge.

Response:

Grayson did intend for the minimum monthly charge to be $50.00 and not the listed $10.00. This was a mistake when developing this filing.

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Question:

Refer to the proposed tariff for the proposed Remote Disconnect and Reconnect Charge. In paragraph 42, Installation and Reconnection Charges, Grayson added the phrase "(remote disconnects or)." Explain whether Grayson intended, instead, to add "(remote reconnects or)." If no, explain why "disconnects" are addressed in this section.

Response:

The phrase "remote disconnects, or" was inserted in error. If the propose Remote Reconnect charge is approved, no additional language or changes in the tariff would be necessary and that was Grayson's intent.

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Question:

Refer to Exhibit 2, Development of a Service for Remote Disconnects and Remote Reconnects, provided with the application for Remote Disconnect and Reconnect Service Charge.

a. State whether the $270.44 includes the cost of the meter or if it is the incremental cost of equipment needed to remotely disconnect or reconnect service.

b. State whether the $270.44 is included in Grayson's rate base upon which current rates are set. If no, state whether Grayson plans to include the cost in rate base in its next rate case.

c. Provide all details, documentation, and calculations which support the amount of $270.44.

d. Provide the number of meters that were reconnected after being disconnected for nonpayment in 2009.

e. Provide the number of meters that were disconnected for nonpayment and reconnected more than once in 2009.

f. State whether or not overtime charges would apply to a remote disconnection or reconnection.

g. The cost of Overhead under "Installed Hardware Costs" is calculated at 100 percent while Overhead under "Distribution System Control & Communications" is calculated at 78 percent.

(1) Provide all supporting details, calculations, and documentation.

(2) Explain the reason(s) for this difference.

Response:

a. It is the incremental cost of equipment used to remotely disconnect/reconnect a service.

b. No

c.. $201.40 Cost of Remote disconnect module
44.45 Install Module in Meter (1 hour)
24.59 To account for a 10 % failure rate
$270.44

d. 235 were reconnected after being disconnected.

e. 59 were disconnected and reconnected more than once.

f. Grayson does not permit reconnections after hours currently and will continue this policy for all accounts, either remotely or manually.

g. (1) The "installed hardware cost" includes equipment costs, while "Distribution System Control & Communication" does not.

(2) Labor Only Overheads

5/1/2009

Item	Rates per Dollar of Labor	
FICA	7.65%	7.65%
State Unemployment	0.009	0.90%
Federal Unemployment	0.008	0.80%
Worker's Compensation	4.25%	4.25%
Vacation	15 DAYS	5.77%
Holidays	9 DAYS	3.46%
Sick Leave	12 DAYS	4.62%
Pension	16.46%	16.46%
Health Insurance	$ 1,357	31.19%
Life Insurance		3.29%
Business Travel Insurance	25/ EMP	0.05%
		78.44%

Equipment (Small Truck) Costs

$12.45 per hour

49 % As a percent of labor ($25.10)

The total percentage adds up to 127%, however we arbitrarily capped it at 100%.

GRAYSON RECC

CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Questions:

The Commission previously approved a remote disconnection and reconnection charge for Blue Grass in Case No. 2007-0003'13 and Cumberland Valley Case No. 2007-00031. The same methodology was used in both cases to calculate the service charge. Although the equipment costs are comparable in the aforementioned cases and the present case, Grayson is proposing to use a different methodology which results in a charge that is 50 percent higher than was calculated in the Blue Grass and Cumberland Valley cases.

a. Explain why the methodology used by Grayson is superior to that used by Blue Grass and Cumberland Valley. Exhibit 3 from Case No. 2007-00205 is provided as an Appendix to this data request and shows the methodology used by Cumberland Valley.

Response:

a. The primary difference in methodologies is how the annual fixed charges are handled. In the Blue Grass and Cumberland Valley cases, the annual fixed charges were reduced to a monthly amount and then the variable costs associated with a reconnect/disconnect were added to determine the rate. In the methodology used in the development of the Grayson's rate, a more traditional rate-making approach was utilized where fixed costs are divided by the number of units to determine the fixed charge portion of the rate. Variable (labor) costs are then added to the fixed charge component to determine the total rate.

b. Recalculate the Remote Disconnect and Reconnect Charges by using the same methodology used by Blue Grass and Cumberland Valley and approved by the Commission in Case Nos. 2007-00031 and 2007-00205.

Response:

Attached on page 3 of this response is the calculation requested. A rate of $27.35 has been calculated using the methodology from the Blue Grass Energy case and Farmer's information from the application. Also, in the Blue Grass Energy and the Cumberland Valley methodologies, interest and the margin amounts have been based on an interest rate applied to the total costs for all other elements. Grayson believes that it is better to apply and interest rate to the installed cost to determine the annual interest costs and margins.

GRAYSON RECC
CASE NO. 2010-00230

RESPONSE TO COMMISSION STAFF'S FIRST DATA REQUEST

CALCULATION BASED ON METHODOLOGY FROM CASE Nos. 2007-00031 and 2007-00205

1						
2						
3	1	Cost of Remote Disconnect/Reconnect		$ 270.44		
4		Tax		16.23		
5		Processing & Handling		25.00		
6		Total Cost of Unit			$ 311.67	
7						
8		Installation				
9		One (1) Hour of Labor		24.68		
10		Overhead - 100%		24.68		
11					49.36	
12						
13		Total Equipment & Installation Cost				$ 361.03
14						
15		Amortize over 60 Months				$ 6.02
16						
17						
18						
19	2	One (1) Hour of Labor for Communications and				
20		Operational Control	27.16			
21		Overhead	21.18			
22		Total		48.34		
23		Approximate Length of Time to Disconnect/Reconnect			15 Minutes	12.09
24						
25						
26	3	Customer Service Representative - One (1) Hour	14.20			
27		Overhead	11.08			
28		Total		25.28		
29		Approximate Length of Time to Disconnect/Reconnect			15 Minutes	6.32
30						
31		Total Annual Cost				$ 24.42
32						
33	4	Interest - 6%				$ 1.47
34						
35	5	Margins for TIER of 2.0X				$ 1.47
36						
37	6	Total Cost to Disconnect or Reconnect for Non-Pay Remotely				$ 27.35

GRAYSON RECC

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RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Question:

Has Grayson performed an analysis of the costs and benefits of purchasing and installing the equipment needed to remotely disconnect and reconnect meters? If yes, provide that analysis. If no, explain why no such analysis was performed.

Response:

Grayson has not performed a formal analysis of the costs and benefits of purchasing and installing this equipment. Grayson has compared the cost of non-remote disconnects and reconnects with the costs and has found them to be similar. The rate for non-remote disconnect/reconnect is comparable to the rate associated with the remote disconnect of $30.00

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RESPONSE TO COMMISSION STAFF'S INITIAL DATA REQUEST

Question:

Considering that the ability to remotely disconnect/reconnect requires capital costs beyond those required for manual disconnects/reconnects and that the proposed charge is the same as the current charge for manual disconnects/reconnects, provide a detailed explanation of all benefits of having the ability to remotely disconnect/reconnect.

Response:

The ability to remotely disconnect/reconnect meters will greatly enhance Grayson's ability to address these issues

- personnel safety,
- difficult to access meters,
- and cases of persistent, habitual repeat (non-payment) disconnects/ reconnects.

A consistent charge for remote and non-remote disconnects/reconnects allows for consistency and fairness among members for this type of service.