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February 16, 2012

Mr. Jeff Derouen  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

Re: Grayson Rural Electric Cooperative Corporation  
Case No. 2011-00407

Dear Mr. Derouen:

Attached hereto is the Stipulation of Facts and Settlement Agreement entered into by Grayson Rural Electric Cooperative Corporation and Staff. Please bring this document to the Commission's attention for its review and consideration.

Sincerely,

A handwritten signature in black ink that reads "Quang D. Nguyen".

Quang D. Nguyen  
Staff Attorney

QDN/kar  
Attachment

## STIPULATION OF FACTS AND SETTLEMENT AGREEMENT

By Order dated October 21, 2011, the Commission initiated this proceeding to determine whether Grayson Rural Electric Cooperative Corporation ("Grayson") should be subject to the penalties prescribed in KRS 278.990 for allegedly violating KRS 278.020 by beginning construction on some of the projects contained in its 2009–2012 Construction Work Plan ("CWP") without first obtaining a Certificate of Public Convenience and Necessity ("CPCN").

On November 9, 2011, Grayson filed a response to the Commission's October 17, 2011 Order. On November 7, 2011, Grayson filed a motion requesting an informal conference with Commission Staff to discuss the issues related to this matter. An informal conference was subsequently held at the Commission's offices on November 29, 2011. Discussions during the informal conference between Grayson and Commission Staff resulted in the following Stipulation of Facts and Settlement Agreement ("Stipulation"), which is submitted for the Commission's consideration in rendering its decision:

1. Grayson acknowledges that a CPCN should have been obtained, but was not, before beginning construction of any of the projects contained in its 2009–2012 CWP.

2. Grayson agrees to develop internal procedures to ensure that future construction work plans will be filed with the Commission in a timely manner. These procedures will include the establishment of a detailed checklist for preparing and seeking approval of construction work plans as well as a detailed timeline indicating generally the steps that Grayson will have to undertake in preparing and developing its

construction work plan, submission of the construction work plan for the approval of Grayson's board of directors, submission of the construction work plan for approval by the Rural Utilities Service, and submission of the construction work plan for approval by the Commission.

3. Grayson agrees to pay the amount of \$1,250.00 in full settlement of this proceeding. The scope of this proceeding is limited by the Commission's October 21, 2011 Order as to whether Grayson should be assessed penalties under KRS 278.990 for willful violations of KRS 278.020. The Commission's acceptance of this Stipulation shall not be construed as a finding of a willful violation of any Commission statute or order.

4. In the event that the Commission does not accept this Stipulation in its entirety, Grayson and Commission Staff reserve their rights to withdraw therefrom and require that a hearing be held on any and all issues involved herein, and that none of the provisions contained herein shall be binding upon the parties thereto, used as an admission by Grayson of any liability in any legal proceeding or lawsuit arising out of the facts set forth in the October 21, 2011 Order, or otherwise used as an admission by either party.

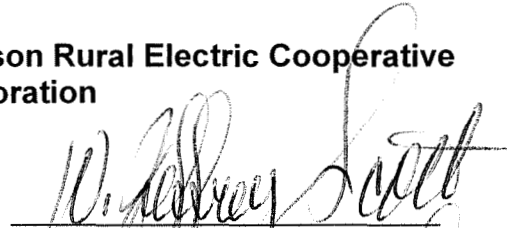
5. This Stipulation is for use only in Commission Case No. 2011-00407, and neither party hereto shall be bound by any part of this Stipulation in any other proceeding, except that this Stipulation may be used in any proceeding by the Commission to enforce the terms of this Stipulation or to conduct a further investigation of Grayson's service, and Grayson shall not be precluded or estopped from raising any issue, claim, or defense therein by reason of the execution of this Stipulation.

6. Grayson and Commission Staff agree that the foregoing Stipulation is reasonable for the purpose of resolving all issues in Commission Case No. 2011-00407, is in the public interest, and should be adopted in its entirety by the Commission. If so adopted by the Commission, Grayson agrees to waive its right to a hearing and will not file any petition for rehearing or seek judicial appeal.

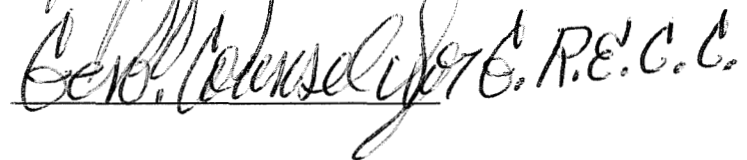
IN WITNESS WHEREOF, the parties hereto have hereunto affixed their signatures this 31<sup>st</sup> day of January, 2012.

**Grayson Rural Electric Cooperative Corporation**

By

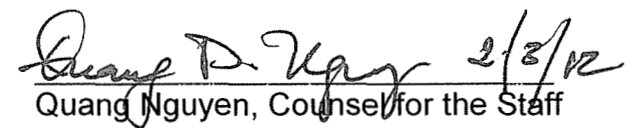


Title



**Staff of the Kentucky Public Service Commission**

By

  
Quang Nguyen, Counsel for the Staff