

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 9980
FOR AN ADJUSTMENT OF RATES)

O R D E R

Grayson Rural Electric Cooperative Corporation ("Grayson RECC") filed an application on September 14, 1987, for an adjustment of rates to increase its annual revenues by \$656,434 or 8.5 percent.

Grayson RECC is a consumer-owned rural electric cooperative engaged in the distribution and sale of electric energy to approximately 10,994 customers in Carter, Elliott, Greenup, Lawrence, Lewis and Rowan counties.

No requests for formal intervention were received and a hearing was scheduled for January 19, 1988. Staff members of the Public Service Commission ("Commission") filed testimony in this proceeding on December 7, 1987. A series of settlement conferences between the Commission staff and Grayson RECC were held on January 18 and 19, 1988.

As a result of the negotiations between Grayson RECC and the Staff, a proposed settlement was reached. The settlement is embodied in two documents, a Settlement Agreement covering rate-making adjustments and a Supplemental Settlement Agreement covering an appropriate level of Times Interest Earned ("TIER")

and rotation of capital credits, attached hereto as Appendices A and B, respectively, and hereinafter collectively referred to as "Settlement Agreements". The Settlement Agreements were submitted to the Commission at the hearing on January 19, 1988. The Commission deferred the presentation of testimony and cross examination until it could adequately review the proposed settlement.

Pursuant to the terms of the Settlement Agreements, Grayson RECC will be granted a revenue increase of \$639,220, or 8.07 percent over normalized total operating revenue. After careful review of the proposals, the Commission finds that the settlement strikes a reasonable compromise between the positions advocated by Grayson RECC and the Staff. The rate design and terms of service provided for in the settlement are in conformity with generally accepted rate-making standards. The Settlement Agreements are in the public interest and should be accepted for rate-making purposes.

The Commission further recognizes that the Supplemental Settlement Agreement is conditioned upon the receipt, by May 14, 1988, of requisite approvals from the Rural Electrification Administration ("REA") and the Cooperative Finance Corporation ("CFC"). As provided for in that agreement, all additional revenues attributable to the TIER level are collected subject to refund to recognize this contingency. In the event that REA and CFC do not give Grayson RECC adequate assurances that capital credits can be retired as provided for in the Supplemental Settlement Agreement, the Commission will then reconvene a hearing

for the presentation of testimony and cross-examination on an appropriate level of TIER.

IT IS THEREFORE ORDERED that:

1. The Settlement Agreements, appended hereto, be and they hereby are incorporated into this Order as if fully set forth herein.

2. The terms and conditions set forth in the Settlement Agreements be and they hereby are adopted and approved.

3. The rates set forth in Appendix C to this Order be and they are approved for service rendered on and after March 14, 1988, subject to refund as provided herein.

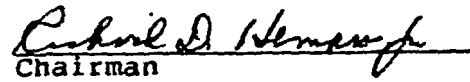
4. A further hearing shall be convened on the issue of TIER in the event that REA and CFC do not provide adequate assurances that Grayson RECC can rotate capital credits as provided for in the Supplemental Settlement Agreement.

5. Grayson RECC shall file new tariffs reflecting the provisions of this Order within 30 days from the date of this Order.

6. The approval of the Settlement Agreements shall be for the purposes of this proceeding only and shall not be deemed to be binding upon the parties in any other proceeding; nor shall it be offered or relied upon in any other proceeding.

Done at Frankfort, Kentucky, this 11th day of March, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director

APPENDIX A
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9880 DATED 11th day of March, 1988.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 9980
FOR AN ADJUSTMENT OF RATES)

SETTLEMENT AGREEMENT

This Settlement Agreement is entered into this 19th day of January, 1988, by and between Grayson Rural Electric Cooperative Corporation ("Grayson") and the Staff of the Public Service Commission ("PSC Staff").

WHEREAS, Grayson filed on September 14, 1987, an application with the Public Service Commission requesting an adjustment in electric rates to recover adjusted test year Total Operating Expense of \$7,319,920 (as shown on line 37, column 3 of Exhibit 5 to the testimony of PSC Staff witness Greenwell ("Exhibit 5" attached hereto as Appendix A); and

WHEREAS, PSC Staff testimony recommended that Grayson's rates recover Total Operating Expense of \$7,139,949 as shown on line 37, column 7 of Exhibit 5; and

WHEREAS, Grayson and PSC Staff met on January 18, 1988, to discuss their respective proposed rate-making adjustments;

NOW, THEREFORE, be it resolved that:

1. Grayson and PSC Staff mutually agree that all outstanding issues in this proceeding, exclusive of an appropriate TIER level, should be resolved by settlement.

2. Grayson's rates shall be based on PSC Staff's recommended Total Operating Expense of \$7,139,949 plus an additional \$85,000 of operating expense for a grand total of \$7,224,949, which results in a total revenue requirement based on a 2.0 TIER of \$8,283,381.

3. This Settlement Agreement is subject to the acceptance of and approval by the Public Service Commission.

4. In the event this Settlement Agreement is not accepted and approved by the Public Service Commission, it shall become null and void and Grayson and PSC Staff shall not be obligated or bound by any of the terms or provisions contained herein.

AGREED TO BY:

GRAYSON RECC

By: Harold G. Haight
Title: General Manager

January 19, 1988
DATE

PSC STAFF

By: William D. Bell
Title: Staff Attorney

January 19, 1988
DATE

APPENDIX B
APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9880 DATED 11th day of March, 1988.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 9980
FOR AN ADJUSTMENT OF RATES)

SUPPLEMENTAL SETTLEMENT AGREEMENT

This Supplemental Settlement Agreement ("Agreement") is entered into this 19th day of January, 1988, by and between Grayson Rural Electric Cooperative Corporation ("Grayson") and the Staff of the Public Service Commission ("PSC Staff").

WHEREAS, Grayson filed on September 14, 1987, an application with the Public Service Commission requesting authority to increase its electric rates to produce additional annual revenues of \$656,434; and

WHEREAS, Grayson and PSC Staff have previously entered into a Settlement Agreement dated January 19, 1988, which resolves all outstanding rate-making issues set forth in their respective testimonies, exclusive of an appropriate level of Times Interest Earned ("TIER"), which is the financial Total Margins plus Interest on Long-term Debt divided by Interest on Long-term Debt, and

WHEREAS, Grayson has requested that its revenue requirements be calculated on the basis of a 2.5 TIER level (as hereinafter

used in this Agreement, TIER is calculated by excluding Generating and Transmission Capital Credits) and the PSC Staff has recommended a 2.0 TIER level; and

WHEREAS, Grayson and PSC Staff met on January 18 and 19, 1988, to discuss an appropriate TIER level;

NOW, THEREFORE, be it resolved that:

1. Grayson and PSC Staff mutually agree that a reasonable compromise between their respective positions is to establish Grayson's revenue requirements based on a 2.5 TIER with all total margins in excess of a 2.0 TIER being used by Grayson to rotate capital credits to its patrons.

2. For purposes of determining Grayson's earnings and margins, reference will be made to Grayson's Annual Report on file with the Public Service Commission with adjustments to eliminate any cost that is not normally allowed by the Commission for rate-making purposes.

3. At such time that Grayson's total equity exceeds forty (40) percent, Grayson will retire capital credits in an amount sufficient to reduce its total equity to forty (40) percent calculated after such retirement.

4. Grayson will modify its currently effective Equity Management Plan to provide for rotation of capital credits on a ten (10) year cycle and to reflect any additional modifications or amendments necessary to implement the provisions of this Agreement.

5. No later than ninety (90) days after the date of this Agreement Grayson will file with the Public Service Commission a

copy of its Equity Management Plan as revised to comply with the provisions of Paragraph No. 4.

6. At all times during the effectiveness of this Agreement, Grayson acknowledges that it will be subject to financial monitoring by the PSC Staff and to facilitate that monitoring Grayson will provide on reasonable notice any financial statements requested by PSC Staff.

7. Grayson recognizes and acknowledges its obligation to operate its system at the lowest possible cost consistent with the furnishing of adequate, efficient, and reasonable electric service and Grayson will act in good faith to take all reasonable steps necessary to comply with this obligation.

8. Grayson may apply to the Public Service Commission for relief from the aforementioned obligations to retire capital credits when, due to circumstances beyond Grayson's control, the Rural Electrification Administration or the National Rural Utilities Cooperative Finance Corporation has suspended or discontinued advancing loan funds to Grayson.

9. Grayson will proceed with all diligent speed to obtain any requisite approvals from its creditors and other persons necessary to implement the provisions of this Agreement, and if all such approvals have not been received in writing by May 14, 1988, this Agreement will be null and void.

10. In the event that Grayson has not submitted to the Public Service Commission by March 14, 1988, a verified statement with supporting documentation evidencing the receipt of all requisite approvals as required by Paragraph No. 9, Grayson agrees

that all increased revenue attributable to a TIER greater than 2.0 will be collected subject to refund and that refunds will be made if the requisite approvals are not received by May 14, 1988.

11. This Agreement is subject to the acceptance of and approval by the Public Service Commission. In the event that Grayson has not received by March 14, 1988, the requisite approvals as required by Paragraph No. 9, the Public Service Commission's approval will be conditional, and if such approvals are not received by May 14, 1988, this Agreement will be null and void and neither Grayson nor PSC Staff will be bound by any of the terms or provisions contained herein.

12. In the event this Agreement is not accepted and approved by the Public Service Commission, it shall become null and void and Grayson and PSC Staff shall not be obligated or bound by any of the terms or provisions contained herein.

AGREED TO BY:

GRAYSON RECC

By: *[Signature]*

Title: President, Board of Directors

PSC STAFF

By: *[Signature]*

Title: Staff Attorney

1-22-88
DATE

January 27, 1988
DATE

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 9980 DATED 3/11/88

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 this Commission prior to the date of this Order.

SCHEDULE 1*
DOMESTIC - FARM & HOME SERVICE

Rates:

Customer Charge Per Month	\$7.86	Per Month
Energy Charge	.06407	Per KWH

Minimum Charge

The minimum monthly charge under the above rate shall be \$7.86 where 25 KVA or less of transformer capacity is required.

Special Provisions

Delivery Point - The delivery point shall be the metering point unless otherwise specified in the contract for service. All wiring, pole lines and other electrical equipment on the load side of the delivery point shall be owned and maintained by the consumer.

SCHEDULE 1 - T-O-D
DOMESTIC - FARM AND HOME SERVICE
EXPERIMENTAL RESIDENTIAL SERVICE - TIME-OF-DAY

Availability of Service

Available for a period limited to 2 years, as an experimental tariff to consumers eligible for Tariff Domestic - Farm and Home Service, is for the purpose of conducting a time-of-day rate experiment designed to provide data to evaluate the cost and benefits of time-of-day pricing and its effect on the use of electricity by residential consumers in the Cooperative's service area. Consumers who will be eligible for this tariff will be selected by

the Cooperative and will agree voluntarily to participate in the Cooperative's residential time-of-day rate experiment.

This tariff is limited to the consumers selected by the Cooperative and will require the installation of a special meter capable of registering the on-peak and off-peak kilowatt-hours.

This tariff is available for single-phase service only.

Rates:

On-Peak Rate		
Service Charge	\$7.86	Per Month
All KWH/Month	.06407	Per KWH
Off-Peak Rate		
All KWH/Month	.03838	Per KWH

SCHEDULE 2
COMMERCIAL AND SMALL POWER 50 KVA OR LESS,
INCLUDING PUBLIC BUILDINGS, SCHOOLS, CHURCHES, ETC.

Rates:

Customer Charge	\$7.86	Per Month
Energy Charge Per KWH	.06407	Per KWH

Minimum Charge:

The minimum monthly charge under the above rate shall be \$7.86 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.

SCHEDULE 4
LARGE POWER SERVICE - SINGLE AND THREE-
PHASE - 50-600 KVA(T)

Rates:

Customer Charge	\$59.56	Per Month
Demand Charge per Billing KW	7.26	Per KW
Energy Charge (for all KWH)	.04496	Per KWH
Minimum Monthly Charge	\$59.56	

Minimum Monthly Charge

The minimum monthly charge shall be the highest one or the following charges as determined for the consumer in question:

1. The minimum monthly charge as specified in the contract for service.
2. A charge of \$59.56.

Minimum Annual Charge for Seasonal Service

Consumers requiring service only during certain seasons not exceeding 9 months per year may guarantee a minimum annual charge, in which case there shall be no minimum monthly 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 per kVA of installed transformer capacity, or \$714.72, whichever is greater.

SCHEDULE 5 STREET LIGHTING SERVICE*

Base Rate Per Light Per Year

For dusk to dawn lighting with lights mounted on existing wooden poles with bracket attachments and connected to existing overhead secondary circuits.

For the following monthly charges, the Cooperative will furnish, install and maintain the lighting fixtures and accessories including hardware, control, lamps, overhead wiring, etc., and the energy required.

<u>Lamp Size</u>	<u>Mercury Vapor Lamps</u>	<u>Annual Charge Per Lamp</u>
7000 Lumens	\$6.48	\$77.76

SCHEDULE 6 OUTDOOR LIGHTING SERVICE - SECURITY LIGHTS*

Availability

Available to consumers, 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	\$6.28 per lamp per month
10,000 Lumens	Mercury Vapor Lamp	\$8.35 per lamp per month

Conditions of Service

1. The Cooperative shall furnish, install, operate 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 the meter for the consumer's other usage, at a location mutually agreeable to both the Cooperative and the consumer.

SCHEDULE 7
ALL ELECTRIC SCHOOLS (A.E.S.)*

Rates:

Customer Charge	\$27.28	Per Month
All KWH	.04559	Per KWH
Demand Charge	4.34	Per KW

SCHEDULE 8
SEASONAL SERVICES - SERVICES ACTIVE LESS THAN
NINE (9) MONTHS OUT OF A YEAR

Rates:

Customer Charge Per Month	\$9.45	Per Month
Energy Charge	.08257	Per KWH

Minimum Charge

The minimum monthly charge under the above rate shall be \$9.45 where 25 KVA or less of transformer capacity is required.

*Fuel Clause Adjustment

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 percent and is based on a 12-month moving average of such losses. This Fuel Clause is subject to all other applicable provisions as set out in 807 KAR 5:056.