

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE REQUEST OF GRAYSON RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR A DEVIATION) CASE NO. 94-392
FROM ITS 1988 SETTLEMENT AGREEMENT)

O R D E R

IT IS ORDERED that Grayson Rural Electric Cooperative Corporation ("Grayson") shall file the original and eight copies of the following information with the Commission with a copy to all parties of record within 7 days from the date of this Order. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 or 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

1. Explain why the July 1994 Administrative and General ("A&G") Expenses were approximately 71 percent higher than any other month for the 12-month period ending August 31, 1994.

2. Provide a schedule which shows the July 1994 A&G Expenses balance of \$234,533.46 broken down to the subaccount level. Include the title of each subaccount and explain the nature of the subaccount in cases where the title is not self-explanatory.

3. Grayson has stated that storm related expenditures in the first quarter of 1994 created a financial hardship for the cooperative. Grayson's REA Form 7 monthly reports for the 15-month period August 1993 through October 1994 indicate:

(1) The General Cash balance exceeded \$130,000 in 14 of 15 months and the average monthly balance was approximately \$320,000.

(2) Temporary Cash Investments exceeded \$205,000 each month and the average monthly balance was approximately \$350,000.

(3) Long-Term Debt increased by a net amount of \$2,725,388.

(4) Cash flow¹ was in excess of \$500,000 for the 12-month periods ending July, August, September, and October 1994.

Considering these financial indicators, explain why Grayson was not able to make its 1993 capital credit retirement of \$111,159 in 1994.

4. At September 30, 1993, Grayson's 12-month TIER² was 2.61 but by December 31, 1993, it had declined to 2.13, a decrease of 18.4 percent. Describe the factors which lead to such a decrease.

5. What actions did Grayson take since closing its 1993 books to prepare for the payment of 1993 capital credits?

¹ Based on a simple cash flow analysis of 12 months depreciation expense plus net margins.

² Not including Generating and Transmission Capital Credits.

6. Did Grayson consider setting aside funds periodically during 1994 to provide for the 1993 retirement? If yes, why were funds not set aside? If no, why was such approach not considered?

7. Does Grayson agree that Section 8 of the 1988 Settlement Agreement applies only when Grayson's federal lending agencies have suspended or discontinued advancing loan funds and such suspension or discontinuance is beyond Grayson's control? If no, explain fully the criteria that must exist for Grayson to invoke Section 8.

Done at Frankfort, Kentucky, this 8th day of February, 1995.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director