

Grayson Rural Electric Cooperative Corporation

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Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

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FEB 05 2009

PUBLIC SERVICE
COMMISSION

February 5, 2009

Paul D. Adams
Office of the Attorney General Utility and Rate
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

Re: PSC Case No. 2008-00254
Grayson Rural Electric Cooperative

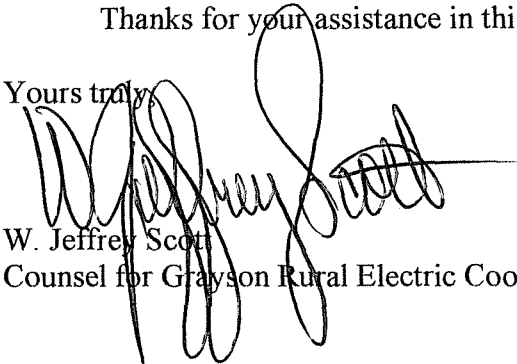
Dear Mr. Adams:

Please find in Case No. 2008-00254 the original and seven (7) copies of Applicant's response to "Second Data Request of the Attorney General to Grayson Rural Electric Cooperative, Inc". This relates to the application for adjustment of rates by Grayson Rural Electric Cooperative Corporation.

Contact me at (606) 474-5194 or Don Combs at (606) 474-5136 if there are any questions.

Thanks for your assistance in this matter.

Yours truly,



W. Jeffrey Scott
Counsel for Grayson Rural Electric Cooperative Corporation

Enclosures

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 RETAIL ELECTRIC
RATES EQUAL TO INCREASE IN WHOLESALE
POWER COSTS**

Case No. 2008-00254

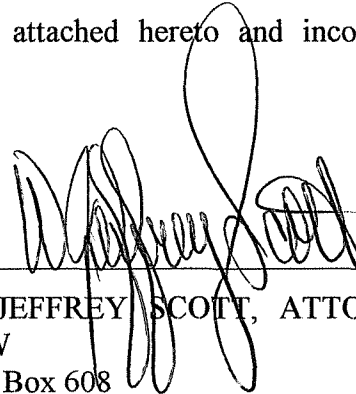
APPLICANT'S RESPONSES TO
SECOND DATA REQUEST OF ATTORNEY GENERAL

The applicant, Grayson Rural Electric Cooperative Corporation makes the following responses to the "Second Data Request of Attorney General", as follows:

4. The witnesses who are prepared to answer questions concerning each request are Carol H. Fraley, Don Combs, Alan Zumstein, and Jim Adkins.

5. Don Combs, Manager of Finance and Accounting of Grayson Rural Electric Cooperative Corporation is the person supervising the preparation of the responses on behalf of the applicant.

6. The responses and Exhibits are attached hereto and incorporated by reference herein.



W. JEFFREY SCOTT, ATTORNEY AT
LAW
P.O. Box 608
Grayson, Kentucky 41143
Attorney for Grayson Rural Electric
Cooperative Corporation
Telephone: 606-474-5194

The undersigned, Don Combs, as Manager of Finance and Accounting of Grayson Rural Electric Cooperative Corporation., being first duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

Dated: February 4, 2009

GRAYSON RURAL ELECTRIC COOPERATIVE

By:  _____

DON COMBS

MANAGER OF FINANCE AND ACCOUNTING

Subscribed, sworn to, and acknowledged before me by Don Combs, as Manager Finance and Accounting of Corporate Services for Grayson Rural Electric Cooperative Corporation on behalf of said Corporation this 4th day of February, 2009.

 _____

Notary Public, Kentucky State At Large

My Commission Expires: 1-9-2011

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses have been served upon the following:

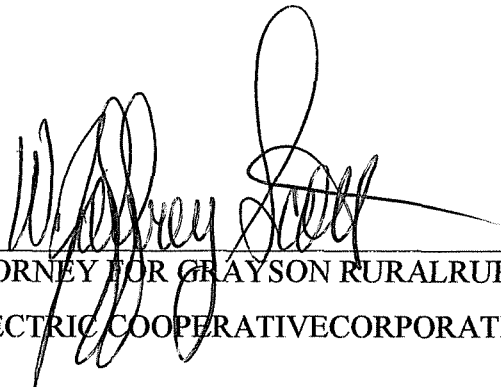
Original and Seven Copies

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601

Copy

Paul D. Adams
Office of the Attorney General Utility and Rate
1024 Capital Center Drive, Suite 200
Frankfort, Kentucky 40601

This ^{4th} 5 day of February, 2009



ATTORNEY FOR GRAYSON RURALRURAL
ELECTRIC COOPERATIVE CORPORATION

Grayson Rural Electric Cooperative
Case No. 2008-00254
AG Supplemental Requests for Information

Item 1
Page 1 of 1

Witness: Alan Zumstein

1. Please refer to your response to AG-1-3: If GREC maintains that the revenue increase in this case should be \$3,161,265 and the proposed test year revenues \$25,154,657, then please reconcile this to the corresponding amounts of \$3,161,625 and \$26,654,018 shown on Exhibit G, page 1. In addition, please provide a revised Exhibit G, page 1 that would show that the correct amounts are \$3,161,265 and \$25,154,657.

Response

The reconciliation is as follows:

Test year revenues	\$21,683,855
Normalized Case No. 2006-00522	<u>309,538</u>
Normalized revenue	21,993,393
Grayson's proposed increase Case No. 2008-00254	<u>3,161,625</u>
Proposed revenues, before EKPC	25,155,018
East Kentucky's proposed increase in Case No. 2008-00409	<u>1,499,001</u>
Total revenue after Grayson and East Kentucky proposed increases	<u><u>\$26,654,019</u></u>

2. With regard to the actual historic expenses for Account 593.10 – R-O-W Clearing for the annual periods ended 5/31/05 through 5/31/08, please provide the following information:

a. Provide the expenses for these four annual periods on a monthly basis.

Response:

2. (a)	<u>4-Jun</u> 60,009	<u>4-Jul</u> 85,968	<u>4-Aug</u> 77,423	<u>4-Sep</u> 60,533	<u>4-Oct</u> 56,694	<u>4-Nov</u> 58,504	<u>4-Dec</u> 69,818	<u>5-Jan</u> 69,916	<u>5-Feb</u> 53,429	<u>5-Mar</u> 61,072	<u>5-Apr</u> 53,962	<u>5-May</u> 52,641	759,969
	<u>5-Jun</u> 66,579	<u>5-Jul</u> 73,430	<u>5-Aug</u> 69,647	<u>5-Sep</u> 44,631	<u>5-Oct</u> 59,553	<u>5-Nov</u> 57,850	<u>5-Dec</u> 68,531	<u>6-Jan</u> 59,584	<u>6-Feb</u> 61,870	<u>6-Mar</u> 67,753	<u>6-Apr</u> 73,456	<u>6-May</u> 59,044	761,928
	<u>6-Jun</u> 74,863	<u>6-Jul</u> 82,371	<u>6-Aug</u> 70,442	<u>6-Sep</u> 64,909	<u>6-Oct</u> 60,791	<u>6-Nov</u> 55,557	<u>6-Dec</u> 53,306	<u>7-Jan</u> 47,011	<u>7-Feb</u> 60,598	<u>7-Mar</u> 72,353	<u>7-Apr</u> 55,316	<u>7-May</u> 55,460	752,977
	<u>7-Jun</u> 70,732	<u>7-Jul</u> 174,362	<u>7-Aug</u> 137,502	<u>7-Sep</u> 84,437	<u>7-Oct</u> 80,879	<u>7-Nov</u> 140,065	<u>7-Dec</u> 108,641	<u>8-Jan</u> 99,333	<u>8-Feb</u> 167,202	<u>8-Mar</u> 198,721	<u>8-Apr</u> 76,097	<u>8-May</u> 98,201	1,436,172

b. Provide the actual monthly expenses for the months of June 2008 through December 2008

Response:

2. (b)	<u>8-Jun</u> 70,013	<u>8-Jul</u> 76,887	<u>8-Aug</u> 157,151	<u>8-Sep</u> 62,657	<u>8-Oct</u> 65,561	<u>8-Nov</u> 72,440	<u>8-Dec</u>
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c. Provide the originally projected expenses for the 12-month test period (ending 5/31/08) or Board approved GREC operating budget for the calendar year.

Response:
2. (c)

Attached

o. Provide the originally projected expenses for the 12-month test period (ending 5/31/09) or Board approved GREC operating budget for the calendar year.

Response:

2. (d)

Attached

Right of Way Maintenance Plan

Monthly Costs (160 Hr)	Personnel		Transportation		Equipment				Total / hr	Monthly
	4-man	Climber	Laborer	CrewCab	Crew Truck	Bucket	Chainsaw	Chipper		
\$20.75	\$ 16.90	\$ 14.98	\$ 7.53	\$ 5.46	\$ 12.02	\$ 1.09	\$ 2.74	\$ 24.06	\$ 12.38	
3.00%	\$ 0.62	\$ 0.51	\$ 0.45							
1.00%	\$ 21.37	\$ 17.41	\$ 15.43	\$ 0.08	\$ 0.05	\$ 0.12	\$ 0.03	\$ 0.24	\$ 0.12	
				\$ 7.61	\$ 5.51	\$ 1.10	\$ 2.77	\$ 24.30	\$ 12.50	
4-man Cutting crew	1	1	2	1	4					\$ 81.65 \$13,064.30
3-man Cutting Crew	1	1	1	1	3					\$ 66.12 \$10,419.45
3-man bucket crew	1	1	1		3	1				\$ 72.42 \$11,587.07
2 man tractor crew	1	1	1	1	1			1		\$ 67.72 \$10,834.88
2-man spray crew	1	1	1		1				1	\$ 49.31 \$ 7,888.91

Annualized

	# Crews	Men /crew	# Months	Crew-Months	Total
Cutting crew (new)	1	4	12	12	0
Cutting Crew	3	4	9	27	352,736
Cutting Crew *	2	3	6	12	62,517
Bucket Crew	1	3	12	12	139,045
Tractor Crew	1	2	12	12	130,019
Spray Crew *	3	2	3	9	71,000
Chemical					30,000
New Line Construction					(100,000)
* Summer period		204			\$ 685,316

3 Cutting crews of 4 men cutting Jan - May and Sept - Dec.
 * During summer June - August:
 3-2 men crews spraying
 2-3 men crews cutting
 1-3-man bucket crew for 12 months
 1-2 man tractor crew for 12 months

Smith Crew	1	weeks	52	\$ 2,935	\$ 152,610
Total Hourly				\$ 837,926	

Other months	Summer
Cutting (new)	
Cutting	39,193
Spray	20,839
Bucket	23,667
Tractor	11,587
Chemical	10,835
Work Orders	10,000
Smith	(8,333)
	\$12,717
monthly	\$12,717
annual	81,312
	593,991
	249,935
	837,926

Circuits to be cut

	Smith	Kendal	Next
Elliottsville #1	180,000		180,000
Phase 2			152,500
Carter City #4	152,500		
Leon #1			74,000
Pactolus #2			92000

	Actual	Budget
Thru August	460,574	534,467
9/1 - 10/18	105,780	
thru 12/31 10 weeks @	15,000	267,232
	716,354	801,699
		85,345

Total RW Clearing Expense

\$1,170,426

**Right of Way Maintenance Plan
2009**

Monthly Costs (160 Hr)	Personnel		Transportation		Equipment				Total / hr	Monthly
	4-man	Climber	Laborer	CrewCab	Crew Truck	Buckett Chainsaw	Chipper	Tractor		
\$21.37	\$ 17.41	\$ 15.43	\$ 7.69	\$ 5.62	\$ 12.14	\$ 1.10	\$ 2.77	\$ 24.30	\$ 12.50	
3.00%	\$ 0.64	\$ 0.52	\$ 0.46							
1.00%										
\$22.01	\$ 17.93	\$ 15.89	\$ 7.77	\$ 5.68	\$ 12.26	\$ 1.11	\$ 2.80	\$ 24.54	\$ 12.63	
4-man Cutting crew	1	2	1							\$ 83.94
3-man Cutting Crew	1	1	1							\$ 66.94
3-man bucket crew	1	1	1			1				\$ 74.23
2 man tractor crew	1	1	1	1				1		\$ 69.23
2-man spray crew	1	1	1						1	\$ 50.53

Annualized	# Crews	Men /crew	# Months	Crew-Months	Total
Cutting crew (new)	1	4	12	12	0
Cutting Crew	3	4	9	27	362,621
Cutting Crew *	2	3	3	6	64,259
Bucket Crew	1	3	12	12	142,519
Tractor Crew	1	2	12	12	132,930
Spray Crew *	3	2	3	9	72,762
Chemical					30,000
New Line Construction					(100,000)
* Summer period		204			\$ 705,090

3 Cutting crews of 4 men cutting Jan - May and Sept - Dec.
 * During summer June - August:
 3-2 men crews spraying
 2-3 men crews cutting
 1-3-man bucket crew for 12 months
 1-2 man tractor crew for 12 months

Other months	Summer	Cutting (new)
40,291	21,420	Cutting
11,877	24,254	Spray
11,077	11,877	Bucket
	11,077	Tractor
	10,000	Chemical
(8,333)	(8,333)	Work Orders
\$12,717	\$12,717	Smith
67,629	83,012	
608,665	249,035	857,700
	monthly	
	annual	

Circuits to be cut	Smith	Kendal	Next	Actual	Budget
Leon #1	78,000	78,000	78,000	460,574	534,467
Pactolus #2	96,000	96,000	96,000	105,780	
Warnock #4	183,750	-	-	150,000	267,232
				15,000	
				12/3' 10 weeks @	
				716,354	801,699
					85,345

Total R/W Clearing Expense \$1,215,450

With regard to the response to AG-1-8, please provide the following information:

- a. Please provide the relevant pages of the PSC's Order in Case No. 2006-00494 that include the Commission's ruling that "emphasized and resulted in a plan to cover Grayson's entire system every 7 years." In addition, provide the date of this Order.

Response:
3.(a)

Although 2006-00494 did not specify a specific number of years as a clearing cycle, based upon a "rule of thumb" timeframe that has been mentioned as long as we can remember and hearing what other utilities at the hearing were striving to attain, we felt that 7 years was a good number of years to base our plan. This order was dated October 2007.

- b. Provide a detailed description of GREC's R-O-W Clearing practice and procedures that were in place prior to the "plan to cover Grayson's entire system every 7 years."

Response:
3.(b)

Past practice for GRECC was to continuously take care of "hot spots", smaller sections that needed attention immediately. These sections occurred throughout the entire system. This created a logistical nightmare that required travel to areas of the system for short periods of time. This method was becoming a difficult and expensive system to manage.

- c. Explain the differences between GREC's prior R-O-W clearing practices and activities and the R-O-W clearing practices and activities resulting from the "plan to cover Grayson's entire system every 7 years." In addition, explain why these differences should result in an Account 593.10 R-O-W Clearing expense increase from \$752,983 in the year prior to the test year to \$1,411,841 in the test year (an expense increase of 87.5%).

Response:
3.(c)

To transition to our current plan required an additional expense of \$300,000, which commensed with the 2007 Budget. This allowed Grayson to start the planned Circuit clearing, while still maintaining the previous practice of taking care of hot spots. The goal was, to over the upcoming 7 or so years, increase the number of crews clearing circuits, while reducing the number of crews handling hot spots. At the end of the 7 year period, the number of hot spots would be drastically reduced and the initial circuits cleared would be ready for the next cycle.

GRECC contracts with to companies to provide circuit clearing. One company uses minimal labor and equipment and completes its circuits ove the entire calendar year. The other company utilizes a larger work force and more equipment and completes its circuits over a period of months. This company apparently completed did the majority of its circuits for 2 calendar years within the test year period..

- d. Provide the date (month and year) that GREC first started implementing the new R-O-W clearing practices and activities resulting from the "plan to cover Grayson's entire system every 7 years.

Response:
3.(d)

This practice began in January 2007.
See attached Right of Way Clearing Budgets for 2006 and 2007.

2006

Right of Way Maintenance Plan

Monthly Costs (160 Hr)	Personnel		Transportation			Equipment				Total /hr	Monthly	
	4-man \$19.57	Climber \$15.93	Laborer \$14.12	CrewCab \$7.46	Crew Truck \$5.36	Buckett \$11.78	Chainsaw \$1.07	Chipper \$2.68	Tractor \$23.58			Sprayer \$12.14
4-man Cutting crew	1	1	2	1	4						\$ 75.48	\$12,076.80
3-man Cutting Crew	1	1	1	1	3						\$ 60.29	\$ 9,646.40
3-man bucket crew	1	1	1		3	1					\$ 67.29	\$10,766.40
2 man tractor crew	1	1	1		1				1		\$ 63.70	\$10,192.00
2-man spray crew	1	1	1							1	\$ 45.83	\$ 7,332.80

Annualized	# Crews	Men /crew	# Months	Crew-Months	Total
Cutting crew (new)	1	4	12	12	0
Cutting Crew	3	4	9	27	326,074
Cutting Crew *	2	3	3	6	57,878
Bucket Crew	1	3	12	12	129,197
Tractor Crew	1	2	12	12	122,304
Spray Crew *	3	2	3	9	65,995
Chemical					30,000
New Line Construction					(100,000)
* Summer period					204
					\$ 631,448
					\$ 631,448

3 Cutting crews of 4 men cutting Jan - May and Sept - Dec.
 * During summer June - August:
 3-2 men crews spraying
 2-3 men crews cutting
 1-3-man bucket crew for 12 months
 1-2 man tractor crew for 12 months

	Other months	Summer	Cutting (new)
Smith Crew	36,230	19,293	Cutting
	10,766	21,998	Spray
	10,192	10,766	Bucket
		10,192	Tractor
		10,000	Chemical
	(8,333)	(8,333)	Work Orders
	\$12,593	\$12,593	Smith
	<u>61,448</u>	<u>76,509</u>	
monthly	<u>553,033</u>	<u>229,527</u>	782,560
annual			

"New cutting crew would work as an independent crew or team with tractor crew during inclement weather to make (2) 3-man ciling crews"

Areas to be cut

Areas to be Sprayed

Right of Way Maintenance Plan

Monthly Costs (160 Hr)	Personnel		Transportation			Equipment			Total /hr	Monthly
	4-man	Climber	CrewCab	Crew Truck	Bucket	Chainsaw	Chipper	Tractor		
\$19.57	\$ 16.93	\$ 14.12	\$ 7.46	\$ 5.36	\$ 11.78	\$ 1.07	\$ 2.68	\$ 23.58	\$ 12.14	
3.00%	\$ 0.48	\$ 0.42	\$ 0.07	\$ 0.05	\$ 0.12	\$ 0.01	\$ 0.03	\$ 0.24	\$ 0.12	
1.00%	\$ 0.59	\$ 0.42	\$ 7.53	\$ 5.41	\$ 11.90	\$ 1.08	\$ 2.71	\$ 23.82	\$ 12.26	
\$20.16	\$ 16.41	\$ 14.54	\$ 7.53	\$ 5.41	\$ 11.90	\$ 1.08	\$ 2.71	\$ 23.82	\$ 12.26	
4-man Cutting crew	1	1	2	1	4					\$ 77.51 \$12,401.54
3-man Cutting Crew	1	1	1	1	3					\$ 61.89 \$ 9,901.65
3-man bucket crew	1	1	1	1	3	1				\$ 68.96 \$11,032.85
2 man tractor crew	1	1	1	1	1			1		\$ 65.01 \$10,401.73
2-man spray crew	1	1	1	1	1				1	\$ 46.96 \$ 7,513.94

Annualized

	# Crews	Men /crew	# Months	Crew-Months	Total
Cutting crew (new)	1	4	12	12	0
Cutting Crew	3	4	9	27	334,841
Cutting Crew *	2	3	3	6	59,410
Bucket Crew	1	3	12	12	132,394
Tractor Crew	1	2	12	12	124,821
Spray Crew *	3	2	3	9	67,625
Chemical					30,000
New Line Construction					(100,000)
* Summer period		204			\$ 649,092

3 Cutting crews of 4 men cutting Jan - May and Sept - Dec.
 * During summer June - August:
 3-2 men crews spraying
 2-3 men crews cutting
 1-3-man bucket crew for 12 months
 1-2 man tractor crew for 12 months

	Other months	Summer
Smith Crew	37,205	19,803
Cutting (new)	-	-
Cutting	22,542	22,542
Spray	11,033	11,033
Bucket	10,402	10,402
Tractor	10,000	10,000
Chemical	(8,333)	(8,333)
Work Orders	\$12,717	\$12,717
Smith	63,023	78,164
monthly	567,210	234,491
annual	801,701	801,701

Circuits to be cut

	Est Act	Actual	Budget
Warnock Circuit	130,000	460,574	534,467
Elliottsville	149,000	105,780	105,780
Areas by Contract	-	150,000	267,232
amount budgeted	300,000	716,354	801,699
Total R/W Clearing Expense	\$1,101,701	85,345	

Thru August 9/1 - 10/18 thru 12/3-10 weeks @ 15,000

e. Provide copies of all internal GREC documentation describing the new R-O-W clearing practices and activities resulting from the 'plan to cover Grayson's entire system every 7 years.'

Response:
3 (e)

Year	Circuit	Circuit	Hourly Crews	Substation	Substation	Substations
1	2008	Carter City	Elliotville #2	Elliotville # Mazle (3)	Argentum (3)	
2	2009	Leon #1	Warnock #4	Pactolus #2	Airport For Carter City (3)	
3	2010			Pactolus (1)	Warnock (1)	
4	2011			Low Gap (1)	Peiphey (2)	
5	2012			Sandy Hook (4)		
6	2013			Newfoundland (4)		
7	2014			Leon (2)		
New Cycle						
1	2015	Elliotville #	Warnock #1 '07			
2	2016	Carter City	Elliotville #2 '08			

Tentative 2010

Argentum 1 Argentum #1

4. With regard to the response to AG-1-10, please provide a detailed description of the demonstration and selling activities underlying the labor and benefit expenses of \$28,340.

Response

This account includes the cost of labor and benefits incurred in promotional, demonstrating, and selling activities, except merchandising, to promote or retain the use of utility services by present and prospective customers. Labor in this account relates to energy efficiency programs that Grayson has for its members, i.e., Button Up, energy audits, weatherization, all seasons comfort homes.

5. With regard to the response to PSC-2-9(e), please provide the following information:
- a. Do the 2080 test year hours reflected for each employee in the determination of the employee's annualized wages include the paid vacation and sick time allowed for each employee in the test year? If not, explain why not.

Response

a.
The 2,080 hours during the test year include the vacation and sick time that were taken during the test year. Accumulated vacation and sick time paid that would not have been allowed to be carried over and lost, are not included in the 2,080 hours

- b. If 2080 hours (2,088 hours in a leap year) are always used in the determination of the annualized wages for each full-time employee for ratemaking purposes in all of GREC's rate cases, doesn't this mean that the paid vacation and sick time allowed for employees in each year (even when they are not used in the particular year and are transferred to the next year as unused vacation and sick time) are embedded in GREC's rates?

Response

b.
No.

- c. The response to PSC-2-9(e) is not quite understood by the AG. Please explain again why an additional amount of \$35,643 for vacation and sick days (whether used or unused from prior years) should be reflected for ratemaking purposes over and above the annualized wages for each employee based on 40 hours per week.

Response

c.
Grayson attempts to operate with as small a staff as possible. This means when employees take off work for vacation and use sick days, Grayson is short staffed. Employees are urged to take vacation during periods of the month, and year, when the work flow is not as much.

For office employees, this is generally not the first and third week of each month, as a result of billing and collections. For outside employees, this is generally the winter months when construction and other consumer activities have been cut-back. It is not always feasible to take vacation at these times of the month and year.

Grayson has recognized that when employees lose sick hours if not taken, they are taken at inconvenient times of the month. Unlike vacation, which is scheduled in advance, sick hours are taken on a sporadic basis. This leaves the office shorthanded at critical times of the month. This also leaves crews short handed when jobs need to be performed. If a four-man crew, three-man crew, or two-man crew shows up for work, and one of the crew members calls in sick, then it disrupts the entire crew for the day's work.

Grayson feels it gets better productivity from its employees by paying for the accumulated days instead of employees taking the time off and disrupting the work flow for the day. Grayson would have to hire additional employees to fill in for the employees taking off for sick and vacation time to fill the office staff and crews. Paying the accumulated time makes more sense to Grayson.

6. With regard to the response to AG-1-13, please provide the actual summer and part time employees' hours worked in calendar year 2008, in total and as broken out by employee number.

Response:
6

<u>EMP. NO.</u>	<u>REGULAR HOURS</u>	<u>OVERTIME HOURS</u>	<u>TOTALS</u>
248	1002		1002
631	1033	14	1047
635	851	2	853
637	<u>377</u>	<u>0</u>	<u>377</u>
	3263	16	3279

7. With regard to the response to AG-1-14, please provide the actual overtime hours worked in calendar year 2008.

Response

4,402 hours

8. Please expand the response to AG-1-12 by providing the actual monthly number of salaried and the actual monthly number of hourly employees for the years 2005, 2006, 2007, and 2008.

Response

8

<u>MONTH</u>	<u>SALARY</u>	<u>HOURLY</u>	<u>SUMMER/PART- TIME</u>	<u>TOTAL</u>
JAN '05	11	33	6	50
FEB '05	11	34	3	48
MAR '05	11	34	3	48
APR '05	11	34	4	49
MAY '05	11	34	5	50
JUNE '05	11	34	6	51
JULY '05	11	34	4	49
AUG '05	11	34	7	52
SEPT '05	10	34	4	48
OCT '05	10	34	4	48
NOV '05	10	34	4	48
DEC '05	10	34	4	48
JAN '06	10	34	5	49
FEB'06	10	34	4	48
MAR '06	10	34	3	47
APR '06	10	34	3	47
MAY '06	10	34	6	50
JUNE '06	10	34	5	49
JULY '06	10	33	5	48
AUG '06	10	33	5	48
SEPT '06	10	33	2	45
OCT '06	10	33	1	44
NOV '06	10	33	2	45
DEC '06	10	33	3	46
-				0
--				0
DEC '08	10	36	3	49

9. With regard to the response to AG-1-16, please provide the following information:

- a. The 13-month average number of salaried employees underlying the actual total hours worked in 2005, 2006 and 2007 of 18,410, 18,191 and 18,070, respectively.

Response
9(a)

10 for all years

- b. The 13-month average number salaried employees for calendar year 2008, as well as the actual total hours worked by the salaried employees in calendar year 2008.

Response
9(b)

10 employees, 18,287 hours worked

- c. The number of hours for which the average number of salaried employees in 2005, 2006, 2007 and 2008 were paid.

Response
9(c)

2005- 22,644
2006 - 21,297
2007 - 21,393
2008 - 21,322

- d. The 13-month average number of hourly employees underlying the actual total hours worked in 2005, 2006 and 2007 of 65,656, 63,571 and 61,572, respectively.

Response
9(d)

2005 - 45
2006 - 41
2007 - 40

- e. The 13-month average number hourly employees for calendar year 2008, as well as the actual total hours worked by the hourly employees in calendar year 2008.

Response
9(e)

35 hourly employees
70,704 hours worked

- f. The number of hours for which the average number of hourly employees in 2005, 2006, 2007 and 2008 were paid.

Response
9(f)

2005 - 80,139
2006 - 78,751
2007 - 75,029
2008 - 80,665

10. If the rates from GREC's 2007 depreciation study were to be used in this rate case, it would increase GREC's unadjusted test year depreciation expenses by \$852,000, or almost 55%. GREC has reflected approximately \$426,000, or half, of this \$858,000 depreciation expense increase for ratemaking purposes in this case. Is it GREC's intent (as a result of the magnitude of the \$852,000 deprecation expense increase) to transition into this large 55% depreciation expense increase by only reflecting half of the increase in this case or is the reflection of the as-filed increase of \$426,000 an error that should be corrected to \$852,000 thereby increasing the rate increase request by \$426,000? Please comment in detail.

Response

See response to PSC-3-5(a) – (c).

11. With regard to the response to PSC-2-28(a), please provide the following information:
- a. Is the cost associated with the person added to the metering staff included in the annualized payroll reflected in this case? If so, provide the amount of the total payroll amount for this added person included in the annualized payroll amount of \$2,390,163

Response

11a

Employee No. 219 was moved from the mechanics position to the meter department. Employee No. 221 was moved from the construction crew to the mechanics position. Employee No. 228 is still in the meter department. See application Exhibit 1 for payroll information on those employees.

- b. Is the cost associated with the planned retired member of the staff included in the annualized payroll reflected in this case? If so, provide the amount of the total payroll amount for this added person included in the annualized payroll amount of \$2,390,163.

Response

11b

Yes. This employee is No. 228 and is included in annualized payroll. See application Exhibit 1 for payroll information on that employee.

- c. When will the retirement of this staff member take place?

Response

11c

It is estimated that employee No. 228 will retire in November, 2009.

12. With regard to the \$76,436 test year expense for account 588 – Miscellaneous Distribution expense, please provide the following information:

- a. Actual expenses booked for calendar year 2008.

Response

12a **\$84,338**

- b. Explanation for the approximate 54% increase from the \$49,691 expense booked prior to the test year to the \$76,436 booked in the test year.

Response

12b

Grayson is in the early stages of planning and implementing a project that will digitize the existing mapping system. As a result, there is additional labor and benefits being recorded in this account for this project. At this time, no new employees have been hired for this project. However, it is estimated that additional employees will be hired when the mapping project is completed. The labor being recorded in Account 588-Miscellaneous Distribution expense had previously been recorded in other accounts.

13. With regard to the December 2007 depreciation study performed by Mr. Adkins for Grayson, please provide the following information:

- a. What is the cost for Mr. Adkins' depreciation study that is included in the requested rate case expenses of \$72,000?

Response

13a

None. The cost of the depreciation study in the amount of \$18,000 was paid after the test year and is not included in the \$72,000.

- b. Since Mr. Adkins performed the exact same depreciation study for Big Sandy Rural Cooperative,¹ does the depreciation study cost to be provided in response to part (a) above represent a shared cost between Grayson and Big Sandy (and any other cooperatives which used the depreciation rates from Mr. Adkins' December 2007 depreciation study)? If not, why not?

Response

13b

No. Your presumption that the depreciation study for Grayson and Big Sandy are the same is completely inaccurate. The depreciation study for Grayson used data exclusively for Grayson and depreciation study for Big Sandy used data exclusively for Big Sandy. Two completely separate studies were performed.

¹ Resulting in distribution depreciation rates claimed in Big Sandy's pending rate case that are exactly the same as the proposed distribution depreciation rates in Grayson's pending rate case.