Grayson Rural Electric Cooperative Corporation

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August 24, 2009

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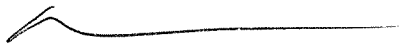211 Sower Boulevard
Frankfort, KY 40601

RE: Case No. 2009-00103

Mr. Derouen:

Please find attached an original and five (5) copies of information requested in the above referenced case.

Please feel free to contact me at (606) 474-5136 if you have additional questions.

Sincerely,

Don M. Combs
Manager Finance and Accounting

A Touchstone Energy Cooperative
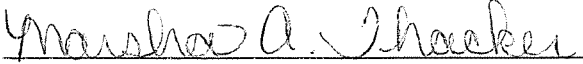
In the Matter of:

Application of Grayson Rural	)	
Electric Cooperative Corporation	)	Case No.
For a Deviation from 807 KAR 5:041,	)	2009-00103
Section 15(3), Sample Master Meter	)	
Testing program	)	

I certify that the above responses to requests for information are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

_____

Don M. Combs, Manager of Finance & Accounting
Grayson Rural Electric

Subscribed and sworn to before me by Don M. Combs as Manager of Finance and Accounting of Grayson Rural Electric, this 24st day of August 2009.

_____
NOTARY PUBLIC, KY STATE AT LARGE
My Commission Expires: _1-9-2011_

1.   Refer to the Cost Savings/Conclusion heading of the revised application filed on July 16, 2009.

a.   In the assumptions section, Grayson indicates that 5,000 meters are tested over a three-year period in the current meter testing cycle. Provide the basis for the three-year period in the assumptions to calculate the savings. What is the basis for the comparison between the three-year cycle of $573,618.73 and the eight-year cycle of $127,470.83?

Response: Basis for 3 year period - Grayson has tried to incorporate multiple tasks that are conducted in the field (meter testing, meter reading, and various inspections of facilities), rather than doing each task separately.

The $573,618.73 cost reflects the total current cost of meeting the required testing of 15,000 meters over an eight year period and the $127,470.83 represents the total cost of testing 300 meters per year over the same time period.

b.   Should the annual savings be the yearly cost of $191,206.24 less the proposed cost of $15,933.85, for an annual savings of $175,272.39 per year?

Response: Yes.

c.   Confirm that the column labeled "# of units" refers to the number of employees required to perform the task of meter testing. If so, provide the basis for the number of employees required to test the meters.

Response: Yes, as it relates to labor. A transportation "unit" refers to a truck and its cost per hour.

d.   Provide the basis for the benefits expense of 77.11 percent of labor and explain how it was derived.

Response:

Item	5/1/2008 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	$ 1,299	29.86%
Life Insurance		3.29%
Business Travel Insurance	$25/ EMP	0.05%
		77.11%

e.   Other than having the opportunity for cost savings, provide any other operational benefits to Grayson by changing to the proposed sample testing program.

Response: This function could much more easily be incorporated into other employees duties when it might be convenient – thus incurring oly an incremental cost.

2.   Refer to your filing of July 16, 2009. The table entitled "Meter Groups" reflects that Grayson has a total 15,263 meters. Periodic meter testing pursuant to 807 KAR 5:041, Section 15(3) requires a utility to test all meters every eight years. Accordingly, Grayson is required, on average, to test 1,908 meters each year (15,263 ÷ 8) in order to satisfy the periodic testing requirement of 807 KAR 5:041, Section 15(3).

          a.   What is the estimated annual cost to test 1,908 meters? Explain and provide all supporting calculations.

Response: If we use the same criteria as was stated in the Cost Savings/Conclusion heading of the revised application filed on July 16, 2009 - assumptions for testing 300 meters, the average cost per meter would be $53.11 per meter. This would equate to $101,333.88 for 1,908 meters.

          b.   Under your proposed sample meter plan, how many meters will you be testing annually. Explain and provide all supporting calculations.

Response: Under our proposed plan we will be testing 290 meters annually. The population of each meter group will be compared to the Lot Size in the Sample Size Code Letters table. The sample size code letter will be selected from Inspection Level II for that Lot Size. The sample size for that group will then be determined by using the Master Table for Normal and Tightened Inspection for Plans Based on Variability Unknown.

	Manufacturer	Type	Population	Sample Size
1	ABB	AB1	1,627	50
2	Schlumberger	C1S	4,452	75
3	GE	I210	100	10
4	Landis & Gyr	MX	5,433	75
5	Landis & Gyr	MX	3,606	75
6	Landis & Gyr	MS	45	5

ANSI/ASQ Z1.9-2003

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Table A-2[1]
Sample Size Code Letters[2]

Lot Size		Inspection Levels				
		Special		General		
		S3	S4	I	II	III
2	to	8	B	B	B	B	C
9	to	15	B	B	B	B	D
16	to	25	B	B	B	C	E
26	to	50	B	B	C	D	F
51	to	90	B	B	D	E	G
91	to	150	B	C	E	F	H
151	to	280	B	D	F	G	I
281	to	400	C	E	G	H	J
401	to	500	C	E	G	I	J
501	to	1,200	D	F	H	J	K
1,201	to	3,200	E	G	I	K	L
3,201	to	10,000	F	H	J	L	M
10,001	to	35,000	G	I	K	M	N
35,001	to	150,000	H	J	L	N	P
150,001	to	500,000	H	K	M	P	P
500,001	and	over	H	K	N	P	P

[1]The theory governing inspection by variables depends on the properties of the normal distribution and, therefore, this method of inspection is only applicable when there is reason to believe that the frequency distribution is normal.

[2]Sample size code letters given in body of table are applicable when the indicated inspection levels are to be used.

Table B-3   Standard Deviation Method
Master Table for Normal and Tightened Inspection for Plans Based on Variability Unknown
(Double Specification Limit and Form 2—Single Specification Limit)

Sample Size Code Letter	Sample Size	Acceptance Quality Limits (normal inspection)											
		T	.10	.15	.25	.40	.65	1.00	1.50	2.50	4.00	6.50	10.00
		M	M	M	M	M	M	M	M	M	M	M	M
B	3									7.59	18.86	26.94	33.69
C	4							1.49	5.46	10.88	16.41	22.84	29.43
D	5					0.041	1.34	3.33	5.82	9.80	14.37	20.19	26.55
E	7		0.005	0.087	0.421	1.05	2.13	3.54	5.34	8.40	12.19	17.34	23.30
F	10	0.077	0.179	0.349	0.714	1.27	2.14	3.27	4.72	7.26	10.53	15.17	20.73
G	15	0.186	0.311	0.491	0.839	1.33	2.09	3.06	4.32	6.55	9.48	13.74	18.97
H	20	0.228	0.356	0.531	0.864	1.33	2.03	2.93	4.10	6.18	8.95	13.01	18.07
I	25	0.250	0.378	0.551	0.874	1.32	2.00	2.86	3.97	5.98	8.65	12.60	17.55
J	35	0.253	0.373	0.534	0.833	1.24	1.87	2.66	3.70	5.58	8.11	11.89	16.67
K	50	0.243	0.355	0.503	0.778	1.16	1.73	2.47	3.44	5.21	7.61	11.23	15.87
L	75	0.225	0.326	0.461	0.711	1.06	1.59	2.27	3.17	4.83	7.10	10.58	15.07
M	100	0.218	0.315	0.444	0.684	1.02	1.52	2.18	3.06	4.67	6.88	10.29	14.71
N	150	0.202	0.292	0.412	0.636	0.946	1.42	2.05	2.88	4.42	6.56	9.86	14.18
P	200	0.204	0.294	0.414	0.637	0.945	1.42	2.04	2.86	4.39	6.52	9.80	14.11
		.10	.15	.25	.40	.65	1.00	1.50	2.50	4.00	6.50	10.00	
		Acceptance Quality Limits (tightened inspection)											

All AQL values are in percent nonconforming. T denotes plan used exclusively on tightened inspection and provides symbol for identification of appropriate OC curve.

↓ Use first sampling plan below arrow; that is, both sample size as well as k value. When sample size equals or exceeds lot size, every item in the lot must be inspected

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c.   What is the estimated annual cost to test the number of meters in part b? Explain and provide all supporting calculations.

Response: If we use the same criteria as in 2 (b) @ $53.11 per meter, 290 meters would cost $15,401.90 to test.