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Energy and Environment Cabinet

Commonwealth of Kentucky  
**Public Service Commission**  
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Linda Breathitt  
Commissioner

February 6, 2013

Don M. Combs  
Grayson R.E.C.C.  
109 Bagby Park  
Grayson, KY 41143

Honorable W. Jeffrey Scott  
P.O. Box 608  
311 West Main Street  
Grayson, KY 41143

Carol Hall Fraley  
Grayson R.E.C.C.  
109 Bagby Park  
Grayson, KY 41143

RE: Case No. 2012-00426  
Grayson R.E.C.C.

The Commission staff has reviewed your response and has determined that your application in the above case now meets the minimum filing requirements. Enclosed please find a stamped filed copy of the first page of your filing. This case has been docketed and will be processed as expeditiously as possible.

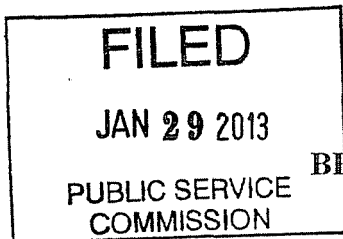
If you need further assistance, please contact my staff at 502-564-3940.

Sincerely,

A handwritten signature in cursive script that reads "Linda Faulkner".

Linda Faulkner  
Filings Division Director

LF/ke



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 26 2012

PUBLIC SERVICE  
COMMISSION

In the Matter of Adjustment of Rates  
of Grayson Rural Electric Cooperative

Case No. 2012-00426

APPLICATION

Grayson Rural Electric Cooperative (herein designated as "Grayson") hereby makes application for an adjustment of rates, as follows:

1. Grayson informs the commission that it is engaged in the business of operation of a retail electric distributions system in portions of six (6) counties in eastern Kentucky and does hereby propose to adjust rates, effective **April 12, 2012**, in conformity with the attached schedule.

2. The name and post office address of the applicant is Grayson Rural Electric Cooperative, 109 Bagby Park, Grayson, Kentucky, 41143 [807 KAR 5:001, Section 8(1)].

3. The Articles of Incorporation and all amendments thereto for Grayson were filed with the Commission in PSC Case No. 2010-00489, for an application to increase rates. [807 KAR 5:001, Section 8(3)].

4. The application is supported by a twelve month historical test period ending May 31, 2012 and includes adjustments for known and measurable changes [807 KAR 5:001, Section 10(1)(a)].

5. Grayson states that the reasons the rate adjustment are required pursuant to 807 KAR Section 10(1)(a)(1) are as follows:

a. Grayson last filed an increase in rates in Case No. 2008-00254. Since then, Grayson has incurred increases in the cost of power, materials, equipment, labor, taxes, interest, debt service and other fixed and variable costs. Grayson has been required to borrow funds to finance its construction projects.

b. The financial condition of Grayson deteriorated significantly during the test year, and continues on this trend.

c. Grayson had a Times Interest Earned Ratio (TIER) of 1.57 [a TIER of 0.25 excluding G&T capital credits], for the test year ending May 31, 2012. The TIER was 1.60 for calendar year of 2011 [a TIER of 0.25 excluding G&T capital credits]. Grayson is required under its