

Grayson Rural Electric Cooperative Corporation

109 Bagby Park • Grayson, KY 41143-1292
Telephone 606-474-5136 • 1-800-562-3532 • Fax 606-474-5862

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PUBLIC SERVICE
COMMISSION

December 4, 2013

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Blvd.
P O Box 615
Frankfort, KY 40602

Case No. 2012-00426
RE: Correspondence with RUS

Dear Mr. Derouen:

Please find attached a copy of our quarterly correspondence with RUS regarding Grayson RECC's financial condition.

Please contact me at (606) 474-5194 or Carol Fraley at (606) 474-5136 with any questions regarding this filing.

Respectfully submitted,



Don M. Combs
Mgr. Finance & Accounting

Enclosure

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December 2, 2013

Mr. Joseph S. Badin
Director
Northern Regional Division
Electric Programs
1400 Independence Avenue, SW
Washington, DC 20250-0700

Mr. Badin:

In response to your correspondence of March 26, 2013, we offer the following:

New rates resulting from our recently approved rate application is beginning to have an effect on our enclosed financial statement, as of September 2013.

Sincerely,



Carol Hall Fraley
President & CEO

attachments

C: Mike Norman, General Field Representative

PART A. STATEMENT OF OPERATIONS

LINE NO		YEAR TO DATE				THIS MONTH	% FROM BUDGET	% CHANGE FROM LAST YEAR
		LAST YEAR A	THIS YEAR B	BUDGET C				
1.0	OPERATING REVENUE & PATRONAGE CAPITAL....	20,842,809.53	22,564,748.07	21,390,405.67	2,077,868.34	5.5	8.3	
2.0	POWER PRODUCTION EXPENSE.....	.00	.00	.00	.00	.0	.0	
3.0	COST OF PURCHASED POWER.....	13,797,628.00-	14,646,029.00-	13,840,023.00-	1,360,442.00-	5.8	6.1	
4.0	TRANSMISSION EXPENSE.....	.00	.00	.00	.00	.0	.0	
5.0	REGIONAL MARKET OPERATIONS EXPENSE.....	.00	.00	.00	.00	.0	.0	
6.0	DISTRIBUTION EXPENSE-OPERATION.....	857,370.51-	856,010.40-	868,956.03-	86,610.81-	1.5-	2-	
7.0	DISTRIBUTION EXPENSE-MAINTENANCE.....	2,555,556.30-	2,172,480.50-	2,076,903.09-	210,650.61-	4.6	15.0-	
8.0	CONSUMER ACCOUNTS EXPENSE.....	839,191.96-	868,288.75-	800,935.56-	91,898.24-	8.4	3.5	
9.0	CUSTOMER SERVICE & INFORMATIONAL EXPENSE..	158,919.84-	185,917.87-	164,974.23-	28,579.49-	12.7	17.0	
10.0	SALES EXPENSE.....	18,341.44-	16,917.43-	19,232.46-	1,892.72-	12.0-	7.8-	
11.0	ADMINISTRATIVE & GENERAL EXPENSE.....	1,370,308.13-	1,451,805.76-	1,378,459.62-	150,187.45-	5.3	5.9	
12.0	TOTAL OPERATIONS & MAINTENANCE EXPENSE...	19,597,316.18-	20,197,449.71-	19,149,483.99-	1,930,261.32-	5.5	3.1	
13.0	DEPRECIATION & AMORTIZATION EXPENSE.....	2,243,923.58-	2,291,693.84-	2,338,275.69-	251,712.72-	2.0-	2.1	
14.0	TAX EXPENSE - PROPERTY & GROSS RECEIPTS..	24,474.00-	25,404.00-	24,750.00-	2,867.00-	2.6	3.8	
15.0	TAX EXPENSE - OTHER.....	.00	.00	.00	.00	.0	.0	
16.0	INTEREST ON LONG TERM DEBT.....	761,959.85-	741,798.71-	752,102.82-	83,186.90-	1.4-	2.6-	
17.0	INTEREST CHARGED TO CONSTRUCTION - CREDIT	.00	.00	.00	.00	.0	.0	
18.0	INTEREST EXPENSE - OTHER.....	38,684.00-	1,803.00-	1,080.00-	204.00-	66.9	95.3-	
19.0	OTHER DEDUCTIONS.....	28,167.05-	50,579.64-	35,512.38-	2,403.53-	42.4	79.6	
20.0	TOTAL COST OF ELECTRIC SERVICE.....	22,694,524.66-	23,308,728.90-	22,301,204.88-	2,270,635.47-	4.5	2.7	
21.0	PATRONAGE CAPITAL & OPERATING MARGINS....	1,851,715.13-	743,980.83-	910,799.21-	192,767.13-	18.3-	59.8-	
22.0	NON OPERATING MARGINS - INTEREST.....	22,339.35	22,076.47	21,989.70	2,490.23	.4	1.2-	
23.0	ALLOW. FOR FUNDS USED DURING CONSTRUCTION	.00	.00	.00	.00	.0	.0	
24.0	INCOME (LOSS) FROM EQUITY INVESTMENTS....	.00	.00	.00	.00	.0	.0	
25.0	NON OPERATING MARGINS - OTHER.....	117,064.40	147,839.05	23,314.77	3,467.03	534.1	26.3	
26.0	GENERATION & TRANSMISSION CAPITAL CREDITS	35,343.75-	.00	.00	.00	.0	100.0	
27.0	OTHER CAPITAL CREDITS & PATRONAGE DIVID..	152,763.87	150,704.25	131,774.85	1,205.03	14.4	1.3-	
28.0	EXTRAORDINARY ITEMS.....	.00	.00	.00	.00	.0	.0	
29.0	PATRONAGE CAPITAL OR MARGINS.....	1,594,891.26-	423,361.06-	733,719.89-	185,604.84-	42.3-	73.5-	
RATIOS								
TIER		1.093-	.429	.024	1.231-			
MARGINS TO REVENUE		.077	.019	.034	.089			
POWER COST TO REVENUE		.662	.649	.647	.655			
INTEREST EXPENSE TO REVENUE		.037	.033	.035	.040			
CURRENT ASSETS : CURRENT LIABILITIES		1.0911						
MARGINS & EQUITIES AS % OF ASSETS		.2617						
LONG TERM DEBT AS % OF PLANT		.6319						
GENERAL FUNDS TO TOTAL PLANT		.1554						
QUICK ASSET RATIO		1.0423						

PART C. BALANCE SHEET

LINE NO	ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS		
1.0	TOTAL UTILITY PLANT IN SERVICE	66,357,692.31	30.0	MEMBERSHIPS	151,555.00-
2.0	CONSTRUCTION WORK IN PROGRESS	960,382.65	31.0	PATRONAGE CAPITAL	19,369,964.97-
3.0	TOTAL UTILITY PLANT	67,318,074.96	32.0	OPERATING MARGINS - PRIOR YEAR	.00
4.0	ACCUM PROV FOR DEP & AMORT	15,900,136.93-	33.0	OPERATING MARGINS-CURRENT YEAR	593,276.58
5.0	NET UTILITY PLANT		34.0	NON-OPERATING MARGINS	169,915.52-
		51,417,938.03	35.0	OTHER MARGINS & EQUITIES	975,940.64
6.0	NON-UTILITY PROPERTY (NET)	.00	36.0	TOTAL MARGINS & EQUITIES	18,122,218.27-
7.0	INVEST IN SUBSIDIARY COMPANIES	.00			
8.0	INV IN ASSOC ORG - PAT CAPITAL	9,521,243.96	37.0	LONG TERM DEBT - RUS (NET)	11,918,703.11-
9.0	INV IN ASSOC ORG OTHR GEN FND	.00		(PAYMENTS-UNAPPLIED	.00)
10.0	INV IN ASSOC ORG - NON GEN FND	643,779.38	38.0	LNG-TERM DEBT-FFB-RUS GUAR	19,415,469.16-
11.0	INV IN ECON DEVEL PROJECTS	.00	39.0	LONG-TERM DEBT OTHER-RUS GUAR	.00
12.0	OTHER INVESTMENTS	98.65	40.0	LONG TERM DEBT - OTHER (NET)	11,205,014.30-
13.0	SPECIAL FUNDS	.00	41.0	LNG-TERM DEBT-RUS-ECON DEV NET	.00
14.0	TOT OTHER PROP & INVESTMENTS	10,165,121.99	42.0	PAYMENTS - UNAPPLIED	.00
			43.0	TOTAL LONG TERM DEBT	42,539,186.57-
15.0	CASH - GENERAL FUNDS	99,492.89			
16.0	CASH - CONSTRUCTION FUND TRUST	.00	44.0	OBLIGATION UNDER CAPITAL LEASE	.00
17.0	SPECIAL DEPOSITS	.00	45.0	ACCUM OPERATING PROVISIONS	2,915,058.25-
18.0	TEMPORARY INVESTMENTS	5,000.00	46.0	TOTAL OTHER NONCURR LIABILITY	2,915,058.25-
19.0	NOTES RECEIVABLE (NET)	.00			
20.0	ACCTS RECV - SALES ENERGY(NET)	4,953,150.90	47.0	NOTES PAYABLE	1,626,339.18-
21.0	ACCTS RECV - OTHER (NET)	453,756.37	48.0	ACCOUNTS PAYABLE	1,818,832.55-
22.0	RENEWABLE ENERGY CREDITS	.00	49.0	CONSUMER DEPOSITS	1,348,900.43-
23.0	MATERIAL & SUPPLIES-ELEC & OTH	269,456.79	50.0	CURR MATURITIES LONG-TERM DEBT	.00
24.0	PREPAYMENTS	232,883.50	51.0	CURR MATURIT LT DEBT ECON DEV	.00
25.0	OTHER CURRENT & ACCR ASSETS	14,788.15	52.0	CURR MATURITIES CAPITAL LEASES	.00
26.0	TOTAL CURRENT & ACCR ASSETS	6,028,528.60	53.0	OTHER CURRENT & ACCRUED LIAB	731,280.45-
			54.0	TOTAL CURRENT & ACCRUED LIAB	5,525,352.61-
27.0	REGULATORY ASSETS	.00			
28.0	OTHER DEFERRED DEBITS	1,643,466.00	55.0	REGULATORY LIABILITIES	.00
			56.0	OTHER DEFERRED CREDITS	153,238.92-
29.0	TOTAL ASSETS & OTHER DEBITS	69,255,054.62	57.0	TOTAL LIABILITIES & OTH CREDIT	69,255,054.62-

ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION		
58.0	BALANCE BEGINNING OF YEAR	.00
59.0	AMOUNT RECEIVED THIS YEAR (NET)	480,659.60
60.0	TOTAL CONTRIBUTIONS IN AID OF CONST	480,659.60

C E R T I F I C A T I O N

WE HEREBY CERTIFY THAT THE ENTRIES IN THIS REPORT ARE IN ACCORDANCE WITH THE ACCOUNTS AND OTHER RECORDS OF THE SYSTEM AND REFLECT THE STATUS OF THE SYSTEM TO THE BEST OF OUR KNOWLEDGE AND BELIEF.
ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, REA, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.

SIGNATURE OF OFFICE MANAGER OR ACCOUNTANT

Carroll Kelly
SIGNATURE OF MANAGER

DATE

11/26/13

DATE

11/13/13