COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF JACKSON ENERGY COOPERATIVE CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2000-373

THIRD DATA REQUEST OF COMMISSION STAFF TO JACKSON ENERGY COOPERATIVE CORPORATION

Jackson Energy Cooperative Corporation ("Jackson Energy") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before January 30, 2001. 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 of 6. Include with each response the name of the person 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. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the response to the Second Data Request of Commission Staff to Jackson Energy dated December 5, 2000 ("2nd Staff Request"), Item 1(b). Jackson Energy's response provided its equity to total assets ratio. However, the data request

sought Jackson Energy's equity to total capitalization ratio.[1] Given this clarification, provide the information originally requested in Item 1(b).

2. Refer to the response to the 2nd Staff Request, Item 1(c).

a. Due to the discontinuation of retiring capital credits, did Jackson Energy mean that its debt levels would actually decrease or that the ratio of its debt to its total capitalization would decrease? Explain the response.

b. Based on this response, is Jackson Energy assuming that in the future its equity levels will be sufficiently large enough for it to finance future work plans internally, and not require long-term debt financing? Explain the response.

3. Refer to the response to the 2nd Staff Request, Item 2(a). Jackson Energy states that it is in the process of separating churches as Schedule 60.

a. Explain Jackson Energy's plans for Rate Schedule 50 and whether schools and community halls will remain under the same rate schedule.

b. Indicate whether any changes are planned in customer charges, kWh charges, or conditions of service as a result of Jackson Energy's plan to separate churches as Schedule 60.

4. Refer to the response to the 2nd Staff Request, Item 2 (b). Jackson Energy proposes to eliminate Schedule OL-MV from its tariff.

a. Identify the schedule into which OL-MV will be incorporated.

b. If OL-MV is not to be incorporated into another schedule, explain why it is to be eliminated.

[1] Total capitalization refers to the sum of equity and margins plus long-term debt.

5. In its response to the 2nd Staff Request, Item 3 (b), Jackson Energy stated that Schedule 48 includes no customers.

a. Explain whether any customers have ever been served under Rate Schedule 48 and if Jackson Energy envisions the schedule being utilized in the near future.

b. Identify any other existing rate schedules that are presently unused; or any schedules that are seldom used and could be consolidated.

6. Refer to the response to the 2nd Staff Request, Items 6, 12(n), 12(p), and 12(q). Explain in detail why the identified account balances in Jackson Energy's general ledger for February 1999 did not reflect the referenced audit adjustment.

7. Refer to the response to the 2nd Staff Request, Item 7, Part I – Economic Development Loans. Provide the status of each loan as of the date of this response. If any of these loans are not current, describe in detail the actions undertaken by Jackson Energy to secure repayment and protect itself from an adverse financial impact.

8. Refer to the response to the 2nd Staff Request, Item 7, Part II – Residential Marketing Loan Program, pages 86 through 143 of 143.

a. Refer to Item 7(a), page 86 of 143. Explain why no new loans under this program were initiated during the test year and why none are anticipated for the future.

b. Refer to Item 7(d), page 86 of 143. In promoting the sale of electric heating and cooling equipment, was Jackson Energy promoting this equipment as a more efficient option for members or encouraging the selection of electric equipment over equipment using other energy sources? Explain the response.

c. Provide a description of the East Kentucky Power Cooperative, Inc. ("East Kentucky") residential marketing loan program. Include all terms and guidelines issued for the program during the 5 years that Jackson Energy borrowed funds under the program.

d. Refer to Item 7(f), page 143 of 143. With the exception of the promissory note issued for Loan No. 15, the terms contained in the other promissory notes provided by Jackson Energy do not appear to contain language which would cause these loans to fall under the exception contained in KRS 278.300(8). Specifically, these promissory notes contain no references to a 2-year repayment period or a renewal clause at 2-year intervals for a maximum of 6 years. Given this fact, explain in detail why these loans are not subject to Commission approval under KRS 278.300.

9. Refer to the response to the 2nd Staff Request, Item 7, pages 87 through 142 of 143. Based on the information provided, it appears Jackson Energy has loaned the East Kentucky residential marketing loan funds to 673 members. These loans have been used to fund the purchase of electric thermal storage equipment ("ETS"), geo-thermal equipment ("GEO"), air-to-air heat pumps, dual fuel equipment, and additional home insulation ("insulation").

a. Provide the details of this loan program between Jackson Energy and its members. Include all terms, conditions, and interest rates charged as part of the loan program.

b. Explain in detail Jackson Energy's role in this loan program. If Jackson Energy guarantees repayment of these loans, also explain why this loan program would not be subject to Commission approval under KRS 278.300.

c. Describe the documentation required and retained by Jackson Energy for these loans. If the documentation needs vary according to the nature of the item purchased, identify and detail the differences in documentation.

d. Provide one example of the loan documents signed between Jackson Energy and the member obtaining funds to purchase an ETS, GEO, air-to-air heat pump, dual fuel equipment, or insulation. If the same loan document is used for all 5 purchases, provide an example of that document only.

e. As of test-year end and as of December 31, 2000, provide the following information on the 673 member loans:

1) The number and total dollar amount of loans active and outstanding.

2) The number and total dollar amount of loans repaid in full.

3) The number and total dollar amount of loans that are not current, but not considered in default.

4) The number and total dollar amount of loans issued between December 1993 and November 1998 where default occurred.

5) The number and total dollar amount of loans issued between December 1993 and November 1998 that were written off.

6) Describe the actions taken by Jackson Energy to secure repayment of defaulted loans.

10. Refer to the response to the 2nd Staff Request, Item 8(a). Jackson Energy has responded that when it became a Touchstone Energy® Cooperative ("Touchstone"), it made no financial commitments to Touchstone, and has made no payments to Touchstone since becoming a member.

a. Did Jackson Energy pay a membership fee when it joined Touchstone in March 1998?

1) If yes, provide the amount of the membership fee.

2) If no, explain how Jackson Energy can be a member without paying a membership fee.

b. Jackson Energy states that it has received a significant amount of advertising and promotional benefits as a member of Touchstone, yet has made no payments to Touchstone. Identify who has been paying for these advertising and promotional benefits.

11. Refer to the response to the 2nd Staff Request, Item 8(b).

a. Does Jackson Energy consider the initial start-up cost of its Website to be a recurring expense? Explain the response.

b. Are employees of Jackson Energy responsible for the maintenance and updating of information presented on the Website? If so, provide the estimated cost of these employees' time and benefits.

c. Since the Website went on-line in January 2000, has Jackson Energy allocated any of the start-up or on-going operating costs to Jackson Service Plus, Inc. ("Service Plus") or Jackson Energy Propane Plus, LLC ("Propane Plus")?

1) If yes, indicate the amount allocated and explain the allocation method utilized.

2) If no, explain why none of these costs have been allocated to Service Plus and Propane Plus.

d. Explain why Jackson Energy has not included a link to the Commission's Website on the "Links" page.

12. Refer to the response to the 2nd Staff Request, Item 8(c), page 16 of 19 and Item 52. In the response to Item 52, Jackson Energy stated that neither it nor its subsidiaries offered financing for heating and/or home improvements. The response to Item 8(c), page 16 of 19, appears to show a portion of Jackson Energy's Website devoted to such a loan program. Provide the information originally requested in Item 52 as it relates to Jackson Energy's EC Home Improvement program.

13. Refer to the response to the 2nd Staff Request, Item 8(c), page 17 of 19, and Item 51, page 2 of 2.

a. Page 17 of 19 in the response indicates that two credit card programs are offered to members. Are the costs of both credit card programs reflected in the response to Item 51, page 2 of 2? If not, provide the information originally requested in Item 51 for both credit card programs.

b. The Website indicates the credit cards are issued through First USA Bank N.A. while the response to Item 51 references the Harris Bank. Provide a clarification of which bank is involved with the credit card programs.

c. Does the issuing bank charge Jackson Energy more for the Power Plus™ Visa rebate card ("Rebate Card") than the conventional credit card program? Explain the response.

d. Who bears the cost of the rebates paid under the Rebate Card program? Explain the response.

14. According to Jackson Energy's Website, members who opt to have their electric bill automatically billed to the Rebate Card earn a 3 percent rebate on the bill, while those using the Rebate Card who pay their electric bill by visiting Jackson Energy's office earn a 2 percent rebate. The Rebate Card is offered by Jackson Energy and has its name and logo on the card.

a. Explain why Jackson Energy decided to offer the Rebate Card, when it was already offering a credit card.

b. Did Jackson Energy consult with other electric cooperatives, within or outside of Kentucky, about the effectiveness of such a credit card program? Explain the response and identify any Kentucky electric cooperatives Jackson Energy contacted.

c. Do the members who utilize the Rebate Card pay for their electric service at rates in accordance with Jackson Energy's filed tariffs? Explain the response.

d. Would Jackson Energy agree that the discounts associated with the Rebate Card lead members to conclude that they are receiving a discount on their electric bills? Explain the response.

e. If Jackson Energy disagrees with the statement in part (d) above, explain in detail what information is available to members and potential users of the Rebate Card that discloses there is no discount on the members' electric bill.

15. Refer to the response to the 2nd Staff Request, Item 13.

a. Refer to Item 13(b). Jackson Energy was requested to provide the status of each building project as of the date of its response to the 2nd Staff Request. This information was not provided in the response. Provide the originally requested information as of the date of the response to this data request.

b. Refer to Item 13(c). Explain in detail why the work in progress system could not be utilized for the building project.

c. Identify the accounting treatment prescribed by the Rural Utilities Service Uniform System of Accounts ("RUS USoA") during the construction of a headquarters building and district facility. Include citations to the applicable sections of the RUS USoA.

d. Explain in detail how Jackson Energy's accounting treatment of the building project is consistent with the RUS USoA.

e. When determining its proposed depreciation adjustment, did Jackson Energy include the balance as of test-year end for the building project in its calculations?

1) If yes, provide a revised depreciation adjustment removing the building project balances.

2) If no, identify the references within this case record which demonstrate the building project balances were not included in the proposed depreciation expense adjustment.

16. Refer to the response to the 2nd Staff Request, Item 14(b).

a. Describe the storm-related expenses that Jackson Energy anticipated would be reimbursed by Federal Emergency Management Agency ("FEMA").

b. Were any of these storm-related expenses included in the test year of this proceeding? If yes, identify amounts and corresponding account numbers impacted.

c. Indicate when Jackson Energy expects the FEMA receivable will be settled.

17. Refer to the response to the 2nd Staff Request, Items 14(c) and 14(d). Indicate how many employees took advantage of these purchase programs during the test year.

18. Refer to the response to the 2nd Staff Request, Item 15.

a. In the response to Item 15(d), Jackson Energy indicates that the increase in Account No. 583.00, Overhead Line Expense, is due to property taxes. Explain in detail why Jackson Energy has recorded property taxes in this account. Include citations to the RUS USoA or copies of accounting interpretations issued by RUS that support this accounting treatment.

b. In the response to Item 15(g), Jackson Energy indicates that the test year meter reading expense reflects 13 months of invoices. Provide a schedule showing each meter reading invoice included in the test year, and explain why Jackson Energy did not propose an adjustment to establish an on-going level of meter reading expense based on 12 months of information.

c. In the response to Item 15(i), Jackson Energy indicates that the test year expense for medical premiums includes a credit of $55,923.

1) Provide a schedule showing the monthly medical premiums for Jackson Energy. This schedule should show the total premium, the amount capitalized, and the amount expensed in each month. Show as separate entries the credit for January and February 2000, as well as any other adjustments that occurred during the test year.

2) Explain how the monthly medical premium is calculated, using the premium for February 2000 as an example.

3) Explain the circumstances that resulted in the $55,923 credit.

4) Does Jackson Energy expect that it will receive similar medical premium credits on a recurring basis in the future? Explain the response.

5) If Jackson Energy does not expect the premium credit to be a recurring item, explain in detail why Jackson Energy did not propose an adjustment to its medical premiums to establish a reasonable, on-going level of costs.

19. Refer to the response to the 2nd Staff Request, Items 17(c) and 17(d). Was Jackson Energy aware that in previous electric cooperative rate cases the Commission has not included the additional per diem for the Board Chairman and the Secretary/Treasurer for rate-making purposes? Explain the response.

20. Refer to the response to the 2nd Staff Request, Board Policy No. 225, page 7 of 19.

a. Concerning spouse expenses, provide a schedule detailing expenses included in Jackson Energy's test-year income statement relating to directors' and employees' spouses. At a minimum, the schedule will identify the meeting attended, the amount of the expense, the account used to record the expense, and the number of spouses attending. Also include any reimbursement of expenses to Jackson Energy received from directors or employees.

b. Does Jackson Energy believe these spouse expenses should be included for rate-making purposes? Explain the response.

c. Concerning use of cooperative automobile, indicate how many cooperative automobiles are owned by Jackson Energy and which employees can use these vehicles.

21. Refer to the response to the 2nd Staff Request, Item 17, Board Policy No. 510, pages 10 through 13 of 19.

a. Under Part III – Provisions, explain the difference between Basic Life (1 x Salary) and Basic Life ($4,000).

b. During the test year, did Jackson Energy pay major medical insurance premiums for retired directors, spouses of retired directors, or spouses of deceased directors?

c. If yes to part (b) above, provide a schedule showing separately the major medical insurance premiums paid by Jackson for retired directors, spouses of retired directors, and spouses of deceased directors. Include the number of individuals in each group, total cost of the premiums, and the amount expensed. Identify the accounts where these premiums were recorded. Finally, explain in detail why these premiums should be included for rate-making purposes.

22. Refer to the response to the 2nd Staff Request, Item 19(c). Concerning the salaried employees, provide the number of pay periods in the test year and in a normal 12-month period. In addition, for each salaried employee, provide the set amount for the pay period that included March 1, 2000.

23. Refer to the response to the 2nd Staff Request, Item 22.

a. Provide Jackson Energy's test-year actual 401(k) plan costs, the amount capitalized, and the amount expensed.

b. Provide Jackson Energy's test-year actual pension plan costs, the amount capitalized, and the amount expensed.

c. Provide a determination of Jackson Energy's 401(k) plan costs based on its proposed normalized salaries and wages. Include all assumptions and calculations used to determine the cost.

d. Provide a determination of Jackson Energy's pension plan costs based on its proposed normalized salaries and wages. Include all assumptions and calculations used to determine the cost.

e. Refer to the response to Item 22(e). Indicate what the reasonable, on-going capitalization rate for workers' compensation should be and explain why that particular capitalization rate is appropriate.

24. Refer to the response to the 2nd Staff Request, Item 24.

a. Does Jackson Energy's Board Policy No. 510 in effect constitute its formal policy concerning the provision of life insurance for its employees? If it does, explain why the response to Item 24(a) states that Jackson Energy does not have a formal policy for providing life insurance to its employees.

b. Explain in detail why Jackson Energy does not have a written policy concerning the provision of a cooperative vehicle to its employees.

25. Refer to the response to the 2nd Staff Request, Item 25(c). Based on the graph provided in the response, does Jackson Energy agree that the reserve ratio recommended by the RUS depreciation guidelines is approximately 19 percent? Explain the response.

26. Refer to the response to the 2nd Staff Request, Item 26.

a. Refer to the response to Item 26(a). With the exception of the transformers and meters, the attached "Plant Inventory Adjustment" narrative ("Adjustment Narrative") does not appear to explain how certain categories of distribution plant became overstated in Jackson Energy's accounting records. In Item 26(a), Jackson Energy was requested to discuss the factors that caused the accounting records to be overstated. Except for the categories of transformers and meters, provide the information originally requested in Item 26(a).

b. Refer to the Adjustment Narrative, pages 2 through 5 of 6. Explain how the information in the Adjustment Narrative translates to an accounting adjustment of $14,535,593. Include all workpapers, calculations, and assumptions used to determine the accounting adjustment.

c. Refer to the Adjustment Narrative, page 2 of 6. If the write off of distribution plant was made to reconcile Jackson Energy's accounting records with the actual physical inventory of utility plant in service, explain why the Adjustment Narrative makes reference to "realistic estimated plant totals."

d. The Adjustment Narrative contains the recommendations listed below. For each item, indicate whether the recommendation was implemented and describe the impacts resulting from implementation. For those recommendations not implemented, explain why.

1) Tru-Check meter readers identify idle services as part of their 1998 contract.

2) Create a procedure for reporting retired, disposed, or junked transformers and meters to the Plant Accountant.

3) Inspect the work order process presently used to assure that work orders accurately reflect the work performed in the field, both installations and removals.

4) Begin development of the database to utilize the plant accounting capabilities of the GIS mapping system.

e. Explain why the Adjustment Narrative does not mention the effect the proposed write off of distribution plant would have on Jackson Energy's accumulated depreciation and its depreciation reserve ratio.

27. Refer to the response to the 2nd Staff Request, Item 26(d). Jackson Energy states that there was no plant retired in the adjustment, only an accounting entry to adjust the books to the physical inventory of plant in service.

a. Did the distribution plant ever physically exist on Jackson Energy's system?

b. If the distribution plant did exist on Jackson Energy's system, prepare a schedule by plant classification showing the year the plant went into service, the original cost, the depreciation rate, and the total accumulated depreciation as of the date the write off was entered on Jackson Energy's books. This request recognizes that for each plant classification, plant may have been added over several years.

c. If the distribution plant did not exist on Jackson Energy's system, explain how the accounting records became overstated.

28. Refer to the response to the 2nd Staff Request, Item 26(e).

a. Explain in detail how Jackson Energy concluded that a $14,535,593 accounting adjustment to its books did not have an impact on its net plant or total assets.

b. Explain in detail how Jackson Energy's determination that the write off was not an extraordinary item is consistent with the RUS USoA instructions concerning extraordinary items.

29. Refer to the response to the 2nd Staff Request, Item 27(a). Provide an expanded explanation concerning the write off of trailer fees and prepayments. Include the accounting entries made by Jackson Energy when a trailer initially secures electric service and when the member leaves before the 3-year commitment is completed.

30. Refer to the response to the 2nd Staff Request, Item 28(d), pages 4 and 5 of 27. The executive summary from the bid proposal submitted by Gannett Fleming Valuation and Rate Consultants, Inc. ("Gannett Fleming") includes the following:

> The selection of the method, procedure and basis for calculating depreciation must consider management's concerns related to the risk of capital recovery and the impact and acceptance of changes in depreciation in the ratemaking process. Our software is capable of calculating annual and accrued depreciation using any combination of the commonly used procedures (average life, equal life or probable life) and bases (whole life or remaining life). Our normal approach is to advise management of the advantages and disadvantages of the several possible combinations, their regulatory acceptability and their impact on current levels of depreciation expense.

a. Has Jackson Energy received an analysis prepared by Gannett Fleming advising it of the advantages and disadvantages of possible depreciation combinations, the regulatory acceptability of each combination, and discussing the impact of each combination on the current levels of depreciation expense?

1) If yes, provide the analysis report.

2) If no, explain in detail why Jackson Energy did not insist on such an analysis, based on Gannett Fleming's bid proposal.

b. In the bid proposal, Gannett Fleming stated that its software allowed for the calculation of annual and accrued depreciation using either whole life or remaining life. Using the same time period as the remaining life study, provide the depreciation rates for Jackson Energy based on whole life.

31. Refer to the response to the 2nd Staff Request, Item 28(e).

a. The response contains invoices from Gannett Fleming for the Service Life and Salvage Study ("1999 Depreciation Study"). Do these invoices represent the final total cost of the 1999 Depreciation Study? If not, when will Jackson Energy know the final total cost?

b. Explain in detail why Jackson Energy has been recording the costs of the 1999 Depreciation Study in Account No. 107.21, a construction work in progress subaccount. Include citations to the RUS USoA that support Jackson Energy's accounting treatment of this cost.

c. Since Jackson Energy has been utilizing a construction work in progress subaccount to defer the cost of the 1999 Depreciation Study, explain in detail the entries Jackson Energy plans to make to its accounting records once the total cost is paid.

d. The Gannett Fleming invoices have primarily been received and paid by Jackson Energy after the end of the test year in this case. Explain the rate-making treatment Jackson Energy has considered for this deferred cost.

32. Refer to the response to the 2nd Staff Request, Item 28(f). Provide an update on the status of seeking RUS approval for the proposed depreciation rates. Provide copies of any further correspondence received from RUS concerning the requested approval. If Jackson Energy receives any correspondence from RUS concerning the requested approval of the depreciation rates between the date of the response to this request and the date of the public hearing, it should file copies of that correspondence as a supplemental response to this request within 7 days of receipt.

33. Refer to the response to the 2nd Staff Request, Item 29(c). Jackson Energy states that it does not appear that new construction would be depreciated prior to being retired from service. For purposes of this request, assume that Jackson Energy's proposed depreciation rates are accepted as filed. Page III-7 of the 1999

Depreciation Study shows a rate of 6.66 percent for poles. Provide the following information for a pole installed in 2001:

a. How many years would it take to depreciate this pole?

b. Is the life of a pole more than 15 years? If yes, explain whether the response to Item 29(c) still holds under this example.

34. Concerning the depreciation rates proposed in the 1999 Depreciation Study and Jackson Energy's depreciation reserve ratio:

a. Has Jackson Energy considered or modeled the impact the proposed depreciation rates will have on its future financial condition?

1) If yes, provide copies of this analysis.

2) If no, provide a copy of Jackson Energy's most current financial forecast, incorporating the proposed depreciation rates into the forecast.

b. Assuming normal operating conditions, indicate how long it will take for the proposed depreciation rates to result in the depreciation reserve ratio for Jackson Energy to be at an adequate level. Include any calculations or assumptions used to determine this time period.

c. Has Jackson Energy compared its current depreciation reserve ratio with those of other electric cooperatives? If yes, provide the results of this comparison.

d. Assume for purposes of this request that the RUS approves the proposed depreciation rates as filed, but the Commission does not approve the rates. Would it be feasible for Jackson Energy to apply the RUS-approved depreciation methods for financial reporting to the RUS and apply a Commission-approved depreciation method for financial reporting to the Commission? Has any consideration been given to this alternative? Explain the responses.

e. Instead of increasing its depreciation rates to make-up a deficiency in its depreciation reserve ratio, has Jackson Energy considered an option of quantifying the amount of the depreciation reserve ratio deficiency, and seek Commission approval to amortize that deficiency over a period of time? Explain the response.

35. Refer to the response to the 2nd Staff Request, Item 31.

a. The response to Item 31(c) references Jackson Energy's involvement with a propane lawsuit. Did this lawsuit involve Jackson Energy, or its propane subsidiary, Propane Plus? Explain the response.

b. If the Lewis lawsuit involved Propane Plus, explain in detail why the costs associated with the lawsuit were recorded on the books of Jackson Energy.

c. Refer to the response to Item 31(d). Was Jackson Energy aware that in previous electric cooperative rate cases, the Commission has not included the costs associated for the Congressional Breakfast for rate-making purposes? Explain the response.

d. Refer to the response to Item 31(e). Explain what Jackson Energy means when it said, "the Nominating Committee serves as a legal process in reaffirming the incumbent director."

e. Would Jackson Energy agree that the re-election of an incumbent director constitutes the reaffirmation of that director? Explain the response.

f. Article II, Section 10 of Jackson Energy's bylaws states that directors or known candidates for directors may not serve on the Committee on

Nominations. Explain in detail why a director, as shown in Application Exhibit 6, page 7 of 13, received per diem and mileage for the Nominating Committee.

36. Refer to the response to the 2nd Staff Request, Item 34(d). When conducting research and development of new business and services that will meet a customer need, will these businesses and services be associated with the provision of electric service or unregulated lines of business? Explain the response. In addition, if these activities focus on unregulated lines of business, explain why those costs should be included for rate-making purposes.

37. Refer to the response to the 2nd Staff Request, Item 38(d).

a. Concerning the response to Item 38(d)(2), which is the frequent occurrence, that members are on the incorrect rate schedule or that the correction of the rate schedule results in backbillings? Explain the response.

b. Concerning the response to Item 38(d)(4), explain in detail why Jackson Energy recorded the legal expenses for Propane Plus on its books.

c. Does Jackson Energy's attorney provide legal services to its subsidiaries as well as the cooperative? If yes, prepare an analysis of the test-year legal expenses that separates legal work for the subsidiaries from legal work for Jackson Energy.

d. If Jackson Energy's attorney provided legal services to both Jackson Energy and its subsidiaries, were any of the expenses associated with those services allocated to the subsidiaries?

1) If yes, indicate the amount allocated and explain the allocation method utilized.

2) If no, explain why none of these costs have been allocated to the subsidiaries.

38. Concerning auditor and accounting services provided by an outside vendor,

a. Did the accountant retained by Jackson Energy during the test year provide audit or accounting services for any of its subsidiaries?

b. If Jackson Energy's outside accountant provided auditor or accounting services to both Jackson Energy and its subsidiaries, were any of the expenses associated with those services allocated to the subsidiaries?

1) If yes, indicate the amount allocated and explain the allocation method utilized.

2) If no, explain why none of these costs have been allocated to the subsidiaries.

39. Refer to the response to the 2nd Staff Request, Item 39.

a. Refer to the response to Item 39(b). Jackson Energy was requested to provide a copy of its long-range financial plan that was developed during the test year as well as the current version of the plan. This financial plan is required under Board Policy No. B200. The response did not include the requested financial plans or an explanation of why the plans were not available. Provide the financial plans as originally requested. If Jackson Energy has not developed these plans, explain in detail why it has not complied with Board Policy No. B200.

b. Refer to the response to Item 39(e). Jackson Energy was requested to indicate when its most recent policy performance review was conducted, to describe the results of the review, provide copies of any reports or analysis performed in conjunction with the review, and discuss any changes made as a result of the review. The policy performance review is required by Board Policy No. B200. Jackson Energy's response did not address the most recent review. Provide the originally requested policy performance review information. If Jackson Energy has not prepared this review, explain in detail why it has not complied with Board Policy No. B200.

40. Refer to the responses to the 2nd Staff Request, Items 45 through 49. Concerning Jackson Energy's involvement with Jackson Energy Services Corporation ("Services Corp."), Service Plus, and Propane Plus:

a. Refer to the response to Item 45(a), Part I – Services Corp. Identify the sources of the funds that Services Corp. provides to Propane Plus.

b. Refer to the response to Item 45(i), Part II – Service Plus. Provide a copy of the contract between Service Plus and the external tree trimming company that was in effect during the test year and the current contract.

c. Refer to the response to Item 47. Describe the events and explain the reasons for the change that resulted in Jackson Thermogas Energy, LLC becoming Propane Plus.

d. Refer to the response to Item 48. While Jackson Energy states that it guaranteed Service Plus's line of credit, it did not provide a detailed description of the guarantee, as requested in Item 48. Provide the originally requested information.

e. Refer to the response to Item 49(a). Provide a copy of the lease between Jackson Energy and Propane Plus.

f. Does Jackson Energy allocate any utility costs to the Services Corp., Service Plus, or Propane Plus? For purposes of this request, utility costs include electric service, natural gas service, telephone and fax services, water service, sewer service, and waste disposal services.

1) If yes, indicate the amount allocated and explain the allocation method utilized.

2) If no, explain why none of these costs have been allocated to the subsidiaries.

g. For any costs allocated by Jackson Energy to its subsidiaries, describe the accounting entries made on the books of Jackson Energy to record the allocation.

h. Identify the members of the board of directors for Services Corp., Service Plus, and Propane Plus.

i. If the board of directors for Jackson Energy and its subsidiaries is the same, indicate how many hours of the monthly board meeting of Jackson Energy are usually devoted to the business of the subsidiaries.

41. Refer to the Application, Exhibit W. For each account listed below, indicate whether the account is associated with one of Jackson Energy's subsidiaries. If the account is associated with one of the subsidiaries, explain the relationship.

a. Account No. 143.54 – Surge Protectors, page 8 of 16.

b. Account No. 146.00 – Service Plus, page 8 of 16.

c. Account No. 146.10 – Home Security, page 9 of 16.

d. Account No. 146.22 – Service Plus – JEC Employee Loans, page 9 of 16.

e. Account No. 146.30 – Propane, page 9 of 16.

f. Account No. 146.40 – Tree Trimming, page 9 of 16.

g. Account No. 155.01 – Surge protectors, page 9 of 16.

h. Account No. 234.10 – Home Security, page 13 of 16.

i. Account No. 234.40 – Tree Trimming, page 13 of 16.

j. Account No. 234.50 – Thermogas, page 13 of 16.

42. Refer to the response to the Initial Request for Information of the Kentucky Cable Telecommunications Association dated December 6, 2000, Item 10. Provide specific citations to the RUS USoA which support the response provided by Jackson Energy.

43. Refer to the response to the Initial Request for Information of the Attorney General dated December 6, 2000 ("AG Initial Request"), Item 55(d). Provide the amount of the additional expenses included in the test year associated with the manager search. Also indicate the account number where these expenses were recorded.

44. Refer to the response to the AG Initial Request, Item 56.

a. Explain the nature of each entry in the 16 page response identified as "Gifts & Donations" as well as explain why these expenses were not recorded in an appropriate subaccount of Account No. 426.

b. Refer to pages 1 through 3 of 16. Explain how the rebate program works.

c. Refer to pages 5 through 8 of 16. Explain the nature of each entry in the referenced pages identified as “Awards & Prizes” as well as explain why these expenses should be included for rate-making purposes.

d. Refer to page 5 of 16. Explain the nature of the $1,000 subscription expense to Lindsey Wilson College.

e. For each of the following items listed below, explain why the expense should be included for rate-making purposes:

1) Directories and Calendars, page 5 of 16.

2) Dollywood tickets to employee picnic, page 5 of 16.

3) Employee Coffee Supplies, pages 7 through 9 of 16.

4) Picnic Prizes, page 7 of 16.

5) Christmas Hams and Turkeys, page 7 of 16.

f. Refer to pages 9 through 16 of 16. Explain in detail why property tax accruals have been recorded in Account No. 921. Include citations to the RUS USoA or provide copies of interpretations from the RUS that support this accounting treatment.

g. Refer to pages 9 through 16 of 16. Explain the nature of the entries identified as “National City Bank billing charge.”

h. Refer to page 12 of 16. Describe the transactions identified as “Scholarships” on this page.

Thomas M. Dorman
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DATED January 16, 2001

cc: All Parties