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

FIRST DATA REQUEST OF COMMISSION STAFF
TO THE ATTORNEY GENERAL

The Attorney General ("AG") 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 March 13, 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 Direct Testimony of Robert J. Henkes, page 14. Mr. Henkes has determined not to take exception to Jackson Energy Electric Cooperative Corporation's ("Jackson Energy") proposal to eliminate the 1993 Settlement Agreement requirement that all net margins in excess of a 2.0 Times Interest Earned Ratio be returned as capital credits to members. Describe the extent that Mr. Henkes based his

determination upon the provisions of Jackson Energy's equity management plan, Board Policy No. B200, Exhibit 22 of the Application.

2. Refer to the Henkes Direct Testimony, page 26, regarding customer growth adjustments. Mr. Henkes recommends recognizing incremental consumption charge revenues and the associated incremental purchased power costs in addition to the incremental customer charge revenues proposed by Jackson Energy.

a. Explain whether Mr. Henkes recognizes that certain operating costs, other than purchased power costs, can be considered variable costs that should be adjusted in conjunction with customer growth revenue adjustments.

b. Mr. Henkes references two recent cases involving Delta Natural Gas Company ("Delta") and Louisville Gas and Electric Company ("LG&E") in which the Commission approved customer growth adjustments that included incremental energy usage related to the growth in customers. In both cases, the adjustment also contained an expense component that adjusted operation and maintenance ("O & M") expenses, exclusive of fuel costs, wages and salaries, pensions and benefits, and regulatory expenses, based on the ratio of those expenses to base rate revenues. In a manner consistent with the adjustments approved in the Delta and LG&E cases, provide an expense adjustment calculation for such O & M expenses in the form of a revision to Schedule RJH-4, along with a narrative description of the calculations.

3. Refer to the Henkes Direct Testimony, page 27, where he raises questions about the difference between test year fuel revenue and fuel costs.

a. There is a lag of approximately four months between the time energy is purchased by Jackson Energy from its wholesale power supplier and the fuel cost component of the purchase is recorded by Jackson Energy, and the time the associated fuel revenue is realized by Jackson Energy. Discuss the effect of such a time lag on any reconciliation of test-year fuel revenues and fuel costs, and explain whether this time lag was considered in Mr. Henkes' reconciliation of test year fuel revenues and fuel costs.

b. Jackson Energy's base rate fuel cost was changed during the test year pursuant to the Commission's Order in Case No. 98-576.[1] Explain whether Mr. Henkes considered the change in Jackson Energy's base rate fuel cost in his reconciliation of test year fuel revenues and fuel costs.

4. Jackson Energy undergoes a Commission review of its fuel adjustment charges at six month intervals and must re-establish its base rate fuel charge every two years in a fuel adjustment proceeding in accordance with 807 KAR 5:056. Given that fuel costs are reviewed in those proceedings, and recognizing that Jackson Energy has properly removed its fuel revenues and fuel costs from the test year, explain Mr. Henkes' concern about the discrepancy between booked fuel revenues and fuel costs. The explanation should identify and discuss any possible harm to ratepayers due to the discrepancy.

5. Refer to the Henkes Direct Testimony, page 28, and the response to the Third Data Request of Commission Staff to Jackson Energy dated January 16, 2001 ("3rd Staff Request"), Item 18(b).

[1] Case No. 98-576, An Examination of the Application of the Fuel Adjustment Clause of Jackson Energy Cooperative Corporation from November 1, 1996 to October 31, 1998, Order dated March 22, 1999.

a. Would Mr. Henkes agree that Jackson Energy's meter reading expenses generally have been increasing over the 13 months, as shown in the response to Item 18(b)?

b. Could this increase in expense be related to the increasing number of customers served by Jackson Energy?

c. If the change in the meter reading expense were reflecting the change in the number of customers, would it be appropriate to determine an adjustment to this expense by simply eliminating the oldest of the 13 monthly invoices? Explain the response.

d. If Jackson Energy's meter reading expense is related to its number of customers, would Mr. Henkes agree that this expense should be adjusted to reflect the test-year-end number of customers? Explain the response.

6. Refer to the Henkes Direct Testimony, page 28. Concerning the proposed adjustment to Account No. 908, provide citations to the Orders of this Commission disallowing for rate-making purposes a cooperative's sponsorship of a meeting with a homebuilder's association in its service territory.

7. Refer to the Henkes Direct Testimony, page 28. Concerning the proposed adjustment to Account No. 910,

a. Provide the total dollar amount of the awards and prizes, gifts and donations, scholarships, employee picnic expenses, and directories and calendars as shown in Jackson Energy's response to the Initial Data Request of the AG, Item 56, pages 5 and 6 of 16.

b. Explain in detail why Mr. Henkes proposes to remove the entire balance for Account No. 910 rather than the amounts associated with the questionable expenses.

8. Refer to the Henkes Direct Testimony, page 30. Mr. Henkes has proposed an adjustment to remove lawsuit expenses related to Jackson Energy's non-regulated propane subsidiary.

a. Has Mr. Henkes attempted to determine whether there are other expenses that have been recorded on the books of Jackson Energy that should have been recorded on the books of its subsidiaries? Explain the response.

b. Explain why Mr. Henkes has not proposed an adjustment dealing with the allocation of common costs between Jackson Energy and its subsidiaries.

9. Refer to the Henkes Direct Testimony, page 31.

a. Provide a schedule detailing the expenditures included in the proposed adjustment of $9,816 to Account No. 926.

b. Provide citations to the Orders of this Commission disallowing for rate-making purposes a cooperative's tuition reimbursements and National Rural Electric Cooperative Association ("NRECA") meeting fees that have been paid for employees.

10. Refer to the Henkes Direct Testimony, pages 32 and 33, concerning directors' expenses.

a. Would Mr. Henkes agree that prior Commission Orders have excluded NRECA and Kentucky Association of Electric Cooperatives meeting expenses only for those directors who were not the designated cooperative representative or alternate representative?

b. In its response to the Supplemental Data Request of the AG, Item 26, Jackson Energy states that the $10,425 expense represents the insurance policy for directors, officers, and managers as required by the Rural Utilities Service ("RUS"). Given this response, explain why this expense should be excluded for rate-making purposes.

11. Refer to the Henkes Direct Testimony, page 35, and Jackson Energy's response to the 3rd Staff Request, Item 15(e). During the test period, Jackson Energy recorded in its general plant account balances amounts for new buildings that should have been classified as construction work in progress ("CWIP"). Jackson Energy has provided a revision to its depreciation expense adjustment removing the effects of the new buildings. When calculating his proposed depreciation expense adjustment, did Mr. Henkes remove these CWIP balances from the general plant account balances? Explain the response.

12. Refer to the Henkes Direct Testimony, Schedule RJH-7, footnote 3. Explain why the AG has assumed the same normalized depreciation clearing charge as Jackson Energy.

13. Refer to Jackson Energy's response to the 3rd Staff Request, Item 31. Does Mr. Henkes believe there should be some adjustment to test-year expenses related to the cost of the Gannett Fleming depreciation study? Explain the response.

14. Refer to the Direct Testimony of Michael J. Majoros, Jr., page 14.

a. Provide a more detailed description of the 5-year net salvage allowance approach as used by the Pennsylvania Public Utility Commission ("Pennsylvania PUC").

b. Describe the circumstances that usually exist when the Pennsylvania PUC has used this approach.

c. Provide copies of the applicable sections from Pennsylvania PUC decisions in which this approach has been used for electric utilities.

15. Refer to the Majoros Direct Testimony, pages 15 through 20.

a. Based upon his understanding of the situation at Jackson Energy in 1997, does Mr. Majoros believe the 1997 plant adjustment should have been originally recorded as a retirement or an extraordinary item? Explain the response.

b. Has Mr. Majoros reviewed the RUS Uniform System of Accounts ("USoA") to determine the guidance or instructions provided for an adjustment like the one Jackson Energy faced in 1997?

1) If yes, describe the results of Mr. Majoros's review.

2) If no, explain why Mr. Majoros did not review the RUS USoA?

16. Refer to the Majoros Direct Testimony, Exhibit MJM-7.

a. Provide the calculations used to determine the amortization period of 25.5 years.

b. Explain why, from a rate-making perspective, it is reasonable to amortize the 1997 plant adjustment over the composite remaining life instead of a 10- or 15-year period.

c. Explain in detail how Mr. Majoros determined that the theoretical reserve for distribution plant was $21,477,297. Include all calculations, assumptions, and other supporting documentation.

d. Explain why Mr. Majoros's proposed depreciation rates for general plant are identical to those proposed by Jackson Energy.

17. Based upon Mr. Majoros's understanding of Jackson Energy's depreciation expense and accumulated depreciation, provide the information listed below. Include any workpapers, calculations, assumptions, or other documentation supporting the responses.

a. What is Jackson Energy's depreciation reserve ratio for all depreciable plant as of test-year end and after reflecting Mr. Majoros's proposals?

b. Assuming Mr. Majoros's proposals are adopted, would Jackson Energy's depreciation reserve ratio be near the ratio recommended by the RUS for cooperatives like Jackson Energy? Explain the response.

c. What is the total reserve deficiency for all depreciable plant as of test-year end and after reflecting Mr. Majoros's proposals?

d. If the total reserve deficiency is greater than the $14,535,593 reversal adjustment, explain why Mr. Majoros did not propose to amortize the total reserve deficiency over a period of years.

Deborah T. Eversole for
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DATED __FEBRUARY 27, 2001__

cc: All Parties