

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF JACKSON PURCHASE )  
ENERGY CORPORATION FOR AN ) CASE NO. 2000-527  
ADJUSTMENT IN DEPRECIATION RATES )

FIRST DATA REQUEST OF COMMISSION STAFF TO  
JACKSON PURCHASE ENERGY CORPORATION

Jackson Purchase Energy Corporation ("Jackson") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and nine copies of the following information, with a copy to all parties of record. The information requested herein is due within 14 days of the date of this request. 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. Provide the estimated cost of performing a depreciation rate study. Include any written proposals.

2. Furnish the date the depreciation rate study required by Case No. 97-224<sup>1</sup> will be performed.

3. Have there been any additional updates to revised Rural Electrification Administration Bulletin 183-1 since October 28, 1977? If so, please provide.

4. Explain how the rates contained in this 1977 document continue to be relevant today.

5. What is the basis for proposing the adoption of the Rural Utilities Service ("RUS") maximum guidelines? Explain why implementation of the minimum guidelines or a mid-range would not be as practical as the high point.

6. Would it be feasible for Jackson to apply RUS depreciation methods for financial reporting to RUS and Commission depreciation methods for financial reporting to the Commission? Has any consideration been given to this alternative?

7. Excluding the current financial situation, why would it be more appropriate to use depreciation rates from the RUS bulletin rather than rates determined specifically for Jackson through a depreciation study? Does Jackson believe the RUS rates are reflective of the useful life of the assets on the books?

8. Provide the entire report of the National Rural Utilities Cooperative Finance Corporation ("CFC") data referred to in Item 15 of the application. Explain how this data reflects Jackson's depreciation reserve to total plant compared to other cooperatives. Does Jackson have any analysis of this nature?

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<sup>1</sup> Case No. 97-224, Application of Jackson Purchase Electric Cooperative Corporation for Permission to Flow Through a Portion of the General Rate Decrease filed Before the Kentucky Public Service Commission by Big Rivers Electric Corporation in Case No. 97-204.

9. In 1997, Jackson argued that the depreciation rates should be increased to make up the deficiency in the depreciation reserve. Has an analysis been completed to determine if a depreciation reserve deficiency continues to exist? What is the reserve deficiency as of 9/30/00?

10. What impact will reducing depreciation rates have on the reserve deficiency?

11. If depreciation rates are reduced, will Jackson be able to recover the remaining value of its assets over their remaining lives? If not, what will the impact be on future financial statements? If yes, explain how this will occur.

12. What impact would the reduction in depreciation expense have on projected net income and Times Interest Earned Ratio for 2001?

13. Provide the results of any discussions with Jackson's external auditors concerning any required prior period adjustment.

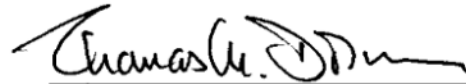
14. Provide the entire 1999 Management Letter from Allen & Company. Have your independent auditors approved the change in depreciation rates?

15. Is it Allen & Company's opinion that remaining life depreciation should not be used only in regard to new plant additions or that it should not be used in general? Would it be acceptable to apply remaining life depreciation to a portion of the assets, based upon a certain vintage, and apply whole life to the remaining assets?

16. Provide Allen & Company's position on the depreciation reserve as compared to plant in service.

17. Did the 1995 Depreciation Rate Study conducted by Foster & Associates include depreciation rates based on whole life? If yes, provide the depreciation rates

and explain why such rates should not be used pending the completion of a new depreciation study, instead of the proposed RUS maximum depreciation rates.



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Thomas M. Dorman  
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DATED January 16, 2001

cc: All Parties