COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON ENERGY COOPERATIVE FOR AN ADJUSTMENT OF RATES	))	CASE NO. 2007-00333

THIRD DATA REQUEST OF COMMISSION STAFF TO JACKSON ENERGY COOPERATIVE

Jackson Energy Cooperative ("Jackson Energy"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 15, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Jackson Energy shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Jackson Energy fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to the responses to Items 2 and 5 of the Commission Staff's second data request ("second request").

a. When will Jackson Energy close its books for calendar year 2007?

b. Provide Jackson Energy's income statement and Times Interest Earned Ratio for calendar year 2007. Consider this a continuing request if the information is not available at the time the response to this request is due.

c. Based on its 2007 financial results, explain whether Jackson Energy is in default of its Rural Utilities Service mortgage requirements. Consider this a continuing request if the information is not available at the time the response to this request is due.

2. Refer to page 3 of 3 of the response to Item 10 of the Staff's second request, which shows a proposed increase of $6,672,135 based on the corrected treatment of the amortization expense of $470,772.

a. Explain whether Jackson Energy is revising its proposed revenue increase upward to $6,672,135.

b. In a number of its responses, Jackson Energy has noted items, in addition to the amortization expense, for which it made an error on an adjustment or, due to oversight, did not make an adjustment that it should have made. These items are in the responses to Items 14, 16, 17(a), 17(e), 18(b), 18(c), 18(d), and 28 of Staff's second request. Provide an updated version of page 3 of 3 of the response to Item 10 of the request which reflects the impact of these additional changes/corrections.

3. Refer to pages 1 through 3 of 5 of the response to Item 11 of the Staff's second request and Exhibit X of the application. Further review of Exhibit X reflects that, excluding environmental surcharge amounts, (1) Jackson Energy's test-year revenues were roughly $2.5 million less than its revenues in the 12 months immediately preceding the test year and (2) its test-year purchased power expense was roughly $45,000 greater than in the 12 months immediately preceding the test year. Staff is satisfied that the changes in Jackson Energy's wholesale billing units from the prior period to the test year explain the slightly greater level of purchased power cost during the test year. However, the changes in retail billing units do not appear to support the test year's lower level of revenues. Provide an explanation for why non-environmental surcharge revenues declined by $2.5 million from the prior period to the test year.

4. Refer to pages 4 through 5 of 5 of the response to Item 11 of the Staff's second request.

a. The response to Item (c)(1) states that the Global Positioning System and mapping project, which started in February 2006, is expected to take approximately 4 years to complete and that test-year expenditures "will continue for this period." By "this period" does Jackson Energy mean for the next 2 years, until February

2010? Explain whether, after the project is completed, the expenditure level is expected to revert to the level experienced prior to the project.

b. The response to Item (c)(2) states that "Expense increase due to changing coordination scheme which requires regulators and OCR's to be changed in the field." Explain what is meant by "changing coordination scheme" and why, and by whom, regulators and OCR's are now required to be changed in the field.

c. The response to Item (c)(3) states that there were "more outages during the test year." Provide a comparison of the number of outages and the number of customers affected by outages during the test year compared to calendar years 2001 through 2005 along with a comparison of the amounts recorded in Account 593.01, Maintenance of Lines – Emergency, for the test year and the same 5 calendar years.

d. The response to Item (c)(4) indicates that the increase in right-of-way expense was to "get on a more current rotation for clearing the system." Explain whether the increase during the test year has enabled Jackson Energy to get on a more current rotation or whether the higher levels of expense will need to continue for it to get on a more current rotation at some point in the future.

e. The response to Item (c)(5) indicates that increases in the cost of a lockbox service and bank charges for credit card payers caused the increase in Consumer Records and Collection costs. Provide the costs incurred for the lockbox service and the bank charges for credit card payers for the test year and the 12 months immediately preceding the test year.

f. The response to Item (c)(6) explained what was meant by "Treasury Interest" but did not explain why there was such an expense in the test year, in the amount of $349,557, when there was no such expense in the 12 months immediately preceding the test year. Provide the explanation previously requested.

5. Refer to the response to Item 12(a) of the Staff's second request, which states that the wage increase scheduled for November 2006 was delayed until March 2007 and that the last wage rate increases prior to March 2007 were in November 2005. Contrary to this response, Exhibit 1, pages 8 through 10 of 10 of Jackson Energy's application, reflects that there were wage rate increases on November 1, 2006. Reconcile the apparent contradiction between the response and the exhibit and clarify the date of any wage rate increases after March 1, 2006, the first day of the test year.

6. Refer to the responses to Items 13(a) and 13(d) of the Staff's second request and Item 38 of the Staff's initial data request, all of which relate to Jackson Energy's depreciation study and depreciation expense adjustment. The response to Item 13(a) indicates that Jackson Energy decided to use the average service life and the "average net salvage allowance" in an effort "to keep the amount of increase requested at a reasonable level."

a. Was Jackson Energy's decision based solely on its concern about the level of the proposed increase? If there were other reasons, provide them.

b. Provide a schedule which shows how Jackson Energy's normalized depreciation expense would differ from what has been proposed if it had chosen to include net salvage as a component of its depreciation rates.

7. Refer to pages 1 through 5 of 18 in Exhibit 19 of Jackson Energy's application, which provides statistical comparisons of electric cooperatives in Kentucky. For calendar year 2006, Jackson Energy was the fourth largest cooperative on the East

Kentucky Power Cooperative, Inc. ("EKPC") system, measured in number of customers, and second largest measured in miles of line. Its number of customers per mile of line was only slightly lower than the average for the EKPC system. Given these statistics, what accounts for Jackson Energy having the third highest average expense per customer on the EKPC system, with that expense being 14.5 percent above the system average, and also having an average expense per mile of line that is 14.4 percent above the system average?

8. Refer to the response to Item 17(a) of the Staff's second request which, in addition to requesting the amount of any additional costs for the depreciation study, also asked when the costs were incurred. Provide the date(s) of when the additional cost of $6,198.15 was incurred, as originally requested.

9. Refer to the second paragraph in the response to Item 18(b) of the Staff's second request which discusses why the costs for all directors attending the National Rural Electric Cooperative Association ("NRECA") annual meeting should be included for rate-making purposes. Provide the meeting program for the NRECA 2006 annual meeting and the program materials that were distributed to the meeting attendees.

10. Refer to the response to Item 18(e) of the Staff's second request which explains that directors elected or appointed after May 11, 2006 receive $700 more per meeting than directors on the board before that date, which is in lieu of the health insurance coverage provided to the pre-May 11, 2006 directors.

a. Provide the results of any cost-benefit analysis performed by Jackson Energy on the issue of providing increased cash compensation versus paying for directors' health insurance. If no analysis was performed, explain why and describe how this decision was made.

b. Health insurance appears to be optional for directors who were on the board as of May 11, 2006, since health insurance costs were incurred for only four directors during the test year. Is it correct that the policy change which eliminates health insurance for "newer" directors but pays them $1,000 per meeting is applicable to all directors who become members of the board after May 11, 2006?

c. Given that it has been Commission policy to disallow the cost of directors' health insurance for rate-making purposes, explain why the additional compensation provided to Jackson Energy's newer directors in lieu of health insurance coverage should not also be disallowed for rate-making purposes.

11. Refer to the response to Item 19 of the Staff's second request, which references corrections to lines 33 and 34 on page 6 of 19 of Exhibit 10 of Jackson Energy's application. Should a similar correction be reflected for line 25 on page 6 of 19, which also references KAEC coordinated training? Explain.

12. Refer to the response to Item 20 of the Staff's second request. Provide the program for the NRECA 2006 pre-annual meeting training and the program materials that were distributed to the meeting attendees.

13. Refer to the response to Item 21(d) of the Staff's second request concerning the early retirement offered by Jackson Energy during the test year. Provide a general description of the NRECA-sponsored retirement plan, the number of employees to whom it was offered, the number that accepted the offer, and the areas within the organization in which they were employed.

14. Refer to the response to Item 24(a) of the Staff's second request. To the extent that it has any knowledge, when does Jackson Energy expect the $4,140,000 in loan funds to be advanced?

15. Refer to the responses to Items 6 and 7 of the first data request of the Attorney General ("AG"), which deal with the treatment of customer deposits and the interest on customer deposits.

a. Is it Jackson Energy's understanding that the Commission treats these items differently for cooperatives than it does for investor-owned utilities ("IOU")?

b. Does Jackson Energy understand that the reason for the different treatment is that the revenue requirement determination for cooperatives is based on required net margins (income) while the revenue requirement determination for IOUs is based on required net operating income?

16. Refer to the responses to Item 29 of the first data request of the AG and Item 38 of the Staff's initial data request. Provide a detailed explanation for why depreciation expense on transportation equipment increases from $104,964 during the test year to $322,737 on a normalized basis. Include in the explanation a discussion of how this occurs even though the "allocation of the increase in depreciation on transportation equipment is based on actual test year clearing."

17. Refer to the responses to Item 30 of the first data request of the AG and Item 38 of the Staff's initial data request. Provide a schedule, in the same format as the response to Item 38, which reflects the amount of normalized depreciation expense that would result from using Jackson Energy's current depreciation rates rather than its proposed rates.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, KY 40602

DATED: February 1, 2008

cc: All Parties