

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON ENERGY	)	CASE NO.
COOPERATIVE CORPORATION FOR AN	)	2013-00219
ADJUSTMENT OF RATES	)	

COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION TO  
JACKSON ENERGY COOPERATIVE CORPORATION

Jackson Energy Cooperative Corporation ("Jackson"), pursuant to 807 KAR 5:001, is to file with the Commission one paper original and one electronic copy of the following information, with a copy to all parties of record. The information requested herein is due on or before October 11, 2013. 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. Electronic responses to requests for information shall be filed in accordance with the electronic filing procedures set forth in 807 KAR 5:001, Section 8.

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 shall make timely amendment to any prior response 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 fails or refuses to furnish all or part of the requested information, Jackson 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.

1. Refer to paragraph 1 of the application and the response to question 13 of the Direct Testimony of Virginia Carol Wright (“Wright Testimony”) where it states, in relevant part, that the proposed increase is spread over a three-year period utilizing gradualism.

a. Confirm that, according to Jackson’s proposal, the three increases will occur over a period of two years, as opposed to three years as stated in the application and Wright Testimony.

b. Explain why, given its financial condition and the fact that it received notification on February 22, 2013, from Rural Utilities Service (“RUS”) that it failed to meet its Times Interest Earned Ratio (“TIER”) requirements for calendar year 2012, Jackson has not opted for a TIER of 2.0, which is typical for distribution cooperative rate cases.

2. Refer to paragraph 4 and Exhibit S of the application. Paragraph 4 states the application is supported by a 12-month historical period ending December 31, 2012, and that it includes adjustments for known and measurable changes; however, there are no adjustments in the application. Provide a revised Exhibit S with all adjustments necessary to determine Jackson's normalized revenue requirement based on adjustments similar to those Jackson proposed in its last rate case, Case No. 2007-00333.<sup>1</sup>

3. Refer to page 2 of the Wright Testimony which states, "Our kWh sales are at an all-time low reaching 2003 levels and continue to diminish." Also refer to page 3, Exhibit JRA-1 of the Prepared Testimony of James R. Adkins ("Adkins Testimony").

a. Explain whether Ms. Wright's statement is based solely on Jackson's 2012 results, or is intended to reflect the financial forecast filed as Exhibit JRA-1, which shows that: (1) Residential kWh sales increased approximately 9.15 percent from last year to 2013; (2) Commercial 1,000 KVA or Less kWh sales increased approximately 12.53 percent from last year to 2013; and (3) Commercial Over 1,000 KVA kWh sales increased approximately 11.51 percent from last year to 2013.

b. Provide a side-by-side comparison, similar to that contained in Exhibit JRA-1 page 2 of 4, of Jackson's 2012 and 2013 income statements, including a breakdown of kWh sales and revenue by rate class. The 2013 income statement should use actual amounts for all months for which information is available and forecasted amounts for all other months. Consider this request as ongoing and provide updates as actual monthly kWh sales and income statements are available for 2013.

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<sup>1</sup> Case No. 2007-00333, Application of Jackson Energy Cooperative Corporation for an Adjustment of Rates (Ky. PSC June 5, 2008).

c. Provide a side-by-side comparison, similar to that contained in Exhibit JRA-1, page 2 of 4, of Jackson's forecasted income statements for 2014, 2015, and 2016 using the kWh sales determined under Item 3.b above and the assumptions identified in Exhibit JRA-1 on page 4 of 4.

d. Refer to the financial forecast in Exhibit JRA-1. Provide Jackson's projected TIER, without an adjustment to the customer charge amounts, for 2014 to 2016, based on forecasted kWh sales.

4. Refer to Exhibit H-A, page 2 of 3, where it states, in relevant part, that Jackson has initiated cost-control measures in response to the RUS notification that it failed to meet its operating TIER ("OTIER") for calendar year 2012 and is projecting an OTIER of 1.1 for the year ending December 31, 2013.

a. Identify and explain the cost-control measures Jackson has implemented in response to the RUS notification letter.

b. Explain how Jackson prioritized the cost-control measures it has implemented in response to the RUS notification letter.

5. Refer to Exhibit H-2 of the application, the Prepared Testimony of Mary E. Purvis.

a. Ms. Purvis states on page 2 that during the test year, Jackson's net margins and adjusted net margins were a loss of \$3,866,334 and \$2,988,339, respectively. Provide the derivation of the adjusted net margins.

b. Ms. Purvis states on page 5 that the zero-intercept method was used to determine the customer and demand-related components for Account 365, Overhead Conductors, and Account 368, Transformers, but that the minimum-size

method was used for Account 364, Poles. Explain the reasons for the use of different methods for the accounts.

6. Refer to Exhibit H-3 of the application, the Adkins Testimony.

a. Refer to page 5, where Mr. Adkins discusses rate classes 45, 47, and 48. Mr. Adkins states that “[i]t is assumed that the type of customers served by these rate schedules would be located next to or a short distance away from the substation and is the primary reason for the need for the substation serving them.” Identify the customers served under these rates schedules and the type of substation (from the list of substations that appears on this page) used to serve each of the identified customers.

b. Refer to the top of page 6 where Mr. Adkins states that “Jackson Energy determined in advance the rate segment it wished to increase for each rate class and the amount.” Provide the rate classes identified by Jackson to receive an increase, the amount of the increase, and the reason(s) for wanting to increase rates for those particular classes.

7. Refer to the response to question 12 in Exhibit H-3, page 6, where it states, in relevant part, that the basis for the increase in the proposed lighting rates is somewhat subjective and provides the rationale for the lighting increase. Explain what Jackson means about the rates’ being subjective. Provide a narrative explanation for the rationale behind the proposed rates.

8. Refer to Exhibit JRA-1.

a. Refer to page 4, line 2, where it states that 2014 kWh and future kWh are from the 2010 Load Forecast, with some minor adjustments. Identify and describe these minor adjustments.

b. Refer to page 2 of the exhibit. Explain how Jackson determined the estimated expense increases for 2014 through 2022.

9. Provide an electronic copy in spreadsheet format of Exhibits G, I, J, R and S in Excel spreadsheet format with all formulas intact and unprotected and with all columns and rows accessible. If it is necessary to update either exhibit in response to questions contained in this information request, provide the updated version instead of the original version in both paper copy and electronically.

10. Refer to Exhibit R of the application, page 4 of 36. This page contains no amounts but only error references. Provide a corrected page 4.

11. Refer to Exhibit R of the application, page 8 of 36.

a. Account 935, Maintenance of General Plant, is shown as having been allocated using Footnote 4, which is the General Plant percentages from the Rate Base Schedule. Explain whether Footnote 4 and Footnote 7 result in the same allocation percentages.

b. Account 404, Depreciation Distribution Plant, is shown as having been allocated using Footnote 6. Confirm that the allocation method used is actually based on the Distribution Plant percentages found on page 10 of 36.

c. Account 404, Depreciation General Plant, and Account 407, Amortization of Property Losses, are shown as having been allocated using Footnote 6. Confirm that the allocation method used is actually based on the General Plant

percentages found on page 10 and explain why that is an appropriate allocation method for Account 407.

12. Refer to Exhibit R of the application, page 7 of 36.

a. Refer to the calculation for Footnote 3. Confirm that the Services line item should contain an amount of \$773,699 (the sum of \$772,917 and \$782 from page 5 of 36) in the Actual column, which would change the percentage allocations. If this cannot be confirmed, explain.

b. Refer to the calculation for Footnote 6. The amounts in the Total column for Poles, Tower and Fixtures and for Overhead Conductors do not reconcile with the amounts shown for these items on page 10 of 36. Explain the discrepancy and state where in the Cost of Service Study the allocation percentages shown in this footnote are used.

13. Refer to Exhibit R of the application, page 18 of 36, the table at the bottom of the page. Confirm that percent amounts in the Percent columns for Account 364 are the amounts that should apply to Account 365 and vice versa.

14. Refer to Exhibit R of the application, page 22 of 36. Provide the basis for the allocation of the Purchased Power Demand total of \$13,020,019 to the customer rate classes.

15. Refer to Exhibit R of the application, page 33 of 36, the Services table. Explain how the .92 unit cost for the Outdoor Lighting category was calculated.

16. Refer to Exhibit R of the application, page 34 of 36. Explain how the amounts in the Billing Factor and Multiplier columns were calculated.

17. Refer to Exhibit R of the application, pages 32-34 of 36. Explain the difference in the number of customers shown for the Outdoor Lighting category on these pages.

18. Refer to Exhibit R of the application, pages 35 and 36 of 36. Provide the basis for the allocation of "Other Revenue" to the rate classes.

19. Refer to Exhibit S, page 1, line 43. State whether \$1,370,000 should be shown in the Adjustment column just after the Adjusted Test Year column.

20. Refer to Exhibit Z of the application, Jackson's depreciation study. The information contained in the application does not contain all the information referenced in the index. Provide a paper copy and an electronic copy in Excel format of all information contained in the depreciation study similar to that provided in Jackson's previous rate case, Case No. 2007-00333.<sup>2</sup>

21. Refer to Exhibit Z of Jackson's application. On page 6, it is acknowledged that a computer program was utilized in the depreciation study which incorporated Iowa Type Survivor Curves.

- a. Identify the program used in the depreciation study.
- b. Explain whether the program is used on an industry-wide basis.
- c. Discuss in detail the programs acceptance of individual, Jackson specific inputs.

22. Refer to Exhibit Z of Jackson's application. On page 8 it is stated that AMI ("Advanced Metering Infrastructure") meters would have a useful life of 15 years, in

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<sup>2</sup> Case No. 2007-00333, Application of Jackson Energy Cooperative Corporation for an Adjustment of Rates (Ky. PSC June 5, 2008).



accordance with other electric cooperatives in Kentucky that have recently installed AMI devices.

a. Provide a list of the other Kentucky cooperatives that have installed AMI devices and used a 15-year useful life for AMI meters.

b. Discuss the items other than AMI equipment recorded in Account 362, Station Equipment, and the applicability of a 15-year useful life used for the items in the account.

c. Describe in detail the conditions which account for the changes in average service life for:

- (1) Account 367 Underground Conductors and Devices;
- (2) Account 368 Line Transformers;
- (3) Account 369 Services;
- (4) Account 371 Installations on Customer Premises.

23. In Case No. 2000-00373,<sup>3</sup> Jackson was ordered to use a Net Salvage Ratio method for calculating the distribution plant annual depreciation. In the Final Order in that case, the Commission acknowledged a 1997 Jackson distribution plant write-off, noting that the Net Salvage Ratio method was a departure from the Commission's normal approach. The Commission found that under mitigating circumstances in Case No 2000-373, the Net Salvage Ratio was reasonable. Explain whether there are analogous mitigating circumstances in this current filing which support utilizing the Net Salvage Ratio method.

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<sup>3</sup> Case No. 2000-00373, The Adjustment of Rates of Jackson Energy Cooperative Corporation (Ky. PSC July 24, 2001).

24. Explain in detail whether Jackson performed an analysis to include net salvage as a component of its depreciation rates or to continue to use the “average net salvage allowance” approach proposed by the Office of the Attorney General and adopted by the Commission in Case No. 2000-373.

25. Clarify what is proposed concerning the final sentence of Exhibit Z to the application at the bottom of page 9 which in part states that “Jackson Energy has decided to use these rates as a result of this study.”

26. Explain whether Jackson will be required to seek RUS authorization for the proposed depreciation rates.

a. If so, has approval already been requested?

b. Describe any communication between Jackson and RUS concerning the proposed depreciation rates and provide any documentation to or from RUS concerning the proposed depreciation rates.

27. Refer to the response to Item 8.b. of Staff's First Request.

a. Account 555.02, Purchased Power – Wellhead Energy, increased from \$98,950 in the year preceding the test year to \$146,742 in the test year.

(1) Provide the MWh or the kWh purchased from wellhead energy for 2011 and 2012.

(2) Explain how the wellhead energy purchased fits into Amendment No. 3 to the Wholesale Power Contract between East Kentucky Power Cooperative, Inc. and Jackson.

b. Account 904.00, Uncollectible Accounts, decreased from \$282,629 in the year preceding the test year to (\$104,072) in the test year. Provide a detailed explanation for why this expense decreased by this magnitude.

c. Account 920.50, Personnel, increased from \$72,500 in the year preceding the test year to \$156,610 in the test year. Provide a detailed explanation for why this expense increased by this magnitude.

28. Refer to page 2 of the response to Item 18 Staff's First Request. Also, refer to page 1 of Exhibit J and page 1 of Exhibit S. In the response to Staff's First Request, Item 18, the total revenue collected by rate class is \$96,639,274 and the Exhibit J current year revenue is \$89,026,692, or a difference of \$7,612,582.

a. Explain the \$7,612,582 difference.

b. If the difference should be the net of the (\$1,164,623) fuel adjustment and \$8,830,751 environmental surcharge, explain the remaining difference of (\$53,546).

29. Identify the manner in which Jackson provided notice to its members of its proposed rate increase.

a. Identify the newspapers or trade publications and the dates of publication in each newspaper or publication in which Jackson published notice of application in this matter.

b. Provide an affidavit from the publisher verifying the notice was published including the dates of the publication. Also provide a copy of the notice that was published in each newspaper or trade publication.



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DATED SEP 26 2013

cc: Parties of Record

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