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December 15, 2004

FEDEX

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40601

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DEC 16 2004

PUBLIC SERVICE
COMMISSION

Re: Case No. 2004-00319

Dear Ms. O'Donnell:

Enclosed for filing please find the original and 10 copies of applicant's Response to Ballard Rural Telephone Cooperative Corporation, Inc.'s two (2) pending motions.

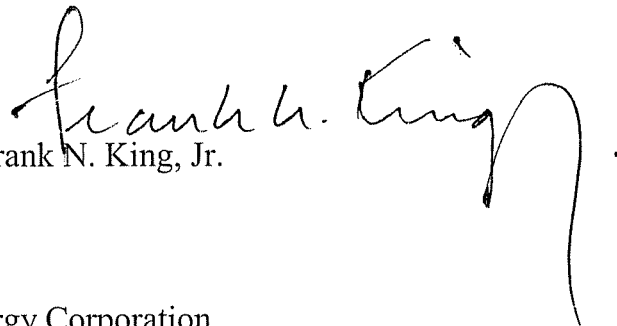
Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By

Frank N. King, Jr.



FNKJr/cds

COPY/w/encls.:

Service List

Jackson Purchase Energy Corporation

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DEC 16 2004

PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION FOR)
ADJUSTMENTS IN EXISTING CABLE)CASE NO. 2004-00319
TELEVISION ATTACHMENT TARIFF)**

**RESPONSE TO BALLARD RURAL
TELEPHONE COOPERATIVE CORPORATION, INC. 'S
MOTION TO DISMISS
AND
MOTION TO SUSPEND TARIFF**

Now comes **JACKSON PURCHASE ENERGY CORPORATION** (“JPEC”), by counsel, and responds to the two (2) above motions of **BALLARD RURAL TELEPHONE COOPERATIVE CORPORATION, INC.** (“Ballard Rural”). In responding JPEC does not waive its pending argument that Ballard Rural should not have been granted full intervention in this case. If ultimately Ballard Rural is denied this status, it then does not have standing to make these motions and they should be denied on this ground. JPEC responds as follows:

Motion to Dismiss

In its motion Ballard Rural contends in the concluding paragraph that the Commission should “reject” JPEC’s application. This contention is misplaced because

the Commission already has determined that the application meets minimum filing requirements and has accepted the application for filing. Procedurally there is no basis for now rejecting the application.

On the merits, Ballard Rural's overall argument is also misplaced because although only the rates of CATV operators are requested to be adjusted, JPEC does not seek to increase revenue "in isolation." Attached to the application as "Exhibit 10" is an Adjusted Income Statement that shows total revenues and expenses for the test period along with pro forma adjustments resulting from the added revenue from the increase in rates. The Adjusted Income Statement shows the total financial picture, contrary to the notion that a revenue increase is being considered in isolation.

Ballard Rural argues on page 2 that if the Commission permits JPEC's requested increase in rates without examining other expenses and revenues, JPEC "could increase its rates while already earning large profits." Obviously Ballard Rural is grasping for straws. The Adjusted Income Statement shows conclusively that JPEC's margins for the test year (1.73), and its adjusted margins (1.77), are insufficient to realize even a 2.00 TIER, which the Commission customarily allows for electric distribution cooperatives.

Ballard Rural also argues on page 2 that "The Commission cannot determine whether these proposed tariff rates are just and reasonable in isolation." JPEC's rates for CATV operators have not been adjusted in 20 years and clearly these

customers should be paying rates based on current data. These rates have not been calculated in isolation but pursuant to Commission established methodology. There is, in effect, an irrebuttable presumption that rates calculated pursuant to this methodology meet cost of service criteria and are fair, just and reasonable.

Ballard Rural's argument is based on a narrow, technical point that is completely irrelevant to the issues at hand. Pursuant to the Commission's directive in this case in the October 26, 2004, letter from the Executive Director, JPEC has filed an application for adjustment in rates pursuant to the requirements of 807 KAR 5:001 section 10, which covers general adjustments in existing rates. The aforementioned letter recognized that "an adjustment of pole attachment rates constitutes a general rate adjustment . . ." thereby effectively disposing of Ballard Rural's argument.

Ballard Rural's motion to dismiss is not well founded, is based on speculation and should be denied.

Motion to Suspend Tariff

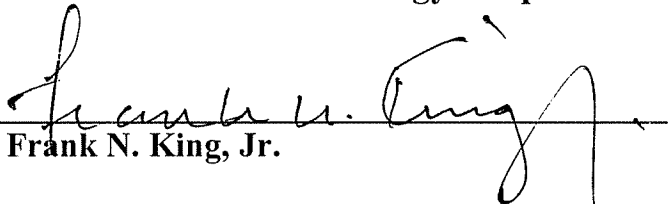
KRS 271.190 provides that the commencement of proposed rates can be suspended if the Commission determines that a hearing should be held. Ballard Rural has not requested a hearing and JPEC actually sees no need for one. The application is self-explanatory, accepted methodology has been followed, and there is supporting prepared testimony. A hearing would only cause additional time and unnecessary expense for the

affected parties. If a hearing is not held, there is no valid reason why the requested increase in rates cannot go into effect on the proposed effective date, January 1, 2005.

The Commission will decide whether a hearing is necessary. If so, the Commission "on its own motion" will suspend the rates and hold the hearing. JPEC will abide by the Commission's decision on this point. However, Ballard Rural's motion is misplaced and unauthorized, and should be denied.

WHEREFORE, without waiving its argument that Ballard Rural should not have been granted full intervention, JPEC respectfully requests that Ballard Rural's Motion to Dismiss and Motion to Suspend Tariff be denied on the foregoing grounds, and that JPEC be afforded all proper relief.

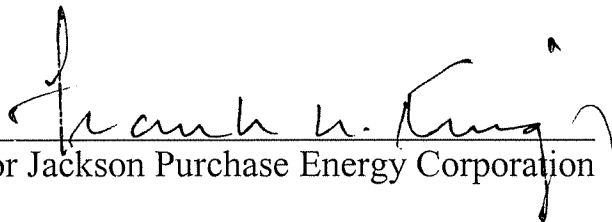
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Attorneys for Jackson Purchase Energy Corporation

By 
Frank N. King, Jr.

CERTIFICATE OF SERVICE

I hereby certify that the foregoing has been served upon the Attorney General of Kentucky, Office of Rate Intervention, 1024 Capital Center Drive, Frankfort, KY 40601; Gardner F. Gillespie, Hogan & Harston, L.L.P., 555 Thirteenth Street, Washington, D.C. 20004-1109, and Frank F. Chuppe, Wyatt, Tarrant & Combs, LLP, 500 West Jefferson Street, Suite 2600, Louisville, KY 40202, attorneys for Kentucky Cable Telecommunications Association; and John

E. Selent and Holly C. Wallace, Dinsmore & Shohl, LLP, 1400 PNC Plaza, 500 West Jefferson Street, Louisville, KY 40202, attorneys for Ballard Rural Telephone Cooperative Corporation, Inc., by mailing a true and correct copy of same on this 15th day of December, 2004.


counsel for Jackson Purchase Energy Corporation