

RECEIVED

JAN 11 2008

**PUBLIC SERVICE
COMMISSION**

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GENERAL ADJUSTMENT OF ELECTRIC)
RATES OF JACKSON PURCHASE ENERGY) Case No. 2007-00116
CORPORATION)

ATTORNEY GENERAL'S INITIAL REQUESTS FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Initial Request for Information to Jackson Purchase Energy Corporation [hereinafter referred to as "JPEC"] to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for JPEC with an electronic version of these questions, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional

information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or 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.

(6) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to

whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(11) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(12) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL

A handwritten signature in cursive script, appearing to read "Lawrence W. Cook", is written over a horizontal line.

LAWRENCE W. COOK
PAUL D. ADAMS
ASSISTANT ATTORNEYS GENERAL
1024 CAPITAL CENTER DRIVE,
SUITE 200
FRANKFORT KY 40601-8204
(502) 696-5453
FAX: (502) 573-8315


Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of the foregoing were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; counsel further states that true and accurate copies of the foregoing were mailed via First Class U.S. Mail, postage pre-paid, to:

G. Kelly Nuckols
President & CEO
Jackson Purchase Energy Corporation
P. O. Box 4030
Paducah, KY 42002-4030

Hon. W. David Denton
Hon. Melissa Yates
Attorneys at Law
Denton & Keuler, LLP
P. O. Box 929
Paducah, KY 42002-0929

this 11th day of Jan., 2008



Assistant Attorney General

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

1. On page 17 of his testimony, Mr. Edwards states that "The test period amounts and pro forma adjustments associated with the Income Statement are based on Exhibit S, included in and sponsored by the testimony of JPEC witness Charles G. Williamson, III" However, Exhibit S and the testimony of Mr. Williamson do not contain this information. Please explain and, if applicable, correct this deficiency.
2. For each of the General Ledger Trial Balance accounts shown in Exhibit N, pages 1 through 9, provide the actual balances as of December 31 of the years 2003, 2004, 2005 and 2007 (once available).
3. Exhibit U, page 1 shows total equity balances of \$34,444,409 and \$34,568,879 as of 12/31/06 and 12/31/05, respectively. Please indicate what portion of these total equity balances represents G&T Patronage capital and explain why these G&T Patronage capital balances have not been excluded for purposes of determining the proposed ratemaking capitalization (as is done by all other cooperatives in their rate cases).
4. As stated on page 20 of Mr. Edwards' testimony and shown on Exhibit U, page 1, Mr. Williamson has made the following normalization adjustments: (1) a \$77,266 adjustment to CWIP; (2) a \$10,769 adjustment to M&S; and (3) a \$7,271 adjustment to prepayments. These adjustments have not been addressed in Mr. Williamson's testimony. For each of these normalization adjustments, please provide:
 - a. Explanations for the reasons for these adjustments.
 - b. Workpapers showing all assumptions and calculations in support of these adjustments.
5. Please confirm that the 13-month average test year Materials and Supplies balance amounts to \$1,328,115. In addition, confirm that the 13-month average Acct. 156 – Other Materials and Supplies balance for the test year amounts to \$4,578. If you do not agree with these two numbers, explain your disagreement.
6. With regard to Prepayments, please provide the following information:

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

- a. Please confirm that the 13-month average test year total Prepayment balance amounts to \$385,865. If you do not agree, explain your disagreement.
 - b. Please provide the portion of the 13-month average prepayment balance of \$385,865 that represents the 13-month average test year PSC assessment prepayments.
7. Please explain what the 12/31/06 deferred charges balance of \$1,291,215 represents and why JPEC has proposed to include this balance for ratemaking purposes in its rate base. In addition, explain whether this balance was included as a rate base component in JPEC's prior 1997 rate case.
8. Please explain what components make up the 12/31/06 deferred credit balance of \$193,534, why JPEC has proposed to include this balance for ratemaking purposes in its rate base, and whether these deferred credit components were included as rate base components in JPEC's prior 1997 rate case.
9. In its prior rate cases, did JPEC propose average rate base and capitalization numbers and, if so, were these average rate base and capitalization numbers derived by averaging the beginning and ending test year balances? If not, explain what rate base and capitalization approaches were used.
10. The proposed working capital amount of \$1,059,701 for the adjusted test year that is shown on Exhibit H-3, page 19 represents 12.5% of the unadjusted test year O&M expenses (net of power cost). Please explain why the proposed working capital amount for the adjusted test year should not be \$1,083,576 based on 12.5% of the adjusted test year O&M expenses (net of power cost) of \$8,668,610.
11. Please reconcile the "revenue at existing rates" and "revenue at proposed rates" numbers of \$38,195,363 and \$41,749,147, respectively, to the corresponding revenue numbers of \$37,396,373 and \$40,950,437 shown on Exhibit U, page 2.
12. With regard to the Acct. 442210 – Industrial Shell Pipeline revenues shown in Exhibit G, pages 1 and 2, please provide the following information:

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

- a. Explain the reasons for the significant \$780,137 revenue reduction in the test year vs. the prior year.
 - b. Explain the reasons why no more revenues were booked from August 2006 forward.
 - c. Provide actual monthly revenues for the year 2007.

13. With regard to the Acct. 442220 – Industrial Vulcan Materials revenues shown in Exhibit G, pages 1 and 2, please provide the following information:
 - a. Explain the reasons for the significant \$344,137 revenue reduction in the test year vs. the prior year.
 - b. Explain the reasons why no more revenues were booked from August 2006 forward.
 - c. Provide actual monthly revenues for the year 2007.

14. While JPEC has proposed an average test year rate base and an average test year capitalization, it has calculated its proposed normalized depreciation expenses by applying its newly proposed depreciation rates to the plant in service balances at the end of the test year and it has calculated its proposed long-term debt interest expenses by applying the test year-end interest rates to the test year-end long term debt balances. In this regard, please provide the following information:
 - a. Explain the inconsistencies noted in the above question and explain why it would not be more reasonable to calculate the normalized depreciation expenses and normalized long-term interest expenses based on the average test year plant in service balances and the average test year long-term debt balances.
 - b. Isn't it inconsistent and unreasonable to reflect for ratemaking purposes normalized and annualized depreciation expenses and long-term debt interest expenses based on actual year-end plant in service and long-term debt balances while not reflecting normalized and annualized test year revenues based on actual year-end customer levels? If not, explain why not.

15. Please provide a revenue normalization and annualization adjustment by restating the test year revenues (and associated variable power expenses) based on actual customer levels at the end of the test year.

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

Provide this analysis by revenue class and show all assumptions and calculations.

16. In the same format and detail as per Exhibit G, Schedule 12, please provide the detailed expense items included in the following test year accounts:
 - a. Account 908000 – Customer Assistance Expenses (\$1,462)
 - b. Account 909400 – Media Ad Exp. – Miscellaneous (\$116)
 - c. Account 910000 – Misc. Cust. Service & Info Exp. (\$101,849)
 - d. Account 921000 – Office Supplies and Expenses (\$343,403)

17. Re. Exhibit G, Schedule 12, page 2, please provide the following information:
 - a. Explain why the \$23,271 expense for the 2006 KAEC membership dues was booked in advertising expense account 913.000.
 - b. Explain the proposed ratemaking inclusion of this 2006 KAEC membership dues amount of \$23,271 given that the test year already includes KAEC membership dues of \$34,907 for 1/1/06 – 12/31/06 in account 930.2, as shown in Exhibit G, Schedule 12, page 17, line 129.

18. Re. Exhibit G, Schedule 12, page 3: Please explain the nature and reason(s) for the \$41,000 reimbursement amount from BREC. Also, explain what BREC stands for.

19. Regarding Exhibit G, Schedule 12, pages 5 and 6, please provide the following information:
 - a. Provide a copy of the sales/promotion message for each of the items where JPEC has reflected a 50/50 allowance/disallowance split.
 - b. Provide a copy of the text of the two messages on WREZ 105.5 for which JPEC has claimed rate inclusion of \$816.67 and \$416.67.

20. Provide copies of the Yellow Page directory listings for which JPEC has claimed \$4,324 worth of expenses, as shown in Exhibit G, Schedule 12, page 8.

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

21. Explain the basis for JPEC's assumption that the entire BREC reimbursement amount of \$10,000 shown in Exhibit G, Schedule 12, page 7 is to be disallowed for ratemaking purposes. Has JPEC performed any analysis to determine what portion of the reimbursement is associated with allowable or disallowable expense items?
22. Explain the basis for JPEC's assumption that the entire BREC reimbursement amount of \$15,833 shown in Exhibit G, Schedule 12, page 18 is to be disallowed for ratemaking purposes. Has JPEC performed any analysis to determine what portion of the reimbursement is associated with allowable or disallowable expense items?
23. As shown in Exhibit G, Schedule 12, pages 19 and 20, JPEC has determined that only \$6,033 (or approx. 19%) of the total Account 930.220 expenses of \$31,319 (without considering the \$13,000 BREC reimbursement credit) is to be disallowed for ratemaking purposes. In this regard, provide the following information:
 - a. Explain why it is reasonable to assume that 100% of the \$13,000 BREC reimbursement amount is associated with expenses disallowed for ratemaking purposes.
 - b. Provide the nature and reason(s) for the \$13,000 BREC reimbursement.
 - c. Has JPEC performed an analysis to determine what portion of the \$13,000 BREC reimbursement is associated with allowable or disallowable expenses?
24. With regard to the normalized payroll information shown in Exhibit G, Schedule 6, pages 9 through 11, please provide the following information:
 - a. Explain why JPEC is reflecting the payroll expenses for employee number 5-214 on Exhibit G, Schedule 6, page 10 considering that this employee was terminated (placed on unpaid leave) as of 5/13/06, as shown on Schedule 6, page 18. If the payroll expenses for this employee must be removed, indicate the required payroll expense removal, as well as all other expenses included in the filing that are related to this

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

- terminated employees (payroll taxes; pension expenses, FAS 106 expenses, etc.)
- b. Reconcile the terminated employees listed in Exhibit G, Schedule 6, page 11 with the terminated employees listed in Schedule 6, page 18.
25. With regard to JPEC's number of employees, please provide the number of employees (in total and broken out between salaried, hourly bargaining and hourly non-bargaining as of 12/31/05, 12/31/06, and 12/31/07, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.
26. Please provide the basis for the test year FAS 106 accrual amount of \$189,120 and discount rate of 6.75% shown in Exhibit G, Schedule 9, page 1. In addition, explain why the accrual amount is multiplied by the discount rate to determine the proposed expense increase.
27. With regard to the corrected professional services expenses totaling \$120,934.45 shown in Exhibit 6, page 2 of the response to data request PSC-1-35, please provide the following information:
- a. Identify in which specific expense accounts in the Trial Balance shown in Exhibit N this total amount of \$120,934.45 is reflected.
 - b. The engineering expenses shown on Exhibit 6, page 3 do not add to \$76,966.49 and appear to be missing the \$6,629.99 expense for the Case No. 36 expert testimony. Please confirm. Also explain the nature and purpose of this expense and whether it can be considered a non-recurring expense.
 - c. Please identify the expense items on Exhibit 6, pages 3 - 6 that are of a non-recurring nature.
 - d. The total legal expense amount includes \$23,550 associated with the "pole attachment issue." Please explain the nature and purpose of this issue and indicate whether this represents an extraordinary non-recurring event.
28. With regard to the directors fees and expenses shown in Exhibit G, Schedule 14, please provide the following information:
- a. Detailed breakout of all of the expense components making up the general expense amount of \$17,516. In addition, explain

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

- why these expenses should be allowed for ratemaking purposes.
- b. Why is JPEC proposing rate recognition of the \$200 for Mr. Walker's Big River annual meeting attendance considering that such fees have been excluded for all other Board members?
29. With regard to customer deposits and the associated customer deposit interest, please provide the following information:
- a. Is JPEC aware of the well-established and long-standing Commission ratemaking policy that consumer deposits may not be deducted from rate base and, consistent with that policy, that consumer deposit interest may not be included as an above-the-line ratemaking expense (see page 9 of the Commission's Order in Delta Natural Gas Company's 1999 rate case, Case No. 1999-176)?
 - b. Confirm that JPEC is claiming customer deposit interest expenses of \$66,911 for ratemaking purposes in this case (see Exhibit U, page 2, line 31).
30. In the same format and detail as per Exhibit G, Schedule 5, page 2, provide the annualized long term debt interest expense amount by applying the current interest rates to the average test year long-term debt balance rather than the test year-end long-term debt balances.
31. Please provide the actual interest income amount booked by JPEC in 2007 as compared to the normalized test year interest income amount of \$552,188 shown in Exhibit G, Schedule 5, page 3.
32. With regard to the normalized depreciation expense information shown in Exhibit G, Schedule 4, page 2, please provide the following information:
- a. In the same format and detail as per Schedule 4, page 2, provide the re-calculated pro forma normalized depreciation expenses based on the application of the *proposed new* depreciation rates to the test year 13-month average plant in service balances and compare the resulting annualized depreciation expense amount to the amount of \$4,155,900 claimed by JPEC in this case.
 - b. In the same format and detail as per Schedule 4, page 2, provide the re-calculated pro forma normalized depreciation expenses

Attorney General's Initial Data Requests
Jackson Purchase Energy Corporation
Case No. 2007-00116

based on the application of the *currently existing* depreciation rates to the test year 13-month average plant in service balances.

- c. In the same format and detail as per Schedule 4, page 2, provide the re-calculated pro forma normalized depreciation expenses based on the application of the *currently existing* depreciation rates to the test year-end plant in service balances.
33. For the test year rate base components Plant in Service, Accumulated Depreciation, Deferred Debits, Customer Deposits and Deferred Credits, provide the actual *13-month average* test year balances rather than the average of the test year beginning and ending balances reflected by JPEC.
34. With regard to the \$67,784 total investment for Property Held for Future Use, please provide the following information:
- a. In which account is this investment reflected in Exhibit U, page 1 of 7?
 - b. If this investment is included in rate base, indicate in which rate base account and explain why it is reasonable to include this investment in rate base.