JPEC

Application for Rate Increase

PSC Case No. 2007-00116

Volume 3 of 3

JACKSON PURCHASE ENERGY CORPORATION

Kentucky Public Service Commission
Case No. 2007-00116
Application For General Rate Increase

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Exhibit I

Effect of New Rates on JPEC Revenue -- Revenue Comparison

REVENUE COMPARISON
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

Line No.	Description	Revenue at Existing Rates	Revenue at Proposed Rates	Proposed Increase	Proposed Precent Increase
1	Residential	$24,247,477	$26,489,557	$2,242,079	9.25%
2	Small Commercial 1 Phase	$1,688,015	$1,855,915	$167,900	9.95%
3	Small Commercial 3 Phase	$309,099	$329,111	$20,011	6.47%
4	Large Commercial - Existing	$1,725,798	$1,890,622	$164,825	9.55%
5	Commercial and Industrial	$9,354,175	$10,224,603	$870,428	9.31%
6	Outdoor Lighting	$870,799	$959,339	$88,540	10.17%
7	Total Revenue	$38,195,363	$41,749,147	$3,553,784	9.30%

Exhibit J

Effect of Proposed Increase on Average Bills

SAMPLE BILLS
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

RESIDENTIAL

Line	Description	Existing Rates	Proposed Rates
1	Facility Charge	$7.00	$9.00
2	Energy Charge	$0.05729	$0.06252
3	Average KWH / Month	1,243	

Line	KWH Usage	Existing Rates	Proposed Rates	Difference	Percent Change
4	250 KWH	$21.32	$24.63	$3.31	15.51%
5	400 KWH	$29.92	$34.01	$4.09	13.68%
6	500 KWH	$35.65	$40.26	$4.62	12.95%
7	750 KWH	$49.97	$55.89	$5.92	11.85%
8	1,000 KWH	$64.29	$71.52	$7.23	11.25%
9	1,243 KWH (Average)	$78.20	$86.70	$8.50	10.87%
10	1,250 KWH	$78.61	$87.15	$8.54	10.86%
11	1,500 KWH	$92.94	$102.78	$9.85	10.59%
12	2,000 KWH	$121.58	$134.04	$12.46	10.25%

SAMPLE BILLS
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

SMALL COMMERCIAL SINGLE PHASE

Line	Description	Existing Rates	Proposed Rates
1	Facility Charge	$7.00	$10.00
2	Energy Charge	$0.05883	$0.06365
3	Average KWH / Month	1,045	

Line	KWH Usage	Existing Rates	Proposed Rates	Difference	Percent Change
4	500 KWH	$36.42	$41.83	$5.41	14.86%
5	750 KWH	$51.12	$57.74	$6.61	12.94%
6	1,000 KWH	$65.83	$73.65	$7.82	11.88%
7	1,045 KWH (Average)	$68.49	$76.53	$8.04	11.74%
8	1,250 KWH	$80.54	$89.56	$9.03	11.21%
9	1,500 KWH	$95.25	$105.48	$10.23	10.74%
10	1,750 KWH	$109.95	$121.39	$11.44	10.40%
11	2,000 KWH	$124.66	$137.30	$12.64	10.14%
12	2,500 KWH	$154.08	$169.13	$15.05	9.77%

SAMPLE BILLS
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

SMALL COMMERCIAL THREE PHASE

Line	Description	Existing Rates	Proposed Rates
1	Facility Charge	$15.00	$18.00
2	Energy Charge	$0.05583	$0.05980
3	Average KWH / Month	2,276	

Line	KWH Usage	Existing Rates	Proposed Rates	Difference	Percent Change
4	1,000 KWH	$70.83	$77.80	$6.97	9.84%
5	1,500 KWH	$98.75	$107.70	$8.96	9.07%
6	2,000 KWH	$126.66	$137.60	$10.94	8.64%
7	2,276 KWH (Average)	$142.04	$154.08	$12.03	8.47%
8	2,500 KWH	$154.58	$167.50	$12.93	8.36%
9	3,000 KWH	$182.49	$197.40	$14.91	8.17%
10	3,500 KWH	$210.41	$227.30	$16.90	8.03%
11	4,000 KWH	$238.32	$257.20	$18.88	7.92%
12	5,000 KWH	$294.15	$317.00	$22.85	7.77%

SAMPLE BILLS
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

LARGE COMMERCIAL - EXISTING

Line	Description	Existing Rates	Proposed Rates
1	Service Charge		$300.00
2	Energy Charge	$0.015452	$0.017350
3	Demand		
	First 3,000 KW	$10.48	$11.50
	Remaining KW	$10.48	$11.50
6	Average KWH / Month	1,692,463	
7	Average KW / Month	4,271	

Line		KWH	KW	Existing Rates	Proposed Rates	Difference	Percent Change
8		1,000,000	2,523	$15,462.48	$17,661.50	$2,199.02	14.22%
9		1,250,000	3,154	$20,940.65	$23,771.38	$2,830.72	13.52%
10		1,500,000	3,785	$31,414.69	$35,363.35	$3,948.66	12.57%
11	Average	1,692,46	4,271	$39,478.12	$44,287.43	$4,809.31	12.18%
12		1,750,000	4,416	$41,888.72	$46,955.33	$5,066.60	12.10%
13		2,000,000	5,047	$52,362.76	$58,547.30	$6,184.54	11.81%
14		2,250,000	5,677	$62,836.79	$70,139.28	$7,302.48	11.62%
15		2,500,000	6,308	$73,310.83	$81,731.25	$8,420.42	11.49%
16		2,750,000	6,939	$83,784.86	$93,323.23	$9,538.36	11.38%
17		3,000,000	7,570	$94,258.90	$104,915.20	$10,656.30	11.31%

SAMPLE BILLS

JPEC

Cost of Service Study for the Twelve Months Ended December 31, 2006

COMMERCIAL AND INDUSTRIAL (LESS THAN 3,000 KW)

Line	Description	Existing Rates	Proposed Rates
1	Facility Charge	$25.00	$35.00
2	Energy Charge		
3	First 200 KWH/KW	$0.03757	$0.03422
4	Next 200 KWH/KW	$0.03027	$0.02692
5	Next 200 KWH/KW	$0.02657	$0.02321
6	Over 600 KWH/KW	$0.02297	$0.01961
7	Demand Charge	$4.95	$6.50
8	Average KWH / Month	20,297	
9	Average KW / Month	77	

SAMPLE BILLS
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

COMMERCIAL AND INDUSTRIAL (LESS THAN 3,000 KW)

Line		KWH Usage	KW	Existing Rates	Proposed Rates	Difference	Percent Change
10		5,000	19	$307.09	$329.84	$22.76	7.41%
11		10,000	38	$589.17	$624.69	$35.52	6.03%
12		15,000	57	$871.26	$919.53	$48.27	5.54%
13		20,000	76	$1,120.17	$1,181.21	$61.03	5.45%
14	Average	20,29	77	$1,134.75	$1,196.54	$61.79	5.45%
15		22,500	86	$1,242.97	$1,310.38	$67.41	5.42%
16		25,000	95	$1,365.76	$1,439.55	$73.79	5.40%
17		27,500	105	$1,488.55	$1,568.72	$80.17	5.39%
18		30,000	114	$1,611.34	$1,697.89	$86.55	5.37%
19		32,500	124	$1,728.26	$1,821.18	$92.91	5.38%

SAMPLE BILLS
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

OUTDOOR LIGHTING

Line	KWH Usage	Existing Rates	Proposed Rates	Difference	Percent Change
1	**Street Lights**				
2	175 MV Street Light	By Contract	$7.53	n/a	n/a
3	400 MV Street Light	By Contract	$11.22	n/a	n/a
4	100 W HPS Street Light	By Contract	$7.53	n/a	n/a
5	Energy	$0.03377			
6	**Security Lights**				
7	175 W MV	$6.73	$7.53	$0.80	11.89%
8	100 W HPS	$6.73	$7.53	$0.80	11.89%
9	250 W HPS Flood	$9.43	$10.56	$1.13	11.98%
10	250 W HPS	$8.93	$10.00	$1.07	11.98%
11	175 W Metal Halide	$11.32	$12.67	$1.35	11.93%
12	400 W Metal Halide	$15.91	$17.82	$1.91	12.01%
13	400 W MV	$10.02	$11.22	$1.20	11.98%
14	1000 W Metal Halide	$22.36	$25.04	$2.68	11.99%

Exhibit K

Comparison of Existing and Proposed Average Bills

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

RESIDENTIAL

Line	Description	Amount
1	Number of Customers	25,461
2	KWH Sales	379,714,788

Line	Description	Existing Rates	Cost Based Rates	Proposed Rates
3	Facility Charge	$7.00	$26.77	$9.00
4	Energy Charge	$0.05729	$0.04947	$0.06252
5	Total From Base Rates	$24,247,477	$26,961,963	$26,489,557
6	Proposed Increase		$2,714,486	$2,242,079
7	Proposed Percent Increase		11.19%	9.25%

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

SMALL COMMERCIAL SINGLE PHASE

Line	Description	Amount
1	Number of Customers	2,021
2	KWH Sales	25,347,920

Line	Description	Existing Rates	Cost Based Rates	Proposed Rates
3	Facility Charge	$7.00	$26.51	$10.00
4	Energy Charge	$0.05883	$0.05015	$0.06365
5	Total From Base Rates	$1,688,015	$1,914,180	$1,855,915
6	Proposed Increase		$226,165	$167,900
7	Proposed Percent Increase		13.40%	9.95%

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

SMALL COMMERCIAL THREE PHASE

Line	Description	Amount
1	Number of Customers	178
2	KWH Sales	4,860,579

Line	Description	Existing Rates	Cost Based Rates	Proposed Rates
3	Facility Charge	$15.00	$28.52	$18.00
4	Energy Charge	$0.05583	$0.05142	$0.05980
5	Total From Base Rates	$309,099	$310,830	$329,111
6	Proposed Increase		$1,731	$20,011
7	Proposed Percent Increase		0.56%	6.47%

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

LARGE COMMERCIAL - EXISTING

Line	Description	Amount
1	Number of Customers	2
2	KWH Sales	40,619,100
3	Average Billing Demand	8,541

Line	Description	Existing Rates	Cost Based Rates	Proposed Rates
4	Service Charge		$2,687.70	$300.00
5	Energy Charge	$0.01545	$0.01986	$0.01735
6	Demand Charge		$9.61	
7	First 3,000 KW	$10.48		$11.50
8	Additional KW	$10.48		$11.50
9	Total From Base Rates	$1,725,798	$1,856,345	$1,890,622
10	Proposed Increase		$130,547	$164,825
11	Proposed Percent Increase		7.56%	9.55%

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

COMMERCIAL AND INDUSTRIAL (LESS THAN 3,000 KW)

Line	Description	Amount
1	Number of Customers	734
2	KWH Sales	178,774,164
3	Billing Demand	56,724

Line	Description	Existing Rates	Cost Based Rates	Proposed Rates
4	Facility Charge	$25.00	$81.27	$35.00
5	Energy Charge		$0.02069	
6	First 200 KWH/KW	$0.03757		$0.03422
7	Next 200 KWH/KW	$0.03027		$0.02692
8	Next 200 KWH/KW	$0.02657		$0.02321
9	Over 600 KWH/KW	$0.02297		$0.01961
10	Demand Charge	$4.95	$7.73	$6.50
11	Total From Base Rates	$9,354,175	$9,675,552	$10,224,603
12	Proposed Increase		$321,377	$870,428
13	Proposed Percent Increase		3.44%	9.31%

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

OUTDOOR LIGHTING

Line	Description	Amount
1	Number of Lights	9,354
2	KWH Sales	9,179,517

Line	Description	Existing Rates	Cost Based Rates	Proposed Rates
3	**Street Lights**		$9.18	
4	175 MV Street Light	By Contract		$7.53
5	400 MV Street Light	By Contract		$11.22
6	100 W HPS Street Light	By Contract		$7.53
7	Energy	$0.03377		
8	**Security Lights**		$9.18	
9	175 W MV	$6.73		$7.53
10	100 W HPS	$6.73		$7.53
11	250 W HPS Flood	$9.43		$10.56
12	250 W HPS	$8.93		$10.00
13	175 W Metal Halide	$11.32		$12.67
14	400 W Metal Halide	$15.91		$17.82
15	400 W MV	$10.02		$11.22
16	1000 W Metal Halide	$22.36		$25.04

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

OUTDOOR LIGHTING

Line	Description	Existing Rates	Cost Based Rates	Proposed Rates
17	Total From Base Rates	$870,799	$1,030,557	$959,339
18	Proposed Increase		$159,758	$88,540
19	Proposed Percent Increase		18.35%	10.17%

COMPARISON OF RATES
JPEC
Cost of Service Study for the Twelve Months Ended December 31, 2006

TOTAL SYSTEM BASE RATE REVENUE

Line	Description	Base Rate Revenue at Existing Rates	Percent of Total	Base Rate Revenue at Cost Based Rates	Percent of Total	Base Rate Revenue at Proposed Rates	Percent of Total
1	Residential	$24,247,477	63.5%	$26,961,963	64.6%	$26,489,557	63.4%
2	Small Commercial 1 Phase	$1,688,015	4.4%	$1,914,180	4.6%	$1,855,915	4.4%
3	Small Commercial 3 Phase	$309,099	0.8%	$310,830	0.7%	$329,111	0.8%
4	Large Commercial - Existing	$1,725,798	4.5%	$1,856,345	4.4%	$1,890,622	4.5%
5	Commercial and Industrial	$9,354,175	24.5%	$9,675,552	23.2%	$10,224,603	24.5%
6	Outdoor Lighting	$870,799	2.3%	$1,030,557	2.5%	$959,339	2.3%
7	Total	$38,195,363	100.0%	$41,749,427	100.0%	$41,749,147	100.0%
8	Proposed Increase			$3,554,064		$3,553,784	
9	Proposed Percent Increase			9.30%		9.30%	

Exhibit L

Coverage Ratios

JPEC Earned & Proposed Returns
On Rate Base and Capitalization

Line No.		2006 As Booked	Normalized 2006 W/O Increase	Normalized 2006 With Increase
1	Net Margins	($107,540)	($840,021)	$2,714,043
2	Non-Cash Patronage Dividends	$0	$0	$0
3	Interest On Long-Term Debt	$2,660,517	$2,714,043	$2,714,043
4		$2,552,977	$1,874,022	$5,428,086
5	Average Rate Base	$77,733,649	$77,270,037	$77,270,037
6	Rate of Return On Rate Base	3.28%	2.43%	7.02%
7	Average Capitalization	$80,637,061	$80,637,061	$80,637,061
8	Rate of Return On Capitalization	3.17%	2.32%	6.73%
9	Net TIER Coverage Ratio	0.96	0.69	2.00
10	Modified Debt Service Coverage Ratio	1.23	1.21	1.96

Exhibit M

Reconciliation of Rate Base to Capital Structure

Reconciliation of JPEC Test Year Rate Base to Capitalization

Capitalization	$83,162,781
Accumulated Operating Provisions	$861,127
Accounts Payable	$3,140,559
Consumer Deposits	$1,251,047
Other Current and Accrued Expenses	$756,807
Deferred Credits	$193,534
	$89,365,855
Investment In Associated Companies	(2,037,879)
Cash and Cash Equivalents	($3,665,763)
Accounts Recievables	($2,301,010)
Unbilled Accrual	($1,668,277)
Materials & Supplies	($1,183,096)
Prepayments	($466,211)
Deferred Debits	($1,291,215)
	$76,752,404
Diff of Net Plant From Avg. to End of Year	($2,252,136)
Materials & Supplies (13 Mo. Avg.)	$1,683,183
Prepayments (13 Mo. Avg.)	$429,880
Deferred Debits (13 Mo. Avg.)	$1,390,539
Cash Working Capital	$1,059,701
Customer Deposits (13 Mo. Avg.)	($1,119,209)
Deferred Credits (13 Mo. Avg.)	($175,052)
Rate Base	$77,769,311

Exhibit N

Chart of Accounts Proscribed by
Department of Agriculture – Rural Utilities Service

Jackson Purchase Energy Corporation
Case No. 2007-00116
General Ledger Trial Balance
December 31, 2006

	Account Number	Description	Present Balance Debit	Present Balance Credit
1	102.000	ELECTRIC PLANT PURCHASED	$0.00	$0.00
2	107.100	CONSTRUCTION WIP- CONTRACTORS	$534,274.53	$0.00
3	107.120	WIP - FUTURE SUB-STATIONS	$67,784.06	$0.00
4	107.130	WIP - LONG RANGE WORK PLAN	$40,881.75	$0.00
5	107.200	CWIP-JACKSON PURCHASE CREWS	$2,597,235.92	$0.00
6	107.231	CONTRIBUTIONS IN AID - CONSTRUCTION	$0.00	$72,830.51
7	107.300	WIP - SPECIAL EQUIPMENT	$0.00	$0.00
8	107.400	CIP - FAS 106 IMPLEMENTATION	$0.00	$0.00
9	108.600	ACCUM DEPR FOR DISTRIBUTION PLANT	$0.00	$0.00
10	108.662	ACCUM DEPR-STATION EQUIPMENT	$0.00	$1,264,923.01
11	108.664	ACCUM DEPR-POLES, TOWERS, & FIXTURE	$0.00	$10,628,841.71
12	108.665	ACCUM DEPR-O/H CONDUCTOR & DEVICES	$0.00	$5,642,593.18
13	108.666	ACCUM DEPR-UNDERGOUND CONDUIT	$0.00	$652,016.38
14	108.667	ACCUM DEPR-U/G CONDUCTOR & DEVICES	$0.00	$2,448,410.75
15	108.668	ACCUM DEPR-LINE TRANSFORMERS	$0.00	$3,610,938.32
16	108.669	ACCUM DEPR- SERVICES	$0.00	$2,415,868.34
17	108.670	ACCUM DEPR-METERS	$0.00	$1,163,276.09
18	108.671	ACCUM DEPR-INSTALLATIONS ON CUST PR	$0.00	$668,690.09
19	108.672	ACCUM DEPR-LEASED PROP CUST PREMISE	$101,973.25	$0.00
20	108.673	ACCUM DEPR-STREET LIGHT & SIGN	$0.00	$103,136.37
21	108.710	ACCUM DEPR FOR OFFICE FURN. & EQUIP	$0.00	$177,198.33
22	108.711	ACC DEPR FOR COMPUTER EQUIP/SOFTWRE	$0.00	$242,530.76
23	108.715	CONTRA ACCUM DEPR -OFFICE FURNITURE	$9,939.61	$0.00
24	108.716	CONTRA ACCUM DEPR - COMPUTERS	$0.00	$66,485.62
25	108.720	ACCUM DEPR - UTILITY TRANSP. EQUIP.	$0.00	$918,599.97
26	108.721	ACCUM DEPR - LIGHT DUTY TRANS EQUIP	$0.00	$223,422.55
27	108.723	ACCUM DEPR - CONTRA TRANSP. EQUIP	$241,081.40	$0.00
28	108.730	ACCUM DEPR FOR STRUCTURES & IMPROVE	$0.00	$1,203,592.74
29	108.735	CONTRA - ACCUM DEPR STRUCT & IMPRV	$0.00	$44,206.69
30	108.740	ACCUM DEPR FOR SHOP EQUIPMENT	$0.00	$310,882.69
31	108.745	CONTRA - ACCUM DEPR - TOOLS, SHOP	$33,107.34	$0.00
32	108.750	ACCUM DEPR FOR LABORTORY EQUIPMENT	$0.00	$121,303.30
33	108.755	CONTRA ACCUM DEPR - LABORATORY	$8,206.60	$0.00
34	108.760	ACCUM DEPR FOR COMMUNICATIONS EQUIP	$0.00	$214,538.75
35	108.765	CONTRA ACCUM DEPR - COMMUNICATION	$278,584.48	$0.00
36	108.770	ACCUM DEPR FOR STORES EQUIPMENT	$0.00	$57,257.95
37	108.775	CONTRA ACCUM DEPR - STORES	$4,113.99	$0.00
38	108.780	ACCUM DEPR FOR MISCELLANEOUS EQUIP	$0.00	$57,972.91
39	108.785	CONTRA - ACCUM DEPR - MISC EQUIP.	$6,217.41	$0.00
40	108.790	ACCUM DEPR FOR POWER OPERATED EQUIP	$0.00	$48,826.14
41	108.791	ACCUM DEPR - PWR EQUIP TRENCHER,ETC	$0.00	$111,969.68
42	108.795	CONTRA ACCUM DEPR - POWER OPERATED	$0.00	$17.83
43	108.800	RETIRE. WIP-JPECC CREWS	$19,616.19	$0.00

Jackson Purchase Energy Corporation
Case No. 2007-00116
General Ledger Trial Balance
December 31, 2006

	Account Number	Description	Present Balance Debit	Present Balance Credit
44	108.810	RETIRE. WIP-CONTRACTORS	$17,092.61	$0.00
45	123.100	PATRONAGE CAPITAL FROM ASSOC. COOPS	$461,448.24	$0.00
46	123.220	INVESTMENTS IN CAP TERM CERT - CFC	$946,546.20	$0.00
47	123.230	OTHER INVEST IN ASSOC ORGANIZATIONS	$1,040.00	$0.00
48	123.231	OTHER INVEST-KAEC PCB DETOX CERT	$5,000.00	$0.00
49	123.240	INVEST-CLASS "C" & "E" STOCK-COBANK	$623,844.48	$0.00
50	124.000	CFC COMMERCIAL PAPER RECEIVABLE	$0.00	$0.00
51	128.000	SPEC FUNDS-DEFERRED COMPENSATION	$100,645.26	$0.00
52	131.100	CASH-GEN FUNDS-PADUCAH BANK & TRUST	$644,778.23	$0.00
53	131.210	CASH-RUS CONSTRUCTION FUND-PAD BK	$32.50	$0.00
54	131.400	CASH IN TRANSIT-CREDIT CARDS	$16,445.34	$0.00
55	131.500	CASH IN TRANSIT - E-PAYMENTS	$2,806.96	$0.00
56	131.530	CASH ITEMS/ITEMS TO RESEARCH	$0.00	$0.00
57	135.000	WORKING FUNDS	$1,700.00	$0.00
58	136.000	TEMPORARY CASH INVESTMENTS	$3,000,000.00	$0.00
59	142.110	ACCTS. REC. ELECTRIC/ CYCLE 1	$57,265.90	$0.00
60	142.120	ACCTS. REC. ELECTRIC/ CYCLE 2	$133,078.35	$0.00
61	142.130	ACCTS. REC. ELECTRIC/ CYCLE 3	$413,739.34	$0.00
62	142.140	ACCTS. REC. ELECTRIC/ CYCLE 4	$631,572.58	$0.00
63	142.150	ACCTS REC ELECT/DISCONNECTS CYCLE 5	$61,154.62	$0.00
64	142.155	ACCTS REC ELECTRIC/CYCLE V	$0.00	$0.00
65	142.160	ACCTS REC - SHELL/VULCAN/WALKER	$149,816.14	$0.00
66	142.170	ACCTS REC - ELECT / CREDIT REFUNDS	$307.96	$0.00
67	142.175	A/R ELECTRIC - DUE FROM AGENCIES	$27,541.92	$0.00
68	142.180	ACCTS REC ELECTRIC/CYCLE 8	$0.00	$0.00
69	142.190	ACCTS REC ELECTRIC/CYCLE 9	$827,925.03	$0.00
70	142.200	CUSTOMER ACCOUNTS RECEIVABLE-OTHER	$0.00	$0.00
71	143.000	OTHER ACCOUNTS RECEIVABLE	$100,378.67	$0.00
72	143.098	VULCAN ACCRUED EXPENSES	$0.00	$0.00
73	143.200	OTHER ACCTS REC - EMPLOYEE LTD	$0.00	$0.00
74	143.210	A/R OTHER-CHILD SUPPORT/GARNISHMENT	$0.00	$0.00
75	143.220	A/R OTHER-TOOL PURCHASE	$1,733.21	$0.00
76	143.230	A/R OTHER-COMPUTER PURCHASE	$19,732.69	$0.00
77	143.240	A/R OTHER - AUTO PURCHASE	$0.00	$0.00
78	143.250	A/R OTHER-CHARITABLE CONTRIBUTIONS	$0.00	$2,608.92
79	143.260	A/R OTHER-EMP PAID LIFE INSURANCE	$0.00	$2,002.01
80	143.300	OTHER ACC REC/EMPLOYEES & DIRECTORS	$0.00	$947.95
81	143.305	OTHER A/R - EMPLOYEEE MISC	$750.00	$0.00
82	143.310	ACCTS. RECEIVABLE-BIG RIVERS	$23,747.97	$0.00
83	143.315	A/R - BIG RIVERS INCENTIVE PROGRAM	$1,260.00	$0.00
84	143.320	A/R - WINTER STORM ASSISTANCE	$17,647.72	$0.00
85	143.321	A/R STORM ASSISTANCE - KENTUCKY	$0.00	$0.00
86	143.410	OTHER ACCOUNTS REC/EMP 401K PRETAX	$0.00	$4,627.06

	Account Number	Description	Present Balance Debit	Present Balance Credit
	Jackson Purchase Energy Corporation			
	Case No. 2007-00116			
	General Ledger Trial Balance			
	December 31, 2006			
87	143.500	EMPLOYEE PR DEDUCTS/UNION DUES	$757.60	$0.00
88	143.700	OTHER ACCTS REC/EMPLOYEE CASH PYMTS	$0.00	$0.00
89	144.100	ACCUM PROV FOR UNCOLLECTIBLE ACCTS	$0.00	$157,214.02
90	154.000	PLT MATERIALS & OPERATING SUPPLIES	$1,177,988.96	$0.00
91	156.000	OTHER MATERIALS AND SUPPLIES	$5,107.08	$0.00
92	163.000	STORES EXPENSE - UNDISTRIBUTED	$0.00	$0.00
93	165.100	PREPAYMENTS - INSURANCE	$349,795.26	$0.00
94	165.150	PREPAID HEALTH INSURANCE-BENEFIT	$64,272.00	$0.00
95	165.200	PREPAYMENTS - OTHER	$43,856.92	$0.00
96	165.210	PREPAID RETIREMENT FUND/CO PD BENE	$0.00	$1.00
97	165.211	PREPAID LIFE INSURANCE/CO PAID BEN	$0.00	$181.50
98	165.220	PREPAID L T D FUND/CO. PD. BENEFIT	$0.00	$0.00
99	165.240	PREPAID SAVINGS PLAN/CO PD BENEFIT	$0.00	$1,421.50
100	165.250	RETIREMENT FUND-IBEW/BARG CO PD BEN	$0.00	$0.02
101	165.260	PAST SERVICE LIABILITY FUND	$0.00	$0.00
102	165.270	PREPAID 401K LOAN REPAYMENTS	$0.00	$3,315.91
103	165.280	PREPAID INSURANCE - RETIREES	$1.00	$0.00
104	171.000	INTEREST RECEIVABLE	$11,696.97	$0.00
105	171.100	CFC INTEREST RECEIVABLE	$1,306.85	$0.00
106	173.000	ACCRUED UTILITY REVENUES	$1,668,276.55	$0.00
107	183.000	PRELIMINARY SURVEY & INVEST. CHGS	$0.00	$0.00
108	184.000	PAYROLL CLEARING ACCOUNT	$0.00	$0.00
109	184.100	TRANSPORTATION EXPENSE / CLEARING	$0.00	$205.72
110	184.110	DIESEL FUEL INVENTORY - TANK #1	$3,858.37	$0.00
111	184.120	GASOLINE INVENTORY - TANK # 2	$3,714.50	$0.00
112	184.130	BIODIESEL FUEL - TANK #3	$0.00	$0.00
113	184.200	VISA CLEARING ACCOUNT	$0.00	$7,186.35
114	184.210	AMERICAN EXPRESS CLEARING ACCOUNT	$22.00	$0.00
115	186.000	DATA MAPPING ACQUISITION COSTS	$1,291,214.79	$0.00
116	186.100	DEFFERED DEBITS - OTHER	$0.00	$0.00
117	200.100	MEMBERSHIPS	$0.00	$208,695.00
118	201.100	PATRONS' CAPITAL CREDITS	$0.00	$34,343,253.34
119	201.110	PAT CAP ASSIGNED-UNBILLED REV 1995	$0.00	$0.00
120	201.200	PATRONAGE CAPITAL ASSIGNABLE	$0.00	$0.00
121	201.210	PATRONAGE CAPITAL ASSIGNABLE-OTHER	$0.00	$0.00
122	219.100	OPERATING MARGINS	$0.00	$0.00
123	219.200	NONOPERATING MARGINS	$0.00	$0.00
124	219.400	MARGINS & EQUITIES - PRIOR PERIODS	$0.00	$0.00
125	224.110	OTHER LONG TERM DEBT/SUBSCRIPTIONS	$0.00	$0.00
126	224.120	LTD - COOPERATIVE FINANCE CORP(CFC)	$0.00	$836,676.71
127	224.140	LTD-NATIONAL BANK FOR COOPS-COBANK	$0.00	$6,299,598.42
128	224.300	LTD-RUS/CONSTRUCT. NOTES EXECUTED	$0.00	$28,791,529.17
129	224.305	LTD - RUS /CONST NOTES - FFB LOAN	$0.00	$17,720,423.82

	Jackson Purchase Energy Corporation			
	Case No. 2007-00116			
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	December 31, 2006			
	Account Number	Description	Present Balance Debit	Present Balance Credit
130	224.400	RUS/NOTES-EXECUTED/CONSTRUCTION	$0.00	$0.00
131	224.600	ADVANCE PAYMENTS UNAPPLIED -LTD RUS	$4,929,856.28	$0.00
132	228.300	CONTRA ACCOUNT-PENSION & BENEFITS	$0.00	$100,645.26
133	228.305	ACCUM PROVISION-PENSION & BENFITS	$0.00	$861,127.34
134	228.310	ACCUMULATED PAST SERVICE LIABILITY	$0.00	$0.00
135	231.000	NOTES PAYABLE-COBANK SEASONAL LOANS	$0.00	$0.00
136	231.100	SHORT TERM LOANS - CFC	$0.00	$0.00
137	231.200	NOTES PAYABLE - GMAC FINANCING	$0.00	$0.00
138	232.100	ACCOUNTS PAYABLE - GENERAL	$0.00	$2,966,010.01
139	232.110	ACCOUNTS PAYABLE-PLANT CLEARING	$0.00	$174,548.97
140	232.400	ACCOUNTS PAYABLE - AUDITORS	$0.00	$0.00
141	235.000	CUSTOMER DEPOSITS	$0.00	$1,249,212.00
142	235.001	ATHLETIC FIELD FEES	$0.00	$1,590.00
143	235.110	JPEC - GIFT CERTIFICATES	$0.00	$245.00
144	235.200	FUNDS RECEIVABLE UNIDENTIFIED	$0.00	$0.00
145	236.100	ACCRUED PROPERTY TAXES	$0.00	$77,460.00
146	236.200	ACCRUED TAXES/U S SOC SEC - UNEMPL	$0.00	$155.69
147	236.300	ACCRUED TAXES - F.I.C.A.	$0.00	$0.00
148	236.400	ACCRUED TAXES - STATE UNEMPLOYMENT	$0.00	$171.23
149	236.500	ACCRUED TAXES - KY SALES & USE	$0.00	$25,798.18
150	237.000	ACCRUED INTEREST/CUSTOMER DEPOSITS	$0.00	$43,464.35
151	237.100	ACCRUED INTEREST - RUS/LTD	$0.00	$4,052.61
152	237.105	ACCRUED INT RUS/LTD FFB LOAN	$0.00	$205,008.72
153	237.200	ACCRUED INTEREST-CFC/LTD	$0.00	$3,747.61
154	237.300	OTHER ACCRUED INTEREST	$0.00	$0.00
155	237.400	ACCRUED INT-PAST SERVICE LIABILITY	$0.00	$0.00
156	237.600	ACCRUED INTEREST- COBANK LTD	$0.00	$31,772.75
157	241.000	INCOME TAX WITHHELD - FEDERAL	$0.00	$0.00
158	241.100	ACCRUED TAXES-EMPLOYEES STATE W/H	$0.00	$11,889.31
159	241.200	ACCRUED TAXES- CITY PAYROLL TAX	$0.00	$10,850.52
160	241.210	MARSHALL CO. OCCUPATIONAL LIC. TAX	$0.00	$804.43
161	241.220	MARSHALL CO. OCC. LIC. TAX-SCHOOLS	$0.00	$157.57
162	241.230	MCCRACKEN CO. OCCUPATIONAL TAX	$0.00	$2,667.73
163	241.240	BALLARD CO. OCCUPATIONAL TAX	$0.00	$745.11
164	241.250	GRAVES CO. OCCUPATIONAL TAX	$0.00	$402.95
165	241.260	LIVINGSTON CO.-OCCUPATIONAL TAX	$0.00	$1,366.41
166	241.270	CALVERT CITY-OCCUPATIONAL TAX	$0.00	$81.43
167	241.300	ACCRUED TAXES- BALLARD CO. SCHOOL	$0.00	$8,104.81
168	241.310	ACCRUED TAXES- CARLISLE CO. SCHOOL	$0.00	$1,313.74
169	241.320	ACCRUED TAXES- GRAVES CO. SCHOOL	$0.00	$6,345.17
170	241.330	ACCRUED TAXES-LIVINGSTON CO. SCHOOL	$0.00	$17,980.13
171	241.340	ACCRUED TAXES-MCCRACKEN CO. SCHOOL	$0.00	$47,946.67
172	241.350	ACCRUED TAXES- MARSHALL CO. SCHOOL	$0.00	$14,588.59

	Jackson Purchase Energy Corporation Case No. 2007-00116 General Ledger Trial Balance December 31, 2006			
	Account Number	Description	Present Balance Debit	Present Balance Credit
173	242.100	ACCRUED RENTALS	$0.00	$0.00
174	242.200	ACCRUED PAYROLL	$0.00	$83,617.66
175	242.300	ACCRUED COMPENSATED ABSENCES	$0.00	$114,455.13
176	242.400	ACCRUED INSURANCE	$0.00	$27,858.93
177	242.500	ACCRUED AUDITORS EXPENSE	$0.00	$14,000.00
178	252.000	CUSTOMER ADVANCES FOR CONSTRUCTION	$0.00	$149,870.07
179	253.000	OTHER DEFERRED CREDITS	$0.00	$13,999.51
180	253.050	OTHER DEFFERED CR - ECONOMIC DEVEL	$0.00	$0.00
181	253.100	OTHER DEFFERED CR - URD ADVANCE PMT	$0.00	$29,664.73
182	360.000	DIST. PLT. - LAND AND LAND RIGHTS	$235,870.58	$0.00
183	362.000	DIST. PLT. - STATION EQUIPMENT	$12,008,367.10	$0.00
184	364.000	DIST. PLT.- POLES, TOWERS, FIXTURES	$28,486,552.14	$0.00
185	365.000	DIST. PLT. - O/H CONDUCT. & DEVICES	$17,054,966.32	$0.00
186	366.000	DIST. PLT. - UNDERGROUND CONDUIT	$4,106,734.85	$0.00
187	367.000	DIST. PLT. - U/G CONDUCT. & DEVICES	$9,423,466.54	$0.00
188	368.000	DIST. PLT. - LINE TRANSFORMERS	$15,623,839.04	$0.00
189	369.000	DIST. PLT. - SERVICES	$6,468,810.85	$0.00
190	370.000	DIST. PLT. - METERS	$2,934,243.34	$0.00
191	371.000	DIST PLT - INSTAL. ON CUST. PREMISE	$1,484,793.67	$0.00
192	372.000	DIST PLT - LSD. PROP. ON CUST. PREM	$1,047.60	$0.00
193	373.000	DIST PLT - ST. LIGHT. & SIGN. SYS.	$558,137.96	$0.00
194	389.000	GEN PLT - LAND AND LAND RIGHTS	$86,866.25	$0.00
195	390.000	GEN PLT - STRUCTURES & IMPROVEMENTS	$2,047,038.80	$0.00
196	391.000	GEN PLT - OFFICE FURNITURE & EQUIP	$292,326.37	$0.00
197	391.100	GEN PLT - COMPUTER EQUIP/ SOFTWARE	$322,289.72	$0.00
198	391.200	MAPPING DATA ACQUISITION	$0.00	$0.00
199	392.000	GEN PLT - UTILITY TRANSP. EQUIP.	$2,079,855.77	$0.00
200	392.100	GEN PLT - LIGHT DUTY TRANSP. EQUIP	$375,929.61	$0.00
201	393.000	GEN PLT - STORES EQUIPMENT	$79,007.66	$0.00
202	394.000	GEN PLT - TOOLS, SHOP, GARAGE EQUIP	$451,976.20	$0.00
203	395.000	GEN PLT - LABORATORY EQUIPMENT	$169,060.01	$0.00
204	396.000	GEN PLT - POWER OPERATED EQUIPMENT	$287,695.14	$0.00
205	397.000	GEN PLT - COMMUNICATIONS EQUIPMENT	$589,508.87	$0.00
206	398.000	GEN PLT - MISCELLANEOUS EQUIPMENT	$94,241.76	$0.00
207	403.600	DEPR. EXP. - DISTRIBUTION PLANT	$3,019,456.79	$0.00
208	403.700	DEPR. EXP. - GENERAL PLANT	$215,643.01	$0.00
209	408.700	PUBLIC SERV. COMM.(PSC) ASSESSMENT	$41,656.75	$0.00
210	415.000	REV/POWER PLUS CR CARD ROYALTIES	$0.00	$2,201.30
211	416.000	COST & EXPENSES/POWER PLUS CR CARD	$0.00	$0.00
212	417.000	LONG DISTANCE COMMISSIONS	$0.00	$3,833.41
213	417.100	EXPENSES OF NONUTILITY OPERATIONS	$0.00	$0.00
214	417.110	CUSTOMER SERVICE COSTS-LONG DIST	$72.25	$0.00
215	417.120	ADMIN & GENERAL COSTS- LONG DIST	$0.00	$0.00

	Account Number	Description	Present Balance Debit	Present Balance Credit
	Jackson Purchase Energy Corporation			
	Case No. 2007-00116			
	General Ledger Trial Balance			
	December 31, 2006			
216	418.100	EQUITY IN EARNINGS- SUB. COMPANIES	$0.00	$0.00
217	419.000	INTEREST INCOME	$0.00	$302,866.47
218	419.010	ERC INTEREST INCOME	$0.00	$0.00
219	419.600	INTEREST INCOME - CUSHION OF CREDIT	$0.00	$290,416.67
220	421.000	MISCELLEANOUS NON-OPERATING INCOME	$0.00	$9,557.68
221	421.100	GAINS ON DISPOSITION OF PROPTY	$0.00	$20,737.80
222	421.110	LOSS ON DISPOSITION OF PROPERTY	$50,830.43	$0.00
223	424.000	OTHER CAP. CRS. & PATR. CAP. ALLOC	$0.00	$113,228.47
224	426.100	MSC INCOME DEDUCTIONS - DONATIONS	$1,424.07	$0.00
225	426.300	PENALTIES	$0.00	$0.00
226	427.100	INTEREST ON LONG TERM DEBT - RUS	$1,439,999.39	$0.00
227	427.105	INT. ON LONG TERM DEBT - RUS/FFB	$788,880.04	$0.00
228	427.500	INTEREST ON LONG-TERM DEBT - CFC	$46,267.88	$0.00
229	427.600	INT. ON LTD - COBANK	$385,369.99	$0.00
230	431.000	INTEREST EXP-SHORT TERM- COBANK	$0.00	$0.00
231	431.010	INTEREST EXPENSE/SHORT TERM - CFC	$0.00	$0.00
232	431.020	INTEREST ON SHORT TERM NOTE - GMAC	$0.00	$0.00
233	431.100	INTEREST EXPENSE/CUSTOMER DEPOSITS	$66,910.72	$0.00
234	431.200	INTEREST EXP-PAST SERVICE LIABILITY	$0.00	$0.00
235	440.100	RESIDENTIAL SALES	$0.00	$23,404,071.05
236	441.000	IRRIGATION SALES	$0.00	$6,452.64
237	442.100	SMALL COMMERCIAL (UNDER 1000 KVA)	$0.00	$9,461,559.15
238	442.200	LARGE COMMERCIAL (OVER 1000 KVA)	$0.00	$2,102,275.12
239	442.210	INDUSTRIAL - SHELL PIPELINE	$0.00	$553,576.21
240	442.220	INDUSTRIAL-VULCAN MATERIALS	$0.00	$415,242.00
241	444.000	PUBLIC STREET & HIGHWAY LIGHTING	$0.00	$70,275.40
242	445.000	OTHER SALES TO PUBLIC AUTHORITIES	$0.00	$443,917.30
243	450.000	PENALTIES (ACCT. REC. - ELECTRIC)	$0.00	$293,628.11
244	451.000	MISC SERVICE REV. - RECONNECT FEE	$0.00	$118,075.00
245	451.100	MISC SERVICE REVENUE-COLLECTIONS	$0.00	$28,030.00
246	451.200	MISC SERVICE REVENUE-DISCONNECTS	$0.00	$0.00
247	451.210	MISC SERV REV - AFTER HR CONNECTION	$0.00	$17,770.00
248	451.300	MISC SERVICE REVENUE-RET CHECKS	$0.00	$13,005.00
249	451.400	MISC SERV REV- LATE PYMT-ERC LOANS	$0.00	$0.00
250	451.500	MISC SERV REV - AMR INSTALLATION	$0.00	$0.00
251	451.600	MISC SERV REV - AMR MONTHLY CHARGE	$0.00	$660.00
252	454.000	RENT FROM ELECTRIC PROPERTY	$0.00	$460,159.33
253	456.000	OTHER ELECTRIC REVENUES	$0.00	$7,677.08
254	456.100	OTHER ELECTRIC REVENUES-LEASE	$0.00	$0.00
255	555.000	PURCHASED POWER	$23,652,045.64	$0.00
256	555.100	PURCHASED POWER (COOP USAGE)	$3,898.22	$0.00
257	580.000	OPERATION SUPERVISION & ENGINEERING	$194,275.99	$0.00
258	581.000	LOAD DISPATCHING EXPENSE	$17,333.00	$0.00

	Jackson Purchase Energy Corporation Case No. 2007-00116 General Ledger Trial Balance December 31, 2006			
	Account Number	Description	Present Balance Debit	Present Balance Credit
259	582.000	STATION EXPENSES	$15,609.31	$0.00
260	583.000	OVERHEAD LINE EXPENSES	$201,101.57	$0.00
261	583.100	O/H LINE EXP.-PCB TEST & INSPECTION	$2,935.73	$0.00
262	583.200	OVERHEAD LINE EXPENSE-LINE PATROL	$22,629.66	$0.00
263	583.300	O/H LINE EXP-OIL SP CLEANUP/100 REG	$4,950.27	$0.00
264	584.000	UNDERGROUND LINE EXPENSES	$52,296.95	$0.00
265	584.200	UNDERGROUND LINE EXPENS-LINE PATROL	$0.00	$0.00
266	585.000	STREET LIGHTING EXPENSES	$0.00	$0.00
267	586.000	METER EXPENSES	$98,010.72	$0.00
268	586.100	METER EXP. - ROUTINE CONN. & DISCON	$266,607.56	$0.00
269	586.200	METER RECORDS - PREP. & MAINT.	$1,398.51	$0.00
270	587.000	CUSTOMER INSTALLATION EXPENSES	$3,568.52	$0.00
271	588.000	MISC DIST EXPENSES-LABOR & O/H	$283,477.24	$0.00
272	588.100	MISC DIST EXP-OFFICE SUPPLIES/EXP	$21,562.30	$0.00
273	588.200	OTHER MISCELLANEOUS DISTRIBUT EXP	$293,248.06	$0.00
274	588.300	MISC. DISTRIBUTION - MAPPING COSTS	$282,771.88	$0.00
275	590.000	MAINTENANCE SUPERVISION & ENGINEER	$83,346.77	$0.00
276	592.000	MAINTENANCE OF STATION EQUIPMENT	$128,520.41	$0.00
277	593.000	MAINTENANCE OF OVERHEAD LINES	$1,560,117.09	$0.00
278	593.100	MAINT OF OVERHEAD LINES - STORMS	$20,711.64	$0.00
279	593.200	MAINTENANCE - SECURITY LIGHTS	$1,704.16	$0.00
280	593.300	MAINT OF O/H LINES - TREE TRIMMING	$1,242,624.67	$0.00
281	593.305	MAINT OF O/H LNS - TREE TRIM -STORM	$0.00	$0.00
282	593.500	MAINT OF OVERHEAD LINES-LINE PATROL	$0.00	$0.00
283	594.000	MAINTENANCE OF UNDERGROUND LINES	$118,934.67	$0.00
284	595.000	MAINTENANCE OF LINE TRANSFORMERS	$47,061.26	$0.00
285	596.000	MAINTENANCE OF STREET LIGHTING	$25,759.11	$0.00
286	597.000	MAINTENANCE OF METERS	$10,820.32	$0.00
287	598.000	MAINT. OF MSC. DISTRIBUTION PLANT	$155,752.58	$0.00
288	598.100	MAINT OF MSC DIST PLANT-TELE.LINES	$18,586.34	$0.00
289	901.000	SUPERVISION OF CUSTOMER ACCOUNTS	$13,046.94	$0.00
290	902.000	METER READING EXPENSES	$75,685.01	$0.00
291	902.100	METER READING EXPENSES-SYSTEM	$346,099.44	$0.00
292	903.000	CUSTOMER RECORDS & COLLECTION EXP.	$274,431.93	$0.00
293	903.100	CUSTOMER RCDS.& COLL.-OVER & SHORT	$0.00	$327.67
294	903.200	CUST.RCDS & COLL. - COMPLAINTS, ADJ	$79,140.14	$0.00
295	903.300	CUST RCDS & COLL - CONNECTS & DISC	$97,397.10	$0.00
296	903.400	CUST RCDS & COLL - DELINQUENT ACCTS	$63,477.85	$0.00
297	903.410	DELINQUENT ACCTS OVER 30 DAYS	$118.50	$0.00
298	903.500	CUST RECORDS - DOCUMENT SCANNING	$31,449.99	$0.00
299	903.600	CREDIT CARD DISCOUNT/HANDLING EXPEN	$48,721.51	$0.00
300	904.000	UNCOLLECTIBLE ACCOUNTS EXPENSES	$53,645.40	$0.00
301	904.100	UNCOLLECTIBLE ACC EXP-CREDIT BUREAU	$5,795.65	$0.00

	Jackson Purchase Energy Corporation Case No. 2007-00116 General Ledger Trial Balance December 31, 2006			
	Account Number	Description	Present Balance Debit	Present Balance Credit
302	907.000	CUSTOMER SERVICE - SUPERVISION	$72,583.14	$0.00
303	908.000	CUSTOMER ASSISTANCE EXPENSES	$1,461.89	$0.00
304	908.510	CUSTOMER ASSISTANCE EXPENSE-FOOD	$0.00	$0.00
305	908.560	CUSTOMER ASSISTANCE EXPENSE-PRIZES	$0.00	$0.00
306	908.640	AD EXP/PRINTING-APPLICATIONS	$0.00	$0.00
307	909.000	INFORM. & INSTRUCT. ADVERTISING EXP	$0.00	$0.00
308	909.400	MEDIA AD EXP-MISCELLANEOUS	$115.67	$0.00
309	909.410	ADVERTISING EXPENSE-NEWSPAPER	$0.00	$0.00
310	909.420	MEDIA AD EXPENSE-RADIO	$0.00	$0.00
311	909.430	MEDIA AD EXP-TV	$0.00	$0.00
312	909.440	ADVERTISING EXPENSE-PERIODICALS	$0.00	$0.00
313	909.450	ADVERTISING EXPENSE-DIRECTORY	$0.00	$0.00
314	909.600	ADVERTISING EXPENSE-MISCELLANEOUS	$0.00	$0.00
315	909.610	MEDIA AD EXP-PRINTING-BROCHURES	$0.00	$0.00
316	909.620	ADVERTISING EXPENSE-EMPLOYEE NEWLTR	$0.00	$0.00
317	909.640	ADVERTISING EXPENSE-APPLICATIONS	$0.00	$0.00
318	910.000	MSC CUSTOMER SVC & INFORMATION EXP	$101,849.09	$0.00
319	911.000	CUSTOMER SERVICE-SUPERVISOR SALES	$0.00	$0.00
320	912.000	DEMONSTRATING & SELLING EXPENSES	$0.00	$298.45
321	912.100	ELECTRIC HOME INCENTIVE	$995.00	$0.00
322	912.200	ADD ON REPLACEMENT INCENTIVE	$2,445.00	$0.00
323	912.300	WATER HEATER INCENTIVE	$900.00	$0.00
324	912.400	DUAL FUEL INCENTIVE	$0.00	$0.00
325	912.560	DEMO & SELLING EXPENSE-PRIZES	$0.00	$0.00
326	912.600	DEMO & SELLING EXP-PRINTING/MISC	$0.00	$0.00
327	913.000	ADVERTISING EXPENSES	$23,271.36	$0.00
328	913.400	SALES & PROMO EXP-MISCELLANEOUS	$0.00	$22,691.52
329	913.410	SALES & PROMO MEDIA EXP-NEWSPAPER	$21,266.05	$0.00
330	913.420	SALES & PROMO EXP-NEWSPAPER	$23,696.31	$0.00
331	913.430	SALES & PROMO EXP-TV	$31,444.75	$0.00
332	913.440	SALES & PROMO EXP-PERIODICALS	$0.00	$0.00
333	913.450	SALES & PROMO EXP - BS. DIRECTORY	$4,324.00	$0.00
334	913.600	SALES & PROMO EXP-PRINT/MISC	$633.00	$0.00
335	913.620	SALES & PROMO EXP-PRINT/EMP NEWLETT	$15,671.28	$0.00
336	920.000	ADMINISTRATIVE & GENERAL SALARIES	$731,413.59	$0.00
337	920.010	ADMIN & GEN. - JOINT USE SALARIES	$3,686.76	$0.00
338	920.015	ADMIN & GEN - FEMA COSTS	$0.00	$0.00
339	920.020	ADMINS. & GENERAL EXPENSES - SAFETY	$0.00	$0.00
340	920.100	ADMIN. & GEN. SALARIES - MANAGER	$195,979.53	$0.00
341	921.000	OFFICE SUPPLIES AND EXPENSES	$343,402.92	$0.00
342	921.100	OFFICE SUPPLIES & EXP. - MANAGER	$50,865.91	$0.00
343	923.000	OUTSIDE SERVICES EMPLOYED	$35,578.36	$0.00
344	923.200	OUTSIDE SERVICES-ECONOMIC DEVELOP	$0.00	$0.00

	Jackson Purchase Energy Corporation Case No. 2007-00116 General Ledger Trial Balance December 31, 2006			
	Account Number	Description	Present Balance Debit	Present Balance Credit
345	923.201	OUTSIDE SERVICES - SECURITY	$0.00	$0.00
346	925.000	INJURIES AND DAMAGES	$43,480.12	$0.00
347	926.000	EMPLOYEE PENSIONS & BENEFITS-HOSP	$326.66	$0.00
348	926.100	EMPLOYEE UNIFORM EXPENSES	$24,341.95	$0.00
349	926.200	OTHER EMPLOYEE PENSIONS & BENEFIT	$86,225.02	$0.00
350	928.000	REGULATORY COMMISSION EXPENSES	$21,649.58	$0.00
351	930.100	GENERAL ADVERTISING EXPENSES	$0.00	$0.00
352	930.200	MISCELLANEOUS GENERAL EXPENSES	$137,443.65	$0.00
353	930.201	ECONOMIC DEVELOPMENT-MISCELLANEOUS	$0.00	$0.00
354	930.202	ECONOMIC DEVELOPMENT-BALLARD	$0.00	$0.00
355	930.203	ECONOMIC DEVELOPMENT-GRAVES	$0.00	$0.00
356	930.204	ECONOMIC DEVELOPMENT-LIVINGSTON	$0.00	$0.00
357	930.205	ECONOMIC DEVELOPMENT-MARSHALL	$0.00	$0.00
358	930.206	ECONOMIC DEVELOPMENT-MCCRACKEN	$0.00	$0.00
359	930.210	DIRECTOR'S FEES AND EXPENSES	$57,815.81	$0.00
360	930.218	GEN. EXP. J. MCDOUGAL CASE	$0.00	$0.00
361	930.219	SPECIAL BALLOT MAILING	$0.00	$0.00
362	930.220	ANNUAL MEETING EXPENSES	$18,318.53	$0.00
363	930.224	ANNUAL MEETING EXP-ADVERTISING	$10,244.29	$0.00
364	930.225	ANNUAL MEETING EXP-PRIZES	$0.00	$0.00
365	930.226	ANNUAL MEETING EXP-PRINTING	$4,733.96	$0.00
366	930.230	NEWS LETTER EXPENSE	$21,505.99	$0.00
367	935.000	MAINTENANCE OF GENERAL PLANT	$65,031.97	$0.00
368	935.100	MAINT OF G/P- MAINT. AGREEMENTS	$43,622.40	$0.00
369	935.200	MAINT G/P-REPAIRS & SERVICE CALLS	$1,645.99	$0.00
370	935.300	MAINT OF G/P - SUPPLIES	$6,369.09	$0.00
371	935.400	MAINT OF G/P-BUILDINGS & GROUNDS	$87,422.08	$0.00
372	935.401	MAINT BLDG & GROUND-WOOD DISPOSAL	$0.00	$0.00
373	935.500	MAINT OF G/P- MISCELLANEOUS	$1,130.87	$0.00
374	999.999	RAIN DELAY	$0.00	$0.00
375				
376				
377				
378		Accounts 102.000 To 399.999	107,539.67	
379		Accounts 400.000 To 999.999	(107,539.67)	

Exhibit O

Independent Auditor's Report

Kentucky 20
Jackson Purchase Energy
Paducah, Kentucky

Report on Audit of Financial Statements
for the year ended December 31, 2006

CONTENTS

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147

MEMBER
- AMERICAN INSTITUTE OF CPA S
- INDIANA SOCIETY OF CPA'S
- KENTUCKY SOCIETY OF CPA'S
- AICPA DIVISION FOR FIRMS
- TENNESSEE STATE BOARD OF ACCOUNTANCY

Independent Auditor's Report

To the Board of Directors
Jackson Purchase Energy Corporation

I have audited the balance sheet of Jackson Purchase Energy Corporation, as of December 31, 2006, and the related statements income and patronage capital and cash flows for the year then ended These financial statements are the responsibility of Jackson Purchase's management My responsibility is to express an opinion on these financial statements based on my audit The financial statements of Jackson Purchase as of December 31, 2005, were audited by other auditors whose report dated February 2, 2006, expressed an unqualified opinion on those statements

I conducted my audit in accordance with auditing standards generally accepted in the United States of America, the standards applicable to financial audits contained in Government Auditing Standards issued by the Comptroller General of the United States and 7 CFR Part 1773, Policy on Audits of Rural Utilities Service (RUS) Borrowers Those standards require that I plan and perform the audit to obtain reasonable assurance about whether the financial statements are free from material misstatement An audit includes examining on a test basis, evidence supporting the amounts and disclosures in the financial statements An audit also includes assessing the accounting principles used and significant estimates made by management, as well as evaluating the overall financial statement presentation I believe that my audit provides a reasonable basis for my opinion

In my opinion, the financial statements referred to above present fairly, in all material respects, the financial position of Jackson Purchase as of December 31, 2006, and the results of operations and cash flows for the year then ended, in conformity with accounting principles generally accepted in the United States of America

In accordance with Government Auditing Standards, I have also issued a report dated February 1, 2007, on my consideration of Jackson Purchase's internal control over financial reporting and my tests of its compliance with certain provisions of laws, regulations, contracts and grant agreements and other matters The purpose of that report is to describe the scope of my testing of internal control over financial reporting and compliance and the results of that testing, and not to provide an opinion on the internal control over financial reporting or on compliance That report is an integral part of an audit performed in accordance with Government Auditing Standards and should be considered in assessing the results of my audit

Alan Zumstein

Alan M Zumstein
February 1, 2007

ALAN M. ZUMSTEIN
CERTIFIED PUBLIC ACCOUNTANT

1032 CHETFORD DRIVE
LEXINGTON, KENTUCKY 40509
(859) 264-7147

MEMBER
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- TENNESSEE STATE BOARD OF ACCOUNTANCY

To the Board of Directors
Jackson Purchase Energy Corporation

I have audited the financial statements of Jackson Purchase Energy Corporation as of and for the year ended December 31, 2006, and have issued my report thereon dated February 1, 2007 I conducted my audit in accordance with generally accepted auditing standards and the standards applicable to financial audits contained in Government Auditing Standards, issued by the Comptroller General of the United States

Compliance

As part of obtaining reasonable assurance about whether Jackson Purchase's financial statements are free of material misstatement, I performed tests of its compliance with certain provisions of laws, regulations, contracts and grants, noncompliance with which could have a direct and material effect on the determination of financial statement amounts However, providing an opinion on compliance with those provisions was not an objective of my audit and, accordingly, I do not express such an opinion The results of my tests disclosed no instances of noncompliance or other matters that are required to be reported under Government Auditing Standards

Internal Control Over Financial Reporting

In planning and performing my audit, I considered Jackson Purchase's internal control over financial reporting in order to determine my auditing procedures for the purpose of expressing my opinion on the financial statements and not to provide an opinion on the internal control over financial reporting My consideration of the internal control over financial reporting would not necessarily disclose all matters in the internal control over financial reporting that might be material weaknesses A material weakness is a condition in which the design or operation of one or more of the internal control components does not reduce to a relatively low level the risk that misstatements caused by error or fraud in amounts that would be material in relation to the financial statements being audited may occur and not be detected within a timely period by employees in the normal course of performing their assigned functions I noted no matters involving the internal control over financial reporting and its operation that I consider to be material weaknesses

This report is intended solely for the information and use of the audit committee, management, the Rural Utilities Service and supplemental lenders, and is not intended to be and should not be used by anyone other than those specified parties

Alan M Zumstein
February 1, 2007

Jackson Purchase Energy

Balance Sheets, December 31, 2006 and 2005

Assets	2006	2005
Electric Plant, at original cost		
In service	$105,262,626	$98,969,450
Under construction	3,204,054	2,858,480
	108,466,680	101,827,930
Less accumulated depreciation	31,714,276	29,579,797
	76,752,404	72,248,133
Investments in Associated Organizations	2,037,879	2,001,351
Current Assets		
Cash and cash equivalents	3,665,763	988,618
Accounts receivable, less allowance for 2006 of $157,214 and 2005 of $147,4485	2,301,010	2,122,726
Accrued unbilled revenue	1,668,277	2,064,940
Material and supplies, at average cost	1,183,096	2,191,946
Other current assets	466,211	497,023
	9,284,357	7,865,253
Deferred charges	1,291,215	1,489,863
Total	$89,365,855	$83,604,600

Members' Equities and Liabilities	2006	2005
Members' Equities		
Memberships	$208,695	$225,625
Patronage capital	34,235,714	34,343,254
	34,444,409	34,568,879
Long Term Debt	46,718 372	41 726,917
Accumulated Postretirement Benefits	861,127	781,235
Current Liabilities		
Current portion of long term debt	2,000,000	1,815,545
Accounts payable	3,140,559	2,854,620
Consumer deposits	1,251,047	987,371
Accrued expenses	756,807	713,464
	7,148,413	6,371,000
Consumer Advances for Construction	193,534	156,569
Total	$89,365,855	$83,604,600

The accompanying notes are an integral part of the financial statements

Statements of Revenue and Patronage Capital

for the years ended December 31, 2006 and 2005

	2006	2005
Operating Revenues	$37,396,373	$37,928,066
Operating Expenses		
Cost of power	23,655,944	23,854,261
Distribution - operations	1,761,777	1,358,619
Distribution - maintenance	3,413,939	3,003,616
Consumer accounts	1,088,682	1,114,604
Consumer service and information	277,667	284,078
Administrative and general	1,992,235	1,786,632
Depreciation, excluding $325,332 in 2006 and $395,452 in 2005 charged to clearing accounts	3,235,100	3,131,797
Taxes	41,657	40,996
Other deductions	15,995	20,236
	35,482,996	34,594,839
Operating Margins before Interest Charges	1,913,377	3,333,227
Interest Charges		
Long-term debt	2,660,517	2,211,585
Other interest	66,911	75,330
	2,727,428	2,286,915
Operating Margins after Interest Charges	(814,051)	1,046,312
Patronage Capital from Associated Organizations	113,228	107,996
Nonoperating Margins, principally interest	593,283	433,143
Net Margins	(107,540)	1,587,451
Patronage Capital - beginning of year	34,343,254	32,755,803
Patronage Capital - end of year	$34,235,714	$34,343,254

The accompanying notes are an integral part of the financial statements

Statements of Cash Flows

for the years ended December 31, 2006 and 2005

	2006	2005
Cash Flows from Operating Activities		
Net margins	($107,540)	$1,587,451
Adjustments to reconcile to net cash provided by operating activities		
Depreciation		
Charged to expense	3,235,100	3,131,797
Charged to clearing	325,332	395,452
Capital credits allocated	(113,228)	(107,996)
Accumulated postretirement benefits	79,892	42,126
Net change in current assets and liabilities		
Receivables	218,379	(141,142)
Material and supplies	1,008,850	(1,144,496)
Other current assets	30,812	(70,868)
Deferred charges	198,648	(439,262)
Accounts payable	285,939	103,411
Consumer deposits	263,676	56,229
Accrued expenses	43,343	236,261
Consumer advances for construction	36,965	29,656
	5,506,168	3,678,619
Cash Flows from Investing Activities		
Construction of plant	(8,123,614)	(7,904,152)
Salvage recovered from plant	58,911	14,384
Receipts from investments, net	76,700	79,489
	(7,988,003)	(7,810,279)
Net Cash Flows from Financing Activities		
Net decrease in memberships	(16,930)	(20,545)
Additional long-term borrowings	5,922,000	5,500,000
Advance payments	1,170,594	89,843
Payments on long-term debt	(1,916,684)	(1,561,912)
	5,158,980	4,007 386
Net increase in cash balances	2,677,145	(124,274)
Cash and cash equivalents - beginning	988,618	1,112,892
Cash and cash equivalents - ending	$3,665,763	$988 618
Supplemental disclosures of cash flow information		
Interest on long-term debt	$2,484,607	$2,139,041

The accompanying notes are an integral part of the financial statements

1 Summary of Significant Accounting Policies

Jackson Purchase maintains its records in accordance with policies prescribed or permitted by the Kentucky Public Service Commission (PSC) and the United States Department of Agriculture, Rural Utilities Service (RUS), which conform in all material respects with generally accepted accounting principles The more significant of these policies are as follows

Electric Plant

Electric plant is stated at original cost, less contributions, which is the cost when first dedicated to public service Such cost includes applicable supervisory and overhead costs There was no interest required to be capitalized on construction for the year

The cost of maintenance and repairs, including renewals of minor items of property, is charged to operating expense The cost of replacement of depreciable property units, as distinguished from minor items, is charged to electric plant The cost of units of property replaced or retired, including cost of removal net of any salvage value, is charged to accumulated depreciation

Electric plant consisted of

	2006	2005
Distribution plant	$98,386,830	$92,371,766
General plant	6,875,796	6,597,684
Total	$105,262,626	$98,969,450

Depreciation

Provision has been made for depreciation on the basis of the estimated lives of assets, using the straight-line method Depreciation rates range from 1 44% to 10 0%, with a composite rate of 3 07% for distribution plant General plant depreciation rates are as follows

Structures and improvements	2 5%
Transportation equipment	10% - 20%
Other general plant	5% - 20%

Estimates

The preparation of financial statements in conformity with generally accepted accounting principles requires management to make estimates and assumptions that affect the reported amounts of assets and liabilities and disclosure of contingent assets and liabilities at the date of the financial statements and the reported amounts of revenues and expenses during the reporting period Actual results could differ from those estimates used in the preparation of the financial statements

Continued

1 Summary of Significant Accounting Policies, continued

Revenue

Jackson Purchase records revenue as billed to its consumers based on monthly meter- reading cycles All consumers are required to pay a refundable deposit, however, it may be waived under certain circumstances Jackson Purchase's sales are concentrated in a six county area of western Kentucky There were no consumers whose individual account balance exceeded 10% of outstanding accounts receivable at December 31, 2006 or 2005 Consumers must pay their bill within 20 days of billing, then are subject to disconnect after another 10 days Accounts are written off when they are deemed to be uncollectible The allowance for uncollectible accounts is based on the aging of receivables

Cost of Power

Jackson Purchase is one of three (3) members of Big Rivers Electric Corporation, Inc (Big Rivers) Under a wholesale power agreement, Jackson Purchase is committed to purchase its electric power and energy requirements from Big Rivers until 2023 The rates charged by Big Rivers are subject to approval of the PSC The cost of purchased power is recorded monthly during the period in which the energy is consumed, based upon billings from Big Rivers

Fair Value of Financial Instruments

Financial instruments include cash, temporary cash investments and long-term debt Investments in associated organizations are not considered a financial instrument because they represent nontransferable interest in associated organizations

The carrying value of cash and temporary cash investments approximates fair value because of the short maturity of those instruments The fair value of long term debt approximates the fair value because of the borrowing policies of Jackson Purchase

Jackson Purchase may, and also does, invest idle funds in NRUCFC commercial paper Investments in commercial paper are classified as held-to-maturity in accordance with Statement of Financial Accounting Standards (SFAS) No 115 Held-to-maturity securities are presented at amortized cost the fair value of held-to-maturity securities approximates cost at 2006 and 2005

Income Tax Status

Jackson Purchase is exempt from federal and state income taxes under provisions of Section 501(c)(12) Accordingly, the financial statements include no provision for income taxes

Statement of Cash Flows

For purposes of the statement of cash flows, Jackson Purchase considers temporary investments having a maturity of three months or less to be cash equivalents

Continued

2 Investments in Associated Organizations

Jackson Purchase records patronage capital assigned by associated organizations in the year in which such assignments are received

The Capital Term Certificates (CTCs) of National Rural Utilities Cooperative Finance Corporation (NRUCFC) are recorded at cost The CTCs were purchased from NRUCFC as a condition of obtaining long-term financing The CTCs bear interest at 3% and 5% and are scheduled to mature at varying times from 2020 to 2080

Investments in associated organizations consisted of

	2006	2005
NRUCFC CTC's	$946,546	$947,373
NRUCFC Patronage capital assigned	40,537	41,636
CoBank, ACB	623,844	613,313
Others	426,952	399,029
Total	$2,037,879	$2,001,351

3 Patronage Capital

Under provisions of the long-term debt agreement, return to patrons of capital contributed by them is limited to amounts which would not allow the total equities and margins to be less than 30% of total assets, except that distributions may be made to estates of deceased patrons The debt agreement provides, however, that should such distributions to estates not exceed 25% of net margins for the next preceding year, Jackson Purchase may distribute the difference between 25% and the payments made to such estates The equity at December 31, 2006 was 39% of total assets

Patronage capital consisted of

	2006	2005
Assigned to date	$34,343,254	$32,755,802
Assignable	(107,540)	1,587,452
Total	$34,235,714	$34,343,254

4 Long Term Debt

All assets, except vehicles, are pledged as collateral on the long-term debt to RUS, Federal Financing Bank (FFB), CoBank, ACB and NRUCFC under a joint mortgage agreement The long term debt is due in quarterly and monthly installments of varying amounts through 2039 Jackson Purchase has loan funds available from RUS in the amount of $2,833,000 RUS assess 12 5 basis points to administer the FFB loans

Continued

4 Long Term Debt, continued

Long Term debt consisted of

	2006	2005
First mortgage notes due RUS		
2% to 5 53%	$28,791,529	$29,546,188
Advance payment	(4,929,856)	(6,100,450)
	23,861,673	23,445,738
First mortgage notes due FFB		
4 101% to 5 158%	17,720,424	12,304,721
First mortgage notes due CoBank, ACB		
4 78% to 6 62%	6,299,598	6,911,143
First mortgage notes due NRUCFC		
5 50%	836,677	880,860
	48,718,372	43,542,462
Less current portion	2,000,000	1,815,545
Long term portion	$46,718,372	$41,726,917

As of December 31, 2006, the annual current portion of long term debt outstanding for the next five years are as follows 2007 - $2,000,000, 2008 - $2,100,000, 2009 - $2,000,000, 2010 - $2,100,000, 2011 - $2,100,000

5 Short Term Borrowings

At December 31, 2006, Jackson Purchase had a short-term line of credit of $5,000,000 available from NRUCFC There were no borrowings against this line of credit during the audit period

6 Pension Plans

All eligible employees of Jackson Purchase participate in the NRECA Retirement and Security Program, a defined benefit pension plan qualified under section 401 and tax-exempt under section 501(a) of the Internal Revenue Code Eligible employees include employees hired prior to January 1, 2006 Non-eligible employees are those hired after January 1, 2006 Jackson Purchase makes annual contributions to the Program equal to the amounts accrued for pension expense Contributions to this plan were $543,867 for 2006 and $502,758 for 2005 In this multiemployer plan, which is available to all member cooperatives of NRECA, the accumulated benefits and plan assets are not determined or allocated separately by individual employer

Continued

6 **Pension Plans, continued**

All eligible union employees participate in the International Brotherhood of Electrical Workers (IBEW) Savings Plan Eligible employees include employees hired prior to January 1, 2006 Non-eligible employees are those hired after January 1, 2006 Jackson Purchase contributes 10% of base wages to the plan Jackson Purchase contributions to the plan totaled $157,275 in 2006 and $150,893 in 2005

7 **Retirement Savings Plan**

Eligible non-union employees are eligible to participate in the NRECA 401(k) Plan Jackson Energy contributes 4% of annual wages to the plan, which totaled $84,365 for 2006 and $72,720 for 2005

Non-eligible employees, as defined above, participate in the savings plan, with Jackson Purchase contributing 14% for non-union employees and 10% for union employees

8 **Postretirement Benefits**

Jackson Purchase sponsors a defined benefit plan that provides medical insurance coverage to retirees The premiums are paid for a maximum of ten years or until age 65, whichever comes first Postretirement benefits are not funded The study had been updated to January 1, 2006

For measurement purposes, a 8 5% annual rate of increase, decreasing by 0 5% per year until 5 5% per year, in the per capita cost of covered health care benefits was assumed The discount rate used in determining the accumulated postretirement benefit obligation was 6 75% and discount rate on expense was 7 0%

The following is a reconciliation of the postretirement benefit obligation

	2006	2005
Postretirement Benefit Obligation		
Balance, beginning of period	$781,235	$739,109
Recognition of components of net periodic postretirement benefit cost		
Service cost	45,000	52,000
Interest cost	39,000	61,100
Amortization of gains or losses	40,500	40,500
	124,500	153,600
Benefits paid to participants	(24,290)	(111,474)
Net change	100,210	42,126
Balance, end of period	$881,445	$781,235

Continued

8 Postretirement Benefits, continued

The funded status of the plan was as follows

	2006	2005
Accumulated postretirement benefit obligation	$635,000	$1,005,135
Plan assets at fair value	-	-
Funded status	635,000	1,005,135
Unrecognized net gain (losses) from changes in assumptions	(209,491)	(223,900)
Accrued postretirement benefit cost	$425,509	$781,235

9 Off Balance Sheet Risk

Jackson Purchase has off balance sheet risk in that they maintain cash deposits in financial institutions in excess of the amounts insured by the Federal Deposit Insurance Corporation (FDIC) At December 31, 2006, the financial institutions reported deposits in excess of the $100,000 FDIC insured limit on several of the accounts Deposits and repurchase agreements in excess of the FDIC limits are 100% secured with collateral from financial institutions

9 Risk Management

Jackson Energy is exposed to various forms of losses of assets associated with, but not limited to, fire, personal liability, theft, vehicular accidents, errors and omissions, fiduciary responsibility, workers compensation, etc Each of these areas is covered through the purchase of commercial insurance

Jackson Purchase has adopted and implemented an Emergency Response Plan, that has been filed with RUS and the Commission This plan has been tested, and in the event of a disaster, will keep the organization functioning

10 Related Party Transactions

Several of the Directors of Jackson Purchase, its President & CEO and another employee are on the Boards of Directors of various associated organizations

11 Commitments

Jackson Purchase has various other agreements outstanding with local contractors Under these agreements, the contractors will perform certain construction and maintenance work at specified hourly rates or unit cost, or on an as needed basis The duration of these contracts are one to three years

Continued

12 Advertising

Jackson Purchase expenses advertising costs as incurred

13 Environmental Contingency

Jackson Purchase from time to time is required to work with and handle PCBs, herbicides, automotive fluids, lubricants and other hazardous materials in the normal course of business As a result, there is the possibility that environmental conditions may arise which would require Jackson Purchase to incur cleanup costs The likelihood of such an event, or the amount of such costs, if any, cannot be determined at this time However, management does not believe such costs, if any, would materially affect Jackson Purchase's financial position or its future cash flows

14 New Accounting Standard

On September 29, 2006, the Financial Accounting Standards Board (FASB) issued Statement of Financial Accounting Standards (SFAS) No 158, Employers' Accounting for Defined Benefit Pension and Other Postretirement Plans - an amendment of FASB Statements No 87, 88, 106 and 132(R) SFAS No 158 requires an employer that sponsors a defined benefit postretirement plan to report the current economic status (the overfunded or underfunded status) of the plan in its balance sheet, to measure the plan assets and plan obligations as of the balance sheet date, and to include enhanced disclosures about the plan The Cooperative will be required to adopt the recognition and disclosure provisions of SFAS No 158 for the fiscal year ending December 31, 2007, and the measurement date provision for the fiscal year ending December 31, 2008 The Cooperative does not anticipate adopting the provisions of SFAS No 158 prior to those periods

Exhibit P

Depreciation Study

USDA Rural Development

United States Department of Agriculture
Rural Development

July 3, 2007

Mr. Gary Joiner, Chairman
Jackson Purchase Energy Corporation
P.O. Box 4030
Paducah, Kentucky 42002-4030

Dear Mr. Joiner:

We have completed the depreciation study of the Jackson Purchase Energy Corporation using historical data of the Corporation from January 1, 1939 through December 31, 2006. The study was conducted jointly by the Rural Utilities Service (RUS) and staff from the Corporation. Please find a copy of the study enclosed.

Two items were noted during the depreciation study field work which have a significant impact on depreciation rates. In a previous study, it was found that Corporation personnel were not properly allocating labor between construction and retirement on their time sheets. This incorrect labor reporting had a significant impact on the depreciation reserves. Proper time reporting was discussed in detail with Corporation staff in July 2002 and the procedures were corrected. During a follow-up review of the labor reporting process in September 2002, it was noted that the Corporation had made considerable improvement in labor reporting for those three months. However, during the current study, our review of labor reporting practices indicated that Corporation personnel reverted to the previous practices of recording labor. Therefore, this study relied on the actual, current labor reporting practices. Second, the Corporation uses a modified vintage system to maintain its Continuing Property Records (CPRs). Plant retired is priced on a first-in, first-out basis using the average price for each annual vintage of additions. The amounts in existence at March 1, 1989, the date of the conversion from assembly units to record units, are considered the first vintage. Once those amounts are completely retired, the remaining 1989 amounts will be retired and then each yearly additions will be retired. Generally, RUS borrowers use a moving average of all years' additions to price retirements rather than a vintage system. Both of these items should be monitored closely for their effects on depreciation rates and reserves.

The Corporation may select from two alternatives for setting depreciation rates at its discretion. The first alternative is that the Corporation may use rates from within the range of rates contained in RUS Bulletin 183-1, Depreciation Rates and Procedures, issued October 28, 1977. No specific RUS approval is required for selecting rates from within the RUS range of rates. The second alternative is that the Corporation may adopt, in their entirety, the rates developed by this study. If neither of these alternatives is adopted, the Corporation should contact RUS as soon as possible.

Based on the information provided in this study, RUS approves the depreciation rates for the primary plant accounts as detailed below:

Account Number	Account Title	Annual Depreciation Rate
362	Station Equipment	1.60%
364	Pole Towers and Fixtures	4.31%
365	Overhead Conductor and Devices	3.59%
366	Conduit	1.69%
367	U/G Conductor and Devices	2.90%
368	Line Transformers	5.31%
369	Services	1.48%
370	Meters	3.99%
371	Installations on Customers' Premises	12.09%
373	Street Lighting and Signal Systems	3.47%

These rates are approved for a five year period beginning January 1, 2007. If the Corporation wishes to continue to utilize depreciation rates that fall outside of RUS' prescribed ranges of rates beyond the five year period, a revised depreciation study updating this information must be performed.

If you have any questions or if we can be of any further assistance, please contact me at (870) 424-7147.

Sincerely,

Anthony S Bunch

ANTHONY S. BUNCH
Field Accountant
Rural Development Utilities Programs

Enclosure

Cc:
Mr. G. Kelly Nuckols, President/CEO
Mr. Chuck Williamson, Vice-President-Finance & Administration

JACKSON PURCHASE ENERGY CORPORATION
PADUCAH, KENTUCKY
(KENTUCKY 20 MCCRACKEN)

DEPRECIATION STUDY
DECEMBER 31, 2006

Performed By:

Robert M. Benson
Anthony S. Bunch
Elizabeth M. Johnston

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INTRODUCTION

We have performed a depreciation study at Jackson Purchase Energy Corporation in Paducah, Kentucky (KY 20). This study was a joint effort between personnel of the Corporation and RUS. The purpose of the study was:

1. To recommend appropriate depreciation rates based on estimates of average-life mortality characteristics and net salvage that will fully recover the cost of the property, adjusted for net salvage, over its estimated life.

2. To determine the adequacy of the book reserve for depreciation at a point in time by comparing it with a theoretical reserve based on the same average lives, mortality characteristics, and net salvage as used to determine the recommended depreciation rates.

3. To determine, if necessary, some method to adjust the book reserve for past over or under-accruals as indicated by comparison with the theoretical depreciation reserve calculation.

4. To review in detail the history, status, procedures, and policies of the Corporation's depreciation functions, records, and operating techniques.

Since there are many factors affecting estimates of depreciation rates and accrued depreciation and these factors are constantly changing, a depreciation study represents only the best judgment at the time the study is made. Actual results may vary from the forecasts and variations may be material. A review of depreciation should be made at least every five years so that the Corporation's depreciation practices reflect these changes.

SUMMARY

The overall results of the study indicate a proposed change to depreciation rates that will increase annual depreciation expense by approximately $469,766, when compared to the rates used by the Corporation during 2006. These rates were implemented January 1, 2002 as the result of a depreciation study conducted by RUS and KY20 personnel. The rates implemented in 2002 replaced rates implemented by order of the Kentucky Public Service Commission (PSC) in Case No. 2000-527. This order reversed a prior PSC order of May 6, 1998 which implemented much higher depreciation rates based on a previous depreciation study.

Our study included a review of construction and retirement activity for distribution plant from inception (1939) through December 31, 2006. Prior to March 1989, the Corporation maintained its continuing property records (CPRs) on an assembly-unit basis. In March 1989, the Corporation converted its CPRs to a record-unit basis. The record-unit basis of maintaining CPRs is in accordance with the Uniform System of Accounts as issued by the Rural Utilities Service. The CPRs, having been maintained on an assembly-unit basis prior to March 1989, presented obstacles to conducting this study. There were considerably more units on the assembly-unit method and the conversion to record units sometimes resulted in several different record units from a single assembly unit. Additionally, at the time the conversion was made, dollar amounts were transferred among certain distribution plant accounts. Because of the complexity of the conversion of the assembly-unit method to record units, it was decided to perform this study as a combination of both the dollar method and unit method. Either of these conventions is accepted for depreciation studies.

General ledgers were available from 1939 for each individual plant account. Dollar additions and retirements data were collected from the general ledgers for use in the study. Additions and retirements on a unit basis were available from the CPRs back to 1939 for most items. This was on both an assembly-unit and record-unit basis. For those items that converted directly from assembly units to record units, the unit data was used in this study. For those other items that did not convert so readily, the dollar method was utilized.

The Corporation presently prices retirements using a first-in first-out vintage system where the items in service at March 1, 1989, the time of the conversion to record units, are considered the first vintage. Once all items from the pre-March 1989 era are retired, then the remaining year 1989 vintage will be retired and then each subsequent year additions will be retired. Although the Corporation is maintaining CPRs on a vintage basis for additions, no association of retirements is made to the year installed. Therefore, the Corporation does not have true vintage property records. This retirement pricing method results in less dollars being retired for current retirements than most other RUS borrowers that use the current moving average cost method for pricing retirements. This first-in first-out vintage method of pricing retirements results in a higher negative net salvage as a percentage of plant retired than the moving average method would and, therefore, higher depreciation rates.

This study was performed utilizing the "Iowa Type Survivor Curves". These curves are frequently used by utilities for analyzing depreciation of property recorded on a mass unit basis. The curves analyze the life of mass property accounted for on the vintage basis. Vintage accounting is a system where plant is accounted for by year of installation and its life is identified as such through retirement. Since vintage accounting is not required by the uniform system of accounts, this type of record was not maintained for the mass plant items. Our study therefore used the technique of creating simulated plant records on a vintage basis.

The computer program that was utilized incorporates the Simulated Plant Record (SPR) method of analyzing data. Studies have shown that mass property kept on a vintage record basis generally fits the pattern of one of 31 Iowa survivor curves. Through additional studies it has been shown that, if plant is retired but not recorded on a vintage basis, it would still follow the pattern of one of these 31 curves. The SPR method of analyzing data tests the additions, retirements, and plant balances for each year to fit the data to the best curve for analysis.

The study of depreciation also utilizes the estimates of net salvage for the primary plant accounts. Net salvage is the result of combining salvage received for plant removed from service and the cost of removal. The Corporation maintains depreciation reserves for each of its distribution plant accounts. To calculate the net salvage percentages used in the depreciation study, an analysis of the RUS Form 7, Financial and Statistical Report, was made for the period 1989 through 2006. As a supplement to the RUS Form 7, the Corporation maintains detailed plant account and reserve data for the Kentucky Public Service Commission. This data was used along with the RUS Form 7 data. However, based on the Corporation's FIFO vintage CPRs and its method of recording and accounting for labor, the determination was made that the calculated net salvage percentages resulted in inappropriate depreciation rates. Generally the net salvage component of depreciation is derived by dividing the salvage estimate by the respective plant balance. However, two problems are noted in applying this methodology in Jackson Purchase's case and these problems would result in inaccurate depreciation rates and improper allocation of costs. The first problem is the Corporation's use of its hybrid FIFO/vintage method of pricing retirements. The second problem is its practices of time reporting and resulting accounting for labor associated with capitalized projects and costs of removal. Therefore, for the purposes of this study and developing depreciation rates that reflect a proper allocation of costs for Jackson Purchase, techniques were developed to calculate the net salvage percentages which result in the most appropriate measure of depreciation. (Refer to Exhibit B, Net Salvage Study.)

The prior depreciation study net salvage percentages were adjusted due to the fact that labor allocations between construction and retirement were not proper. The Corporation was overallocating time to cost of removal on the basis of what appeared to be arbitrary allocation of time between construction and removal. Prior to completion of the 2002 study, the Corporation was requested to maintain specific detail of time by the outside crews on the time sheets and this was done for latest period. At the conclusion of the test period, it was determined that the Corporation had changed its labor reporting to result in a proper allocation of labor between construction and retirement. Net salvage percentages were adjusted to reflect the proper allocation of labor between construction and retirement. This resulted in a substantial decrease in the annual depreciation accrual. However, during the current study, an analysis of the depreciation reserve and labor reporting during the time period from 2002 through 2006 indicated that in fact the time reporting changes initiated during our last visit in 2002 to correct labor reporting was in fact short lived and not maintained through 2006. Time reporting reverted to an arbitrary percentage allocation. Thus, the actual results of the current net salvage study, which was calculated based on actual cost of removal, salvage, and original cost of plant retired, resulted in high negative net salvage percentages. The current net salvage component is based on the time reporting practices currently in use. As time reporting has a significant effect on the value of plant and depreciation rates, the Corporation should take steps to improve its time reporting practices.

Due to the fact that in future years, plant retired will be priced at higher prices, because of the hybrid FIFO vintage method, adjustments were made to the net salvage study to more properly reflect the expected results in the upcoming years. Our estimate for net salvage is a composite percentage based on the relative expected cost to remove each vintage. This methodology will need to be closely reviewed and adjusted as necessary in future depreciation studies.

For this study we utilized the whole life technique. The whole-life technique bases the depreciation rate on the estimated average service life of the plant category. Whole-life depreciation results in the allocation of a gross plant base over the total life of the investment. To the extent that the estimated average service life or net salvage assumption assigned turns out to be incorrect, the whole-life technique will result in a depreciation reserve imbalance. However, when a depreciation reserve excess or deficiency is reasonably certain, the whole-life technique may be modified to include an adjustment to the accrual rate designed to eliminate the reserve imbalance in the future.

Thus, when utilizing the whole-life method of accounting for depreciation, it is necessary to determine the adequacy of the depreciation reserve for each account. (Refer to Exhibit C, Comparison of Computer Calculated Depreciation Reserve to Actual Book Reserve.)

The depreciation reserve maintained by the Corporation as of December 31, 2006 was on an account level. The Kentucky Public Service Commission requires that an individual depreciation reserve be maintained for each plant account. This was not always the case for the Corporation and, when individual depreciation reserves were established, it was accomplished based on a percentage of the plant account balance at the time. (Refer to Exhibit D, Computed Annual Depreciation Rate for Property Group.)

By simulating the plant balances and the depreciation reserve and allocating the net salvage, we were able to develop the average plant lives and calculate the plant balances, reserve balances, and annual depreciation accruals for distribution assets in service.

The most likely retirement patterns and average service lives were developed based on the SPR analysis. This information was then analyzed for appropriateness and a curve and service life were selected for each account. (Refer to Exhibit A, SPR Results.)

The simulated plant method indicated that for the year ended December 31, 2006 the annual composite depreciation rate for distribution plant should be 3.69% and the depreciation reserve should be $33,278,723. The Corporation's present composite rate for distribution plant is 3.25% and the depreciation reserve for distribution plant per the books at December 31, 2006 was $28,496,721.

The Cooperative's total current annual depreciation expense accrual for distribution plant is $3,147,142. The proposed rates would yield an annual depreciation accrual of $3,616,908, or $469,766 more than the current rate.

Following is a summary of the proposed composite depreciation rates, current rates and the RUS recommended maximum and minimum rates for distribution plant:

Jackson Purchase Energy Corporation
Summary

Plant Account	Proposed Rate	Current Rate	RUS Low	RUS High
Distribution				
362 Substations	1.60%	1.53%	2.7	3.2
364 Poles Towers and Fixtures	4.31%	4.19%	3.0	4.0
365 O/H Conductor and Devices	3.59%	3.47%	2.3	2.8
366 Conduit	1.69%	1.77%	1.8	2.3
367 U/G Conductor and Devices	2.90%	3.19%	2.4	2.9
368 Line Transformers	5.31%	2.75%	2.6	3.1
369 Services	1.48%	2.23%	3.1	3.6
370 Meters	3.99%	4.34%	2.9	3.4
371 Installation on Customer's Premises	12.09%	6.42%	3.9	4.4
372 Leased Property	0.00%	10.00%	3.6	4.1
373 Street Lights	3.47%	1.44%	3.8	4.3

1. The "Proposed" rates are the rates determined from this depreciation study.

2. The "Current" rates are those currently in effect at the Corporation as of the date of this study. These rates were implemented January 1, 2001 resulting from the prior depreciation study conducted by RUS and KY20.

3. The RUS "High and Low" ranges of rates are those included in RUS Bulletin 183-1, Depreciation Rates and Procedures. As per the Bulletin, rates may be selected from within the range of rates without prior RUS approval. The bulletin, however, also provides for rates higher or lower than those in the range when supported by an RUS approved depreciation study.

As noted above, the whole-life technique was used for allocating the gross cost of plant over the estimated useful life. To the extent the previous estimates of average life, salvage, or cost of removal were incorrect, this would cause an imbalance in the accumulated depreciation reserve. The theoretical reserve balance was, therefore, compared to the actual recorded reserve balance. The reserve imbalance at December 31, 2006 was $4,782,002. The differences between the book reserves and the theoretical reserves are being amortized over the remaining useful life by functional groups. The amortization of the reserve imbalances over the remaining lives of the plant was included in the proposed depreciation rates. (Refer to Exhibit C, Comparison of Computer Calculated Depreciation Reserve to Actual Book Reserve, and Exhibit D, Computed Annual Depreciation Rate for Property Group.)

The study findings are based on many factors and assumptions that were discussed with the Corporation's personnel during our visit. Any changes in the assumptions could significantly impact the results of the study findings. In the future, as plant is added and retired and methods and technology change, appropriate revisions to the study findings may be necessary. The Corporation should consider the effects of such changes on an ongoing basis.

ANALYSIS OF DISTRIBUTION ACCOUNTS:

(Note: During the study it was necessary to merge accounts with minimal activity but with similar life characteristics in order to get statistically valid results. Such accounts are listed below with multiple descriptions following a single account number.)

Account 362 – Substations

The account has a plant balance of $12,008,367.10, which is 12.23% of total distribution plant as of December 31, 2006.

Using the simulated plant method with the Iowa curves, the average service life of assets within Account 362, Substations, is 42 years. The specific curve selection can be found in Exhibit A. The composite depreciation rate was calculated to be 1.60% compared to the current composite rate of 1.53%.

The proposed rate of 1.60% would yield a depreciation expense of $192,051.12. The current rate of 1.53% yields a depreciation expense of $183,728.02 for an increase in annual depreciation expense for this account of $8,323.10.

The estimated net salvage for this account is positive 27.38 percent. A positive net salvage is the result of the salvage value of retired assets exceeding the cost of removing them. The net salvage percentage was derived through an analysis of both gross salvage and cost of removal for a five-year period ending December 31, 2006. (See Exhibit B for complete details.)

Account 364 - Poles, Towers and Fixtures

The account has a plant balance of $28,486,552.14, which is 29.02% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
364.1 Poles	$18,471,716.24	64.84%
364.2 Anchors & Guys	5,647,812.71	19.83%
364.3 Crossarms	4,367,023.19	15.33%
Totals	$28,486,552.14	100.00%

Using the simulated plant method with the Iowa curves, the average service life of assets within Account 364, Poles Towers and Fixtures, is 36 years. For this account, unit data for both poles and anchors & guys was utilized to obtain the optimization calculations. In addition, the dollar-unit basis was utilized to obtain optimization calculations for account 364 as a whole (which included poles, anchor guys, and crossarms.) Based on the results of these calculations, it was determined that the curve and life selection generated by the pole analysis on a unit basis yielded the most valid results. This curve and life was then applied to the entire account on a dollar basis. As noted above, the poles units constitute 64.84 percent of account 364. The anchor guy units, which represent 19.83 percent of the account, had a similar result to the poles. Therefore, the curve and life selection were applied to the overall account. The composite depreciation rate was calculated to be 4.31% compared to the current composite rate of 4.19%.

The proposed rate of 4.31% would yield a depreciation expense of $1,228,878.55.
The current rate of 4.19% yields a depreciation expense of $1,193,586.53 for an increase in annual depreciation expense for this account of $35,292.01.

The estimated net salvage for assets within this account is negative 49.17 percent. A negative salvage rate is the result of the cost of removal exceeding the salvage. The net salvage percentage was derived through an analysis of both gross salvage and cost of removal for a ten-year period ending December 31, 2006. The net salvage percentage was adjusted to reflect the effect of the FIFO vintage method of maintaining CPRs. (See Exhibit B for complete details.)

The Corporation had an unusual situation in 1989-1990 when it purchased and installed approximately 4,000 poles that were of a poor quality and had to be replaced within a very short period of time. Owing to this unusual one-time event, data for both dollars and units relative to these poles were deleted from both additions and retirements during 1991 through 1995 for purposes of the study.

Jackson Purchase Energy Corporation
Analysis of Accounts

Account 365 - Overhead Conductors and Devices

The account has a plant balance of $17,054,966.32, which is 17.37% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
365.1 Copper wire	$145,453.44	0.85%
365.2 Aluminum wire	11,064,150.23	64.87%
365.3 Grounds	1,717,982.11	10.07%
365.4 Insulator strings	1,928,239.42	11.31%
365.5 Switches	1,317,229.37	7.72%
365.6 Cutouts and arresters	881,911.75	5.17%
Totals	$17,054,966.32	100.00%

Using the simulated plant method with the Iowa curves, the average service lives of assets within Account 365, Overhead Conductors and Devices, range from 25 years to 47 years. The specific curve selection for each account listed above can be found in Exhibit A. The composite depreciation rate was calculated to be 3.59% compared to the current composite rate of 3.47%.

The proposed rate of 3.59% would yield a depreciation expense of $612,166.89. The current rate of 3.47% yields a depreciation expense of $591,807.33 for an increase in annual depreciation expense for this account of $20,359.56.

The estimated net salvage for assets within this account is negative 33 percent. A negative salvage rate is the result of the cost of removal exceeding the salvage. The net salvage percentage was derived through an analysis of both gross salvage and cost of removal for a ten-year period ending December 31, 2006. The net salvage percentage was adjusted to reflect the effect of the FIFO vintage method of maintaining CPRs. (See Exhibit B for complete details.)

The Corporation serves approximately 28,000 customers and has approximately 3,000 miles of line which is a mixture of 1-phase and 3-phase. About 500 customers are added annually. The wire is predominantly ACSR as indicated by the above totals. The current work plan indicates that approximately 500 miles of copper wire and 500 miles of #4 ACSR will be replaced in the next 4 years.

Account 366 – Conduit

The account has a plant balance of $4,106,734.85, which is 4.18% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
366.1 Conduit	$3,848,148.05	93.70%
366.2 Enclosures and covers	258,586.80	6.30%
Totals	$4,106,734.85	100.00%

Using the simulated plant method with the Iowa curves, the average service life of assets included in Account 366, Conduit, is 58 years. The specific curve selection for each account listed above can be found in Exhibit A. The composite depreciation rate was calculated to be 1.69% compared to the current composite rate of 1.77%

The proposed rate of 1.69% would yield a depreciation expense of $69,280.71. The current rate of 1.77% yields a depreciation expense of $72,689.21. This gives a decrease in depreciation expense for this account of $3,408.49 per year.

The net salvage for this account is negative 2.60%. A negative net salvage is the result of the cost of removal exceeding the salvage value of retired plant. The net salvage percentage was derived through an analysis of both gross salvage and cost of removal for a ten-year period ending December 31, 2006. The net salvage percentage was adjusted to reflect the effects of the FIFO vintage method of maintaining CPRs. (Refer to Exhibit B for an analysis of net salvage.)

Jackson Purchase Energy Corporation
Analysis of Accounts

Account 367 - Underground Conductors and Devices

The account has a plant balance of $9,423,486.53, which is 9.60% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
367.1 Cable	$5,846,080.62	62.04%
367.2 Termination	1,748,371.48	18.55%
367.3 Switching Equipment	817,647.07	8.68%
367.4 Pads	1,011,367.36	10.73%
367.5 Conduit riser	0.00	0.00%
Totals	$9,423,466.53	100.00%

Using the simulated plant method with the Iowa curves, the average service lives of assets included in Account 367, Underground Conductors and Devices, range from 25 to 35 years. The specific curve selection for each account listed above can be found in Exhibit A. The composite depreciation rate was calculated to be 2.90% compared to the current composite rate of 3.19%

The proposed rate of 2.90% would yield a depreciation expense of $273,215.99. The current rate of 3.19% yields a depreciation expense of $300,608.58. This gives a decrease in depreciation expense for this account of $27,392.59 per year.

The net salvage for this account is negative 2.40%. A negative net salvage is the result of the cost of removal exceeding the salvage value of retired plant. The net salvage percentage was adjusted to reflect the effects of the FIFO vintage method of maintaining CPRs. (Refer to Exhibit B for an analysis of net salvage.)

The majority of the old specification (old spec) underground cable that has caused the Corporation problems has been replaced with new jacketed cable. Any remaining old spec cable will be replaced in the near future. At this time, the reserve appears to be sufficient to cover this replacement but should be monitored as the replacement program proceeds.

Account 367.5, conduit riser, balance was moved to account 366.

Jackson Purchase Energy Corporation
Analysis of Accounts

Account 368 - Line Transformers

This account has a plant balance of $15,623,839.04, which is 15.92% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
368.1 Transformers	$13,329,066.81	85.31%
368.2 Cutouts and arresters	1,928,406.42	12.34%
368.3 Capacitors	62,176.06	0.40%
368.4 Regulators	304,189.75	1.95%
Totals	$15,623,839.04	100.00%

Using the simulated plant method with the Iowa curves, the average service life of assets in Account 368, Line Transformers, is 38 years. For purposes of the depreciation study, the model was run on this account entirely on a dollars basis. The specific curve selection for the account can be found in Exhibit A. The composite depreciation rate was calculated to be 5.31% compared to the current composite rate of 2.75%.

The proposed rate of 5.31% would yield a depreciation expense of $829,658.18. The current rate of 2.75% yields a depreciation expense of $429,655.57 for an increase in annual depreciation expense for this account of $400,002.61.

The estimated net salvage for this account is negative 58.49%. A negative net salvage rate is the result of the cost of removal exceeding the salvage value of retired plant. The net salvage percentage was adjusted to reflect the effects of the FIFO vintage method of maintaining CPRs. (Refer to Exhibit B for an analysis of net salvage.)

The Corporation accounts for the retirement of transformers differently than most rural electric cooperatives. As special equipment items, only the initial installation is capitalized. Subsequent retirements and installations are charged to expense. However, the Corporation records an entry transferring an amount from expense to the depreciation reserve when a transformer is permanently removed from service. Very few rural electric cooperatives record this journal entry. Although this entry results in a more proper accounting for the removal of plant, it does result in a substantially higher cost of removal and thus a higher net salvage percent. The higher net salvage percent results in much higher depreciation rates for this account.

The Corporation purchases line transformers using a least-loss evaluation criteria. An effort is being made to more efficiently manage transformer loading by changing out transformers that are over- or under-sized for their current load.

Account 369 - Services

The account has a plant balance of $6,468,810.85, which is 6.59% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
369.1 Overhead Services	$1,643,334.31	25.40%
369.2 Underground Services	4,825,476.54	74.60%
Totals	$6,468,810.85	100.00%

Using the simulated plant method with the Iowa curves, the average service life of assets in Account 369, Services, is 40 years for overhead and 55 years for underground. The specific curve selection for each account listed above can be found in Exhibit A. The composite depreciation rate was calculated to be 1.48% compared to the current composite rate of 2.23%.

The proposed rate of 1.48% would yield a depreciation expense of $95,819.33. The current rate of 2.23% yields a depreciation expense of $144,254.48 for a decrease in annual depreciation expense for this account of $48,435.15.

The estimated net salvage is a negative 32.63% for the overhead service and 0% for underground services.. A negative net salvage rate is the result of the salvage value of retired plant being less than the cost of removal. Zero is used for underground since the cable is abandoned in the ground. (Refer to Exhibit B for an analysis of net salvage.)

Account 370 – Meters

The account has a plant balance of $2,934,243.34 which is 2.99% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
370.1 Meters	$1,792,432.32	61.09%
370.2 Sockets	1,141,811.02	38.91%
Totals	$2,934,243.34	100.00%

Using the simulated plant method with the Iowa curves, the average service life of assets in this account is 28 years. The specific curve selection for the account can be found in Exhibit A. The composite depreciation rate was calculated to be 3.99% compared to the current composite rate of 4.34%.

The proposed rate of 3.99% would yield a depreciation expense of $117,020.39. The current rate of 4.34% yields a depreciation expense of $127,346.16 for a decrease in annual depreciation expense for this account of $10,325.77.

The estimated net salvage for this account is projected to be a negative 6.81%. Although meters are special equipment items that do not have a cost of removal charged to the depreciation reserve, a small amount is charged to the depreciation reserve for non special equipment items maintained in this account. Also, Corporation accounting for meters is similar to that of transformers in that an amount is transferred from expense to the depreciation reserve when a meter is retired for the final time. (Refer to Exhibit B for an analysis of net salvage.)

The Corporation is in the early stages of implementing an automatic meter reading system. The implementation of such a system could have a substantial impact on the depreciation rates for this account. This situation should be monitored very closely in the future and rates should be adjusted to reflect the implementation of the automatic meter reading system, if necessary.

Account 371 – Installation on Customer's Premises

The account has a balance of $1,484,793.67, which is 1.51% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
371.1 Security lights	$1,399,605.27	94.30%
371.2 Generator	85,188.40	5.70%
	$1,484,793.67	100.00%

Using the simulated plant method with the Iowa curves, the average service life of the assets in this account is 24 years. The specific curve selection for this account can be found in Exhibit A. The composite depreciation rate was calculated to be 12.09% compared to the current composite rate of 6.42%.

The proposed rate of 12.09% would yield a depreciation expense of $179,450.43. The current rate of 6.42% yields a depreciation expense of $95,323.75 for an increase in annual depreciation expense for this account of $84,126.67.

The estimated net salvage for this account was determined to be negative 90.42%. This results from cost of removal of these items exceeding the salvage value of the retired items. The net salvage percentage was adjusted to reflect the effects of the FIFO vintage method of maintaining CPRs. (Refer to Exhibit B for an analysis of net salvage.)

This account includes only security lights installed on customers' premises and excludes the poles and wire associated with the security lights. The poles and wire are included in accounts 364 and 365, respectively. The security lights include both mercury vapor and high-pressure sodium with no problems being experienced with either type.

The generator included in this account is the one from account 372 in the prior study. This item was moved to this account during the current study period along with the related accumulated depreciation.

There is a substantial increase in the depreciation rate for this account. The net salvage study resulted in a much higher negative amount due to the fact that the price of the security lights for the vintages subsequent to 1989 are lower. The fact that the price of security lights has decreased over the years means that the net salvage percent will increase as these lower priced lights are retired.

Account 372 – Leased Property

This account has a balance of $1,047.60. The only items in this account are some temporary services. The depreciation reserve, per the Corporation's general ledger for this account, is a negative $101,973. This resulted from the retirement of temporary services which were previously included in this account. On Schedule C, this deficiency was taken from Account 369 since this account was significantly over-depreciated. The balances in this account for both plant and accumulated depreciation should be moved to account 369 and the related depreciation reserve. That will result in the balances for account 372 being zero.

Account 373 – Street Lights

The account has a plant balance of $558,137.96, which is .57% of total distribution plant as of December 31, 2006.

Description	Value	% of Account
373.1 Street lights	$558,137.96	100.00%

Using the simulated plant method with the Iowa curves, the average service life of assets in this account is 42 years. The specific curve selection for the account can be found in Exhibit A. The composite depreciation rate was calculated to be 3.47% compared to the current composite rate of 1.44%.

The proposed rate of 3.47% would yield a depreciation expense of $19,365.96. The current rate of 1.44% yields a depreciation expense of $8,037.19 for an increase in annual depreciation expense for this account of $11,328.78.

The estimated net salvage for this account is projected to be a negative 36.06%. A negative net salvage results when the cost of removing the plant exceeds the gross salvage of the retired plant. The net salvage percentage was adjusted to reflect the effects of the FIFO vintage method of maintaining CPRs. (Refer to Exhibit B for an analysis of net salvage.)

SPR Results

Account Number	Property Group Name	Analysis Method	Iowa Curve	Average Service Life Years	Composite Remaining Life	Net Salvage Value	Conformance Index	Retirement Exper. Index
Distribution Plant:								
362.1	**Substations**	S	L 0	42	34	27.38	37.52	73.80
364.1	**Poles, Towers & Fixtures**	S	L 0	36	28	(49.17)	14.82	81.92
365.1	**Copper Wire**	S	L 0	35	16	(33.00)	23.53	83.54
365.2	**Aluminum Wire**	S	L 1	47	30	(33.00)	10.57	63.90
365.3	**Grounds**	S	L 0	37	26	(33.00)	45.50	80.56
365.4	**Insulator Strings**	S	L 3	28	14	(33.00)	15.91	100.00
365.5	**Switches**	S	S 1.5	30	16	(33.00)	42.77	90.65
365.6	**Cutouts and Arresters**	J		25	15	(33.00)		
366.1	**Conduit**	S	S C	58	54	(2.60)	18.39	30.70
366.2	**Covers**	J	S C	58	53	(2.60)	0.37	20.30
367.1	**Cable**	S	S 1	35	25	(2.40)	107.87	58.13
367.2	**Terminators**	S	R 1	28	22	(2.40)	53.79	65.00
367.3	**Switching Equipment**	S	R 4	25	14	(2.40)	38.12	100.00
367.4	**Pads**	S	R 1	35	28	(2.40)	81.30	49.19
367.5	**Conduit Risers**	Moved to account 366.1, conduit						
368.1	**Transformers**	S	R 1.5	38	25	(58.49)	63.53	89.13
369.1	**O/H Services**	S	L 0	40	23	(32.63)	12.26	91.42
369.2	**U/G Services**	S	R 2.5	55	42	0.00	58.62	18.51
370.1	**Meters**	S	R 2.5	28	14	(6.81)	18.26	100.00
371.1	**Security Lights**	S	S C	24	14	(90.42)	13.45	94.80
372.1	**Leased Property**	Moved to account 371.1						
373.1	**Street Lights**	S	R 2	42	33	(36.06)	51.57	84.06

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Net Salvage Study

The amounts used for net salvage percentages used in calculating depreciation rates for the Corporation were calculated as follows:

Account 362 used a historical analysis of the past 17 years to calculate a rate. Since account 362 is a substantially different account than the other distribution accounts a different methodology was used in calculating the net salvage rate. This methodology was consistent with that used in the prior depreciation study.

For the other distribution plant accounts, in order to adjust for the fact that the FIFO vintage method of maintaining CPRs used by the Corporation, items retired in 2006 were repriced at each of the vintages maintained in the CPRs. The net salvage percentage for each of the 19 vintages was then averaged to come up with the net salvage percentage used for this depreciation study.

The following schedule details the methodology for calculating the net salvage percentage for each account.

	Account 364 2006 retirements priced at vintage	Annual Net Salvage Percentage	Account 365 2006 retirements priced at vintage	Annual Net Salvage Percentage	Account 366 2006 retirements priced at vintage	Annual Net Salvage Percentage	Account 367 2006 retirements priced at vintage	Annual Net Salvage Percentage
1988	$158,282.52	-136.62%	$114,959.19	-62.83%	$468.16	-5.98%	$21,081.33	-1.95%
1989	374,098.17	-57.81%	168,785.42	-42.79%	1,214.40	-2.31%	13,961.28	-2.95%
1990	398,341.16	-54.29%	196,036.33	-36.84%	1,214.40	-2.31%	14,399.96	-2.86%
1991	404,228.16	-53.50%	191,632.81	-37.69%	1,214.40	-2.31%	14,633.60	-2.82%
1992	390,033.69	-55.44%	188,711.68	-38.27%	1,214.40	-2.31%	15,217.41	-2.71%
1993	492,895.03	-43.87%	212,729.49	-33.95%	1,214.40	-2.31%	15,058.36	-2.74%
1994	514,722.47	-42.01%	221,451.57	-32.62%	1,939.52	-1.44%	15,733.08	-2.62%
1995	448,405.07	-48.23%	178,580.53	-40.45%	1,682.56	-1.66%	17,688.37	-2.33%
1996	525,980.90	-41.11%	286,457.23	-25.21%	2,013.44	-1.39%	22,005.73	-1.87%
1997	451,682.01	-47.88%	248,675.98	-29.04%	6,392.32	-0.44%	19,881.79	-2.07%
1998	495,613.84	-43.63%	257,270.52	-28.07%	1,436.16	-1.95%	18,690.94	-2.20%
1999	494,267.65	-43.75%	241,305.47	-29.93%	894.08	-3.13%	18,486.54	-2.23%
2000	420,779.51	-51.39%	222,129.46	-32.52%	1,510.08	-1.85%	17,390.74	-2.37%
2001	507,777.49	-42.59%	233,233.30	-30.97%	1,112.32	-2.52%	16,458.53	-2.50%
2002	594,333.28	-36.39%	271,561.82	-26.60%	1,182.72	-2.37%	22,212.16	-1.85%
2003	650,214.16	-33.26%	302,624.45	-23.87%	343.55	-8.15%	23,181.13	-1.78%
2004	553,352.79	-39.08%	285,496.47	-25.30%	748.24	-3.75%	24,147.25	-1.71%
2005	572,355.51	-37.78%	273,992.13	-26.36%	1,175.68	-2.38%	21,913.37	-1.88%
2006	845,797.46	-25.57%	304,545.10	-23.72%	1,362.24	-2.06%	25,711.91	-1.60%
Average net salvage percentage		-49.17%		-33.00%		-2.60%		-2.40%
Cost of remo	235,163.00		122,912.00		87.00		10,523.00	
Salvage	18,913.00		50,685.00		59.00		10,111.00	
Net salvage	(216,250.00)		(72,227.00)		(28.00)		(412.00)	

	Account 368 2006 retirements priced at vintage	Annual Net Salvage Percentage	Account 369 2006 retirements priced at vintage	Annual Net Salvage Percentage	Account 370 2006 retirements priced at vintage	Annual Net Salvage Percentage	Account 371 2006 retirements priced at vintage	Annual Net Salvage Percentage	Account 373 2006 retirements priced at vintage	Annual Net Salvage Percentage
1988	$224,211.36	-68.60%	$8,660.90	-84.89%	$25,318.53	-12.64%	$24,102.96	-87.96%	$663.27	-27.74%
1989	245,535.74	-62.64%	19,183.72	-38.32%	43,912.29	-7.28%	19,833.56	-106.89%	663.27	-27.74%
1990	256,482.33	-59.97%	21,034.03	-34.95%	49,245.06	-6.50%	21,752.90	-97.46%	663.27	-27.74%
1991	262,302.76	-58.64%	19,937.60	-36.88%	47,901.68	-6.68%	22,109.80	-95.89%	663.27	-27.74%
1992	252,481.34	-60.92%	19,420.65	-37.86%	46,470.34	-6.88%	22,271.61	-95.19%	663.27	-27.74%
1993	261,790.90	-58.75%	23,689.51	-31.03%	48,294.60	-6.62%	23,198.39	-91.39%	663.27	-27.74%
1994	271,359.28	-56.68%	23,630.99	-31.11%	47,672.15	-6.71%	23,490.54	-90.25%	663.27	-27.74%
1995	257,314.68	-59.76%	23,032.98	-31.92%	41,079.93	-7.79%	22,216.57	-95.42%	412.89	-44.56%
1996	260,540.21	-59.04%	25,409.42	-28.93%	51,017.78	-6.27%	23,255.95	-91.16%	412.89	-44.56%
1997	257,493.56	-59.73%	25,462.98	-28.87%	49,034.04	-6.52%	24,036.12	-88.20%	412.89	-44.56%
1998	269,420.49	-57.09%	26,073.45	-28.20%	51,928.72	-6.16%	25,310.31	-83.76%	412.89	-44.56%
1999	263,714.18	-58.32%	25,537.23	-28.79%	42,698.93	-7.49%	23,947.99	-88.53%	412.89	-44.56%
2000	256,414.58	-59.98%	21,671.63	-33.92%	53,412.85	-5.99%	22,031.96	-96.22%	435.14	-42.29%
2001	267,167.02	-57.57%	26,870.78	-27.57%	56,238.17	-5.69%	22,664.25	-93.54%	435.14	-42.29%
2002	280,661.35	-54.80%	29,791.26	-24.68%	50,989.94	-6.27%	23,723.30	-89.36%	435.14	-42.29%
2003	271,902.17	-56.57%	30,785.12	-23.88%	49,283.40	-6.49%	26,837.13	-79.00%	435.14	-42.29%
2004	260,936.61	-58.95%	26,223.71	-28.04%	54,069.49	-5.92%	24,073.62	-88.06%	435.14	-42.29%
2005	271,684.16	-56.61%	33,199.36	-22.15%	57,076.65	-5.60%	25,025.08	-84.72%	638.44	-28.82%
2006	329,836.53	-46.63%	40,558.81	-18.13%	53,973.68	-5.93%	28,264.61	-75.01%	659.57	-27.90%
Average net salvage percentage		-58.49%		-32.63%		-6.81%		-90.42%		-36.06%
Cost of remo	177,255.00		20,947.00		3,244.00		23,615.00		184.00	
Salvage	23,445.00		13,595.00		45.00		2,415.00		0.00	
Net salvage	(153,810.00)		(7,352.00)		(3,199.00)		(21,200.00)		(184.00)	

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Comparsion of Computer Calculated Depreciation Reserve (Including Net Salvage) to Actual Book Reserve

Account Number	Property Group Name	Computer Calculated Reserve	Actual Book Reserve	Difference Computer To Book	Composite Remaining Life	Amortization of Reserve (Excess)/Deficiency
Distribution Plant:						
362.1	Substations	$665,415.46	$1,264,923.01	($599,507.55)	34	($17,575.71)
364.1	Poles, Towers & Fixtures	11,996,242.93	10,628,841.71	1,367,401.22	28	48,506.61
365.1	Copper wire	367,803.41				
365.2	Aluminum Wire	3,847,741.10				
365.3	Grounds	328,413.72				
365.4	Insulator String	1,002,647.85				
365.5	Switches	772,564.54				
365.6	Cutouts and Arresters	282,211.52	5,642,593.18	958,788.96	26	36,881.02
366.1	Conduit	374,210.04				
366.2	Covers	83,425.24	652,016.38	(194,381.10)	54	(3,617.38)
367.1	Cable	1,012,152.18				
367.2	Terminators	386,572.11				
367.3	Switching Equipment	353,003.68				
367.4	Pads	136,045.06				
367.5	Conduit Risers	-	2,448,410.75	(560,637.72)	24	(23,819.85)
368.1	Transformers	8,165,323.95	3,610,938.32	4,554,385.63	25	179,731.08
369.1	O/H Services - Wire 1/	251,452.50				
369.2	U/G Services - Wire	370,749.42	2,313,895.09	(1,691,693.17)	37	(45,771.99)
370.1	Meters & Equipment	1,210,639.37	1,163,276.09	47,363.28	14	3,467.30
371.1	Lights	1,527,396.90	628,183.82	858,706.81	14	61,644.42
371.2	Generator 2/		40,506.27			
372.1	Leased Property 1/ 2/	-	-	0.00		
373.1	Street Lights	144,711.77	103,136.37	41,575.40	33	1,241.80
		$33,278,722.75	$28,496,720.99	$4,782,001.76		$240,687.29

1/ The actual accumulated provision for depreciation for Account 369, Services, amounted to $2,415,868.34 at 12/31/06. For purposes of this study, the negative accumulated provision for depreciation of $101,973.25 in Account 372, Leased Property on Customers' Premises, was reclassified to the accumulated provision for depreciation for Account 369. Also for purposes of this study, the $1,047.60 asset balance in Account 372 was reclassified to Account 369. Except for a standby generator (see 2/ below) located on a customer's premises, Account 372 was being used to account for temporary service assets. Thus, we elected to allocate the non-standby generator asset and negative accumulated depreciation balances in Account 372 to Account 369 for purposes of this study.

2/ The actual accumulated provision for depreciation for Account 371, Installations on Customer Premises, amounts to $668,690.09. Of this amount, $85,188.40 pertains to a standby generator installed on a customer's premises in December 1999 and the balance of the account represents the investment in security lights. In February 2005, the cost of the standby generator ($85,188.40) was reclassified from Account 372 to Account 371 and the associated accumulated depreciation ($30,023.84) was transferred from Account 108.672 to Account 108.671, respectively. An additional $10,482.43 of depreciation was accrued on the standby generator from February 2005 through December 2006 increasing the accumulated depreciation on the standby generator to $40,506.27. Using the current annual depreciation rate of 6.42% for all assets in Account 371, it will take slightly in excess of 8 years to fully depreciate the generator. Thus, the generator is expected to have a total estimated service life of 15 years.

Computed Annual Depreciation Rate for Property Group

Account Number	Account Title and Property Group	CPR Balance	Net Salvage	Computed Service Life	Depreciation Rate	Depreciation Expense	Amortization of Reserve (Excess)/Deficiency	Composite Rate
362.1	Substations	$12,008,367.10	27.38%	41.6	1.75%	$209,626.83	($17,575.71)	1.60%
364.1	Poles, Towers & Fixtures	28,486,552.14	-49.17%	36	4.14%	1,180,371.94	48,506.61	4.31%
365.1	Copper Wire	145,453.44	-33.00%	34.9	3.81%	5,543.07		
365.2	Aluminum Wire	11,064,150.23	-33.00%	47.4	2.81%	310,449.78		
365.3	Grounds	1,717,982.11	-33.00%	36.9	3.60%	61,921.85		
365.4	Insulator Strings	1,928,239.42	-33.00%	27.8	4.78%	92,250.30		
365.5	Switches	1,317,229.37	-33.00%	30.1	4.42%	58,203.16		
365.6	Cutouts and Arresters	881,911.75	-33.00%	25	5.32%	46,917.71		
	Subtotal Acct. 365	17,054,966.32				575,285.87	36,881.02	3.59%
366.1	Conduit	3,848,148.05	-2.60%	57.8	1.78%	68,307.96		
366.2	Covers	258,586.80	-2.60%	57.8	1.78%	4,590.14		
	Subtotal Acct. 366	4,106,734.85				72,898.10	(3,617.38)	1.69%
367.1	URD - Cable	5,846,080.63	-2.40%	35.3	2.90%	169,586.02		
367.2	Terminators	1,748,371.48	-2.40%	28	3.66%	63,940.44		
367.3	Switching Equipment	817,647.07	-2.40%	25	4.10%	33,490.82		
367.4	Arresters & Pads	1,011,367.36	-2.40%	34.5	2.97%	30,018.56		
367.5	Conduit Risers							
	Subtotal Acct. 367	9,423,466.54				297,035.84	(23,819.85)	2.90%
368.1	Transformers	15,623,839.04	-58.49%	38.1	4.16%	649,927.10	179,731.08	5.31%
369.1	O/H Services	1,643,334.31	-32.63%	40	3.32%	54,488.86		
369.2	U/G Services	4,825,476.54	0.00%	55.4	1.81%	87,102.46		
	Subtotal Acct. 369	6,468,810.85				141,591.32	(45,771.99)	1.48%
370.1	Meters	2,934,243.34	-6.81%	27.6	3.87%	113,553.09	3,467.30	3.99%
371.1	Security Lights	1,484,793.67	-90.42%	24	7.93%	117,806.00	61,644.42	12.09%
372.1	Leased Property	1,047.60	0.00%					
373.1	Street Lights	558,137.96	-36.06%	41.9	3.25%	18,124.16	1,241.80	3.47%
	Total Distribution Plant	$98,150,959.41				$3,376,220.26	$240,687.29	3.69%

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Jackson Purchase Energy Corporation

Exhibit E

SUMMARY OF REMAINING LIVES

Account Number	Account Title	Composite Remaining Life	Gross Investment	Rem. Life x Investment	Composite Rem. Life by Account
	Distribution Plant:				
362.1	Substations	34	$12,008,367.10	$409,605,401.78	34
364.1	Poles, Towers & Fixtures	28	28,486,552.14	803,035,904.83	28
365.1	Copper Wire	16	145,453.44	2,369,436.54	
365.2	Aluminum Wire	30	11,064,150.23	336,571,450.00	
365.3	Grounds	26	1,717,982.11	44,272,398.97	
365.4	Insulator Strings	14	1,928,239.42	26,146,926.54	
365.5	Switches	16	1,317,229.37	20,785,879.46	
365.6	Cutouts and Arresters	15	881,911.75	13,228,676.25	
	Total Account 365		17,054,966.32	443,374,767.75	26
366.5	Conduit	54	3,848,148.05	206,953,402.13	
366.6	Covers	53	258,586.80	13,723,201.48	
	Total Account 366		4,106,734.85	220,676,603.61	54
367.1	Cable	25	5,846,080.63	144,047,426.72	
367.2	Terminators	22	1,748,371.48	38,289,335.41	
367.3	Switching Equipment	14	817,647.07	11,201,764.86	
367.4	Pads	28	1,011,367.36	28,257,604.04	
367.5	Conduit Risers	0	0.00	0.00	
	Total Account 367		9,423,466.54	221,796,131.03	24
368.1	Transformers	25	15,623,839.04	395,908,081.27	25
369.1	O/H Services	23	1,643,334.31	37,714,522.41	
369.2	U/G Services	42	4,825,476.54	201,367,136.01	
	Total Account 369		6,468,810.85	239,081,658.43	37
370.1	Meters	14	2,934,243.34	40,081,764.02	14
371.1	Security Lights	14	1,484,793.67	20,683,175.82	14
372.1	Leased Property	0	1,047.60	0.00	-
373.1	Street Lights	33	558,137.96	18,686,458.90	33
	Total Distribution Plant		$98,150,959.41	$2,812,929,947.45	

Summary of Current & Proposed Depreciation Rates

Class and Title of Plant Account	Account Number	Depreciation Rate: Current Rate	Depreciation Rate: Proposed Rate	Annual Depreciation at Curr. Rate	Annual Depreciation at Prop. Rate	Difference
Distribution Plant:						
Substations	362.00	1.53%	1.60%	$183,728.02	$192,051.12	$8,323.10
Poles, Towers & Fixtures	364.00	4.19%	4.31%	1,193,586.53	1,228,878.55	35,292.01
OH Conductor & Devices	365.00	3.47%	3.59%	591,807.33	612,166.89	20,359.56
Conduit	366.00	1.77%	1.69%	72,689.21	69,280.71	(3,408.49)
URD Conductor & Devices	367.00	3.19%	2.90%	300,608.58	273,215.99	(27,392.59)
Transformers	368.00	2.75%	5.31%	429,655.57	829,658.18	400,002.61
Services	369.00	2.23%	1.48%	144,254.48	95,819.33	(48,435.15)
Meters	370.00	4.34%	3.99%	127,346.16	117,020.39	(10,325.77)
Installation Customer's Premises	371.00	6.42%	12.09%	95,323.75	179,450.43	84,126.67
Leased Property	372.00	10.00%	0.00%	104.76	0.00	(104.76)
Lights and Signal Systems	373.00	1.44%	3.47%	8,037.19	19,365.96	11,328.78
				$3,147,141.59	$3,616,907.55	$469,765.96

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Schedule of Depreciable Property
As of December 31, 2006

Class and Title of Plant Account	Account Number	Account Balance	Depreciation Reserve Balance	Net Plant
Distribution Plant:				
Substations	**362.00**	$12,008,367.10	$1,264,923.01	$10,743,444.09
Poles, Towers & Fixtures	**364.00**	28,486,552.14	10,628,841.71	17,857,710.43
OH Conductor & Devices	**365.00**	17,054,966.32	5,642,593.18	11,412,373.14
Conduit	**366.00**	4,106,734.85	652,016.38	3,454,718.47
URD Conductor & Devices	**367.00**	9,423,466.54	2,448,410.75	6,975,055.79
Transformers	**368.00**	15,623,839.04	3,610,938.32	12,012,900.72
Services	**369.00**	6,468,810.85	2,415,868.34	4,052,942.51
Meters	**370.00**	2,934,243.34	1,163,276.09	1,770,967.25
Installation Customer's Premises	**371.00**	1,484,793.67	668,690.09	816,103.58
Leased Property	**372.00**	1,047.60	(101,973.25)	103,020.85
Lights and Signal Systems	**373.00**	558,137.96	103,136.37	455,001.59
		$98,150,959.41	$28,496,720.99	$69,654,238.42

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Exhibit Q

Computer Software Used in the Compilation of This Application and Related Materials

Witness: Chuck Williamson

Jackson Purchase Energy Corporation
Case No. 2007-00116
December 31, 2006

Computer Software Programs

Jackson Purchase Energy Corporation has used Microsoft Excel and Word in the preparation of this Application.