



**JACKSON ENERGY  
COOPERATIVE**

115 Jackson Energy Lane  
McKee, Kentucky 40447  
Telephone (606) 364-1000 • Fax (606) 364-1007

2007-00330

**RECEIVED**

JUL 25 2007

**PUBLIC SERVICE  
COMMISSION**

July 25, 2007

Ms. Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
PO Box 615  
Frankfort, KY 40602-0615

Re: Application for Certificate of Convenience and Necessity

Dear Ms. O'Donnell:

Please find attached documentation concerning Jackson Energy Cooperative's 2007-2009 Construction Work Plan. I have enclosed an original and three copies of the work plan and an original and ten copies of the other items of the Application.

Please inform me of any additional information necessary for this application.

Sincerely,

J. Warren Keller  
Attorney for Jackson Energy Cooperative

JWK/cr

COMMONWEALTH OF KENTUCKY

BEFORE THE

PUBLIC SERVICE COMMISSION

APPLICATION OF JACKSON ENERGY COOPERATIVE )  
FOR A CERTIFICATE OF CONVENIENCE AND NECESSITY )  
PERSUANT TO K.R.S. 278.020 (1) AND 807 K.A.R. 5:001, )  
SECTION 9 AND RELATED SECTIONS, AUTHORIZING )  
CERTAIN PROPOSED CONSTRUCTION IDENTIFIED AS )  
THE 2007-2009 CONSTRUCTION WORK PLAN )

CASE NO. 2007-00330

**APPLICATION**

The application of Jackson Energy Cooperative (JEC) respectively shows:

1. JEC is a nonprofit membership cooperative corporation without capital stock, duly organized and existing under K.R.S. Chapter 279, engaged in the business of supplying electric energy to its member-consumers in the Kentucky counties of Breathitt, Clay, Estill, Garrard, Jackson, Laurel, Lee, Leslie, Lincoln, Madison, Owsley, Powell, Pulaski, Rockcastle, and Wolfe.

2. The name and postal address of the Applicant is as follows:

JACKSON ENERGY COOPERATIVE  
115 JACKSON ENRGY LANE  
MCKEE KENTUCKY 40447

3. The Articles of Incorporation and all but one of the amendments thereto for Jackson Energy Cooperative were filed with the Commission in PSC Case No. 92-496, for a flow through rate reduction. Jackson Energy Cooperative's name change amendment was filed under the 2001-2002 Construction Work Plan Case No. 2001-023, 807 K.A.R. 5:001, Section 8(3).

4. JEC plans to construct new distribution facilities and to upgrade existing

distribution facilities of JEC as more particularly shown in Exhibit 2 (“sometimes referred to herein as the work plan”) and on the system maps filed with this application. Those distribution facilities will provide service to retail electric consuming facilities located in the territory certified to JEC for retail electric service under K.R.S. 278.016-.018.

5. The work plan covers the period of two years between June 1, 2007 and May 1, 2009, and was prepared by the Jackson Energy Cooperative Engineering department. A copy of the work plan narrative and summaries is filed herein and made a part hereof as Exhibit 2. The work plan was submitted to the Rural Electrification Administration (“REA”), Washington, D.C., for approval, which was granted May 17, 2007 (copy included as Exhibit 1.)

6. The work plan was approved by the JEC Board of Directors on June 6, 2007. See Exhibit 3.

7. JEC states that all the work proposed to be performed would ordinarily be exempt under K.R.S. 278.020 and 806 K.A.R. 5:001, Section 9 (3), from the requirement of a certificate of public convenience and necessity. However, because the Commission has informally determined that construction of the magnitude proposed herein involves sufficient capital outlay to possibly materially affect the existing financial condition of the utility under that section, JEC is requesting an order pursuant to K.R.S. 278.020 (1) and 807 K.A.R. 5.001, Section 9 (2), authorizing the construction proposed herein. In support thereof, JEC states:

A. The proposed new construction is or will be required by public

convenience and necessity as shown in this application, in the work plan and in the other exhibits filed with this application.

B. No franchises or permits are required for the proposed construction and extensions.

C. A full description of the proposed location, route or routes of the new construction and extensions, including a description of the manner in which it will be constructed, are shown in the work plan. The proposed new construction and extensions will not compete with any other public utilities, corporations or persons.

D. JEC attaches the testimony of Carol Wright, Vice President of Engineering and Operations, in further support of this application.

8. JEC anticipates filing a loan application with REA, the National Bank for Cooperatives ("CoBank") or the National Rural Utilities Cooperative Finance (NRUCFC) within the next year for long-term financing for the construction contained in the work plan. That financing will reimburse the general funds expended for the initial part of the work plan and finance the balance of the construction. JEC will request Commission approval for supplemental financing.

9. JEC files with the original of this application and makes a part hereof three (3) copies of the complete work plan and three (3) copies of an up-to-date system maps showing the location of the facilities JEC seeks authority to construct or upgrade. The system map is keyed to the contents of Exhibit 2, the work plan.

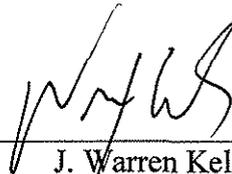
10. The cost of operation of the proposed facilities for JEC is shown on Exhibit 5.

11. The long-term debt required to fund the proposed work plan totals \$19,695,000. Long term financing options from REA, CoBank and NRUCFC will be evaluated. The amortization schedules for the long-term debt to be incurred will be filed with JEC's application for approval of that financing.

12. The current revenues are sufficient to cover any additional operating expenses that will be incurred in relation to the work plan. Also, the addition of new consumers, consisting of industrial and commercial growth, should provide additional revenue to meet any additional expenses. The newer, upgraded lines should also lower line losses that will help meet the additional costs. (807 K.A.R. 001, Section 9(2)(f).

WHEREFORE, JEC respectfully requests the Commission to make its order issuing a certificate of convenience and necessity authorizing JEC to proceed with the construction of facilities referred to above, and for such other relief as the Commission may deem appropriate or to which JEC may appear entitled.

J. WARREN KELLER



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J. Warren Keller  
1306 West Fifth Street  
London, Kentucky 40741  
(606) 878-8844

Attorney for Jackson Energy Cooperative

COMMONWEALTH OF KENTUCKY)

COUNTY OF JACKSON)

I, Carol Wright, state that I am the Vice President of Engineering and Operations at Jackson Energy Cooperative, that I have personal knowledge of the matters set forth in this application and attached exhibits, and that the statements and calculations contained in each are true as I verily believe.

This 25<sup>th</sup> day of July, 2007

Carol Wright  
Carol Wright

SUBSCRIBED AND SWORN to before me by Carol Wright, on this 25<sup>th</sup> day of July, 2007.

Connie Reid  
Notary Public, KY State at Large

My Commission Expires: 7-30-2008

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Exhibit 1	REA Work Plan Approval
Exhibit 2	2007-2009 Construction Work Plan
Exhibit 3	Board Resolution Approving Work Plan
Exhibit 4	Testimony of Carol Wright
Exhibit 5	Estimated Cost of Operation

United States  
Department of  
Agriculture

Rural Economic  
and Community  
Development

Rural  
Utilities  
Service

Exhibit 1  
Washington,  
DC  
20250

May 17, 2007

**2007-2009 Construction Workplan (CWP)**

Don Schaefer, President & CEO  
Jackson Energy Cooperative Corporation

I have completed my review of the cooperative's 2007-2009 CWP, which was prepared by the Jackson Energy Engineering Department, and find it to be generally satisfactory for loan contract purposes. Approval to proceed with the proposed distribution system construction is contingent upon RUS's review and approval of an Environmental Report (reference 7 CFR 1794).

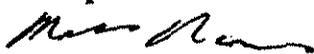
Headquarters, SCADA, and load management projects will be reviewed/approved by the Northern Regional Division office, as necessary. This action will be taken after their receipt of the CWP and other supporting documents (i.e., appropriate feasibility and engineering studies).

You should make a special effort to inform all of the cooperative's employees and contractors, involved in the construction of utility plant of any commitments made in the Environmental Report covering the construction of the facilities recommended in the CWP.

Changes (line improvements, tie lines, extensions, substations, etc.) in the CWP will require RUS approval. The environmental acceptability of any such changes shall also be established in accordance with 7 CFR 1794. The procedure for satisfying these environmental requirements shall be the same as that used in connection with this CWP approval.

It is your responsibility to determine whether or not loan funds and/or general funds are available for the proposed construction. If general funds are used, the requirements as outlined in 7 CFR 1717 need to be followed.

The construction shall be accomplished in accordance with RUS requirements. Specific reference should be made to 7 CFR 1726, Electric System Construction Policies and Procedures.



Mike Norman  
RUS Field Representative

**JACKSON ENERGY COOPERATIVE  
CORPORATION**

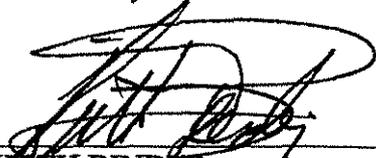
**Resolution 2007-06-03**

**2007-2009 CONSTRUCTION WORK PLAN**

**WHEREAS**, a Construction Work Plan for 2007-2009 in the amount of \$19,694,734 has been prepared by the Jackson Energy Engineering Department and certified by Bill Musrock, a licensed professional engineer in the Commonwealth of Kentucky, and

**NOW, THEREFORE BE IT RESOLVED**, that the Board of Directors adopt the 2007-2009 Work Plan as a course of action with the approval of the Rural Utilities Service (RUS).

I, Keith Binder, Secretary/Treasurer of the Jackson Energy Cooperative hereby certify that the foregoing is a full, true and correct copy of the Resolution duly passed by the Board of Directors of Jackson Energy Cooperative at a meeting duly called and held in compliance with the By-Laws of the Cooperative on the 6<sup>th</sup> day of June 2007, at which meeting a quorum was present, and that the Resolution as set out above appears in the minutes of that meeting in the Minute Book of the Cooperative dated this 6<sup>th</sup> day of June 2007.

  
\_\_\_\_\_  
KEITH BINDER  
SECRETARY/TREASURER

### Testimony of Carol Wright

Q1: Please state your name, address and occupation.

A1: My name is Carol Wright. My mailing address is P.O. Box 307, McKee, KY 40447. I am the Vice President of Engineering and Operations for Jackson Energy Cooperative Corporation, Inc.

Q2: What is your educational and work experience background?

A2: I have Bachelor of Science Degree in Electrical Engineering from the University of Kentucky. I have 17 years of experience in the power industry with emphasis on power distribution, system planning, electric facility design, and operations management. I have extensive experience in the areas of project management and implementing improvements of electric distribution systems. My work experience includes the following:

2007 – Present	Jackson Energy	V.P. of Engineering & Operations
2002-2007	South Kentucky RECC	Chief Operations Officer
2000-2002	Jackson Energy	V.P. of Engineering & Operations
1990-2000	Kentucky Utilities	Technical Engineer I, II, Senior I, II

Q3: Have your duties at Jackson Energy involved you in the preparation of the application and exhibits in this matter?

A3: Yes. My general responsibilities include supervision of the planning and design of electric distribution plant and facilities. I have reviewed the two-year work plan that has been filed in this matter.

Q4: Are you familiar with the application and attached exhibits filed by Jackson Energy in this case?

A4: Yes, I am familiar with the two-year work plan and the system maps that are attached in Exhibit 2. To the best of my knowledge and belief, all facts stated in the application are true and correct.

Q5: Will you incorporate the contents of those exhibits and the application by reference in your testimony?

A5: Yes.

Q6: Does this conclude your testimony?

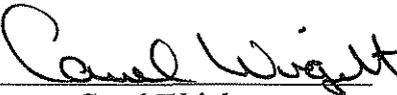
A6: Yes.

STATE OF KENTUCKY)

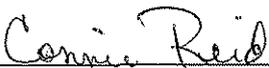
COUNTY OF JACKSON)

The foregoing testimony is true and correct to the best of my knowledge and belief.

This 25th day of July 2007.

  
\_\_\_\_\_  
Carol Wright

SUBSCRIBED AND SWORN to before me by Carol Wright this  
25<sup>th</sup> day of July, 2007.

  
\_\_\_\_\_  
Notary Public, KY State at Large

My Commission Expires: 7-30-2008

Jackson Energy Cooperative  
 Estimated Cost of Operation on AY44 Work Plan  
 For PSC Approval Application

Exhibit 5

Depreciation:

Account No.	Balance 5/31/2007	Monthly Rate X 12	Depreciation	Percent of Total	Estimated Capitalization	Estimated Depreciation
362.00	\$1,395,631.37	0.06672	\$93,116.53	0.0161844	\$304,975	\$20,348
362.01	\$72,422.37	0.06672	\$4,832.02	0.0008398	\$15,825	\$1,056
364.00	\$55,796,846.99	0.0378	\$2,109,120.82	0.3665793	\$6,907,723	\$261,112
365.00	\$48,120,904.38	0.02952	\$1,420,529.10	0.2468975	\$4,652,471	\$137,341
366.00	\$29,207.24	0.02076	\$606.34	0.0001054	\$1,986	\$41
367.00	\$1,291,050.67	0.03372	\$43,534.23	0.0075665	\$142,581	\$4,808
368.00	\$25,210,948.15	0.0276	\$695,822.17	0.1209386	\$2,278,935	\$62,899
369.00	\$15,556,954.25	0.03816	\$593,653.37	0.1031809	\$1,944,313	\$74,195
370.00	\$1,931,700.52	0.02928	\$56,560.19	0.0098305	\$185,243	\$5,424
370.01	\$8,222,101.09	0.06792	\$558,445.11	0.0970615	\$1,829,001	\$124,226
371.00	\$3,705,279.80	0.04524	\$167,626.86	0.0291347	\$549,007	\$24,837
373.00	\$218,407.52	0.04428	\$9,671.08	0.0016809	\$31,674	\$1,403
391.00		0.10000			\$851,000	\$85,100
	\$161,551,454.35		\$5,753,517.82	1.0000000	\$19,694,734	\$802,790

Property Taxes:

2006 Taxes	Net Utility Plant @ 12/31/05	Average Rate	Work Plan Amount	Estimated Taxes
\$1,347,743	\$136,779,514	0.0098534	\$19,694,734	\$194,060

Interest Expense:

Plant	Estimated Interest Rate	Estimated Interest Expense
\$19,694,734	0.055	\$1,083,210

Operation and Maintenance estimated expense

\$400,000

Estimated cost of operation after the proposed facilities are completed

\$2,480,060