RECEIVED

JAN 04 2008

PUBLIC SERVICE COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APLICATION OF JACKSON ENERGY COOPERATIVE CORPORATION FOR AN ADJUSTMENT OF RATES	)))	Case No. 2007-00333

ATTORNEY GENERAL'S INITIAL REQUESTS FOR IFORMATION

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

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

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

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

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

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

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

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

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

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

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

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

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

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

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

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL

Lawrence W. Cook

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

Certificate of Service and Filing

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

Donald R. Schaefer
Jackson Energy Cooperative
115 Jackson Energy Ln.
McKee, KY 40447

Clayton O. Oswald, Esq.
Taylor, Keller, Dunaway & Tooms, PLLC
P.O. Box 905
London, KY 40743-0905

this 4th day of January, 2008

Assistant Attorney General

Attorney General's Initial Data Requests
Jackson Energy Cooperative Corporation
Case No. 2007-00333

1. In the same format and detail as per Exhibit V, page 1 of 3, provide all of the revenue, expense, non-operating and patronage capital line items resulting in the negative net margin amount for FY 2006 of ($1,447,653) shown on Exhibit K, pages 3 and 6. In addition, reconcile this reported FY 2006 negative net margin amount of ($1,447,653) to the reported FY 2006 positive net margin amount of $4,455,832 shown on Exhibit V, page 1 of 3 and Exhibit N, page 24 of 26.

2. With regard to Exhibit S, page 1 of 4, please provide a workpaper showing explanations and calculations for the proposed test year patronage capital adjustment of $6,295,014 (also reconcile this to the proposed rate increase of $6,201,363) and the proposed accumulated operating provisions adjustment of $97,611.

3. The proposed working capital amount of $1,873,500 for the adjusted test year that is shown on Exhibit K, page 2 of 7 represents 12.5% of the unadjusted test year O&M expenses (net of power cost) of $14,988,000. Please explain why the proposed working capital amount for the adjusted test year should not be $1,938,782 based on 12.5% of the adjusted test year O&M expenses (net of power cost) of $15,510,252.

4. Please provide the portion of the 13-month average prepayment balance of $555,119 (Exhibit K, page 2 of 7) that represents the 13-month average test year PSC assessment prepayments.

5. Exhibit S, page 1 and Exhibit W, page 19 show that JECC carries on its books Consumer Advances with a balance of $247,239 as of the end of the test year. In this regard, please provide the following information:

    a. What is the difference between Consumer Advances and Consumer Deposits?
    b. Is JECC required to refund Consumer Advances to JECC members and, if so, under what specific conditions?
    c. Is JECC required to pay interest on these Consumer Advances and, if so, what is the test year Consumer Advances interest and in what specific expense account is this interest reflected?
    d. In JECC's prior rate case, Case No. 2000-373, JECC proposed and the PSC approved the deduction of Consumer Advances from rate base, as can be seen in filing Exhibit L and the PSC's Order, page 10. Explain why JECC is not proposing the same rate treatment for these Consumer Advances in the current case.

6. Given that JECC has the availability of $1,516,039 worth of Consumer Deposit funds (see Exhibit S, page 1, line 44) and has not deducted this Consumer Deposit balance from its rate base, explain why JECC believes it appropriate to include $90,173 for Consumer Deposit interest expense (see Exhibit X, page 13, acct. 431) in its determination of the requested rate increase in this case. Stated differently, if Consumer Deposits are not to be considered for ratemaking purposes in this case, explain why the interest expenses associated with Consumer Deposits have been considered for ratemaking purposes by JECC.

7. Is JECC aware of the well-established and long-standing Commission ratemaking policy that consumer deposits may not be deducted from rate base and, consistent with that policy, that consumer deposit interest may not be included as an above-the-line ratemaking expense (see page 9 of the Commission's Order in Delta Natural Gas Company's 1999 rate case, Case No. 1999-176)?

8. Exhibit J, page 1 shows that the normalized test year base revenues of $68,681,521 would be $76,307,786, or $7,626,265 higher if restated at the rates from Case No. 2006-00519. In this regard, please provide the following information:

   a. Why didn't JECC reflect the normalized test year revenues of $76,307,786 based on Case No. 2006-00519 rates on Exhibit S, page 2 of 4 rather than reflecting the normalized test year revenues of $68,681,520 based on the old Case No. 2004-00476 rates?
   b. If JECC had reflected the normalized test year revenues of $76,307,786 based on Case No. 2006-00519 rates in the Normalized Test Year column on Exhibit S, page 2 of 4, line 9, how would that have changed the base rate power cost and Net Margin amounts in the Normalized Test Year column on Exhibit S, page 2 of 4, lines 17 and 43?

9. With regard to Exhibit D, page 3, please provide the following information:

a. Explain the need and justification for the proposed 244.1% increase (from $10.24 to $25.00) in the customer charge for Schedule 20.
b. Explain the need and justification for the proposed 60.2% increase (from $15.61 to $25.00) in the customer charge for Schedule 33.
c. Explain the need and justification for the proposed 245.6% increase (from $18.32 to $45.00) in the customer charge for Schedule 40.
d. Explain the need and justification for the proposed 50.30% increase (from $9.98 to $15.00) in the customer charge for Schedule 50.
e. Explain the need and justification for the proposed 51.8% increase (from $9.88 to $15.00) in the customer charge for Schedule 60.

10. For each of the income statement accounts listed on Exhibit X, pages 1 through 16, please provide the actual annual amounts (only annual amounts are requested, not monthly amounts) for the 12-month periods ended 2/28/2005, 2/28/2004 and 2/28/2003.

11. Please provide a revised Exhibit S, page 2 of 4 to correct for the currently incorrect entries in the Normalized Adjustments column, lines 29, 35, 37 and 43.

12. Please provide a detailed breakout of the $7,499 test year expense in account 908.32 – Marketing Rebates.

13. In the same format and detail as per JECC's response to data request AG-1-56 in the prior case, Case No. 2000-373, please provide the detailed expense items included in the following test year accounts shown on Exhibit Y, page 9 of 10:

a. Account 908.00 - Consumer Assistance ($224,318)
b. Account 909.00 - Consumer Information ($80,338)
c. Account 910.00 – Miscellaneous Consumer Services ($81,461).
d. Account 921.00 – Office Supplies ($611,244)
e. Account 928.00 – Regulatory Commission ($3,766)
f. Account 930.22 – Dues Associations ($164,657)
g. Account 930.25 – Member Publications ($220,249)

h. Account 930.26 – Employee Public ($26,242)
i. Account 930.28 – Business Development ($743).

In addition, indicate which of the expense items to be provided in response to the above request have been excluded for ratemaking purposes in this case.

14. With regard to Exhibit 11, please explain the nature and purpose of the "Caps" expense on page 3, line 17 and the "Apparel" expense items on page 5, lines 133 through 137.

15. Please explain the nature and purpose of the $5,500 'Entertainment/Fireworks' expense shown on line 12 of Exhibit 11, page 10. In addition, provide a breakout of the $5,500 by expense component.

16. Please explain why the $1,985 expense for Institutional Advertising shown on Exhibit 11, page 8 should be allowed for ratemaking purposes in this case.

17. With regard to the redacted Payroll information shown on Exhibit 1, please provide the following information:

a. Explain why JECC has assumed normalized annual hours of 2,080 for the following employees who worked substantially less than 2,080 hours during the test year: salaried employee nos. 13, 214, 254, 312; hourly employee numbers 148, 190, 224, 267, 268, 275, 295, 313, and 314.
b. Explain why JECC is claiming rate recovery for payroll expenses of $86,649 for employees who are retired.
c. Explain where the hired employees shown on Exhibit 1, page 6, lines 18 – 25 are reflected in the employee listing shown on Exhibit 1, pages 3 through 5.
d. Explain why JECC is reflecting the payroll expenses for employee numbers 107 and 161 on Exhibit 1, page 4 when these employees were terminated in 02/05 and 12/04. If the payroll expenses for these employees must be removed, indicate the required payroll expense removal for each of these terminated employees, as well as all other expenses included in the filing that are related to these terminated employees (payroll taxes; pension expenses, FAS 106 expenses, etc.

18. With regard to JECC's number of employees, please provide the number of employees (in total and broken out between salaried, hourly, summer and part-time, and retirees) as of 2/28/06, 2/28/07, 11/30/07, as compared to the corresponding employees used in calculating the adjusted test year payroll expense.

19. With regard to summer and part-time employees, please provide the total number of hours worked (equivalent to the test year number of 2,363 on Exhibit 1, page 5) and the total expense amount (equivalent to the test year number of $12,500 on Exhibit 1, page 5) booked by JECC for the 12-month periods ended 2/28/06, 2/28/05, and 2/28/04.

20. With regard to retirees, please provide the total number of hours worked (equivalent to the test year number of 3,247 on Exhibit 1, page 5) and the total expense amount (equivalent to the test year number of $86,649 on Exhibit 1, page 5) booked by JECC for the 12-month periods ended 2/28/06, 2/28/05, and 2/28/04.

21. What is the relevance and significance of the annualized 12/31/06 long term debt interest information shown on Exhibit 5, page 3 of 4?

22. Exhibit 5, page 4 of 4 states that all of the short term debt borrowings will be repaid as a result of the additional revenues requested in this case and that, therefore, all short term debt interest of $261,006 must be removed from the test year. In this regard, please provide the following information:

    a. Reconcile this information with JECC's proposal in this case to only remove 50%, or $130,503, of the total test year short term debt interest expense.
    b. Provide all analyses and calculations performed by JECC that form the basis for JECC's estimated conclusion that approximately one-half of the short term debt will be repaid if the rate increase request in approved.

23. Exhibit Y, page 10 shows that the adjusted test year Other Interest expenses include $3,557 for interest related to the EKPC Marketing Loan program. In this regard, please provide the following information:

a. Has JECC sought Commission approval for the EKPC Marketing Loan for which the $3,557 interest was incurred? If so, explain when this approval was sought and whether the Commission approved this loan.
b. Why is it appropriate for JECC to request rate recognition for this expense of $3,557?

24. With regard to the Professional Services fees of $118,115 shown on Exhibit 9, pages 2 and 3, please provide the following information:

a. Provide all expense items listed on these two pages that are not of an annual recurring nature.
b. How many times has JECC performed a full depreciation rate study in the last 20 years?
c. Provide a description of the nature and purpose and a detailed itemized listing of the total expenses of $12,685 that are entitled "Collections."
d. Provide a description of the nature and purpose and a detailed itemized listing of the total expenses of $48,192 that are entitled "Various legal issues," including a complete description of each issue or case. In addition, explain why these legal services do not fall under the annual retainer.

25. Please explain why JECC is claiming rate recognition for the $639 fees and expenses for Ed Stamper and the $5,905 fees and expenses for Don Thompson given that these 2 directors retired effective April 2006 and July 2006.

26. With regard to rate case expenses, please provide the following information:

a. Actual expenses incurred for the prior 2001 rate case, in total and broken out by expense component.
b. Actual expenses incurred to date for the current rate case, in total and broken out by expense component per Exhibit 13.
c. Copy of the contracts for the $5,000 legal and $60,000 consulting expenses.

27. Other than the $221,404 loss on the sale of Jackson Services Plus, provide any expenses (e.g., legal, consulting, maintenance,

administrative, etc.) included in the adjusted test year that are related to this sale.

28. Please explain why JECC is proposing to remove the $470,772 amortization for the deferred property retirement.

29. In the response to PSC-1-38, page 2, JECC states that in this case it has submitted its new, updated depreciation study as of December 31, 2005. In response to PSC-1-39, JECC states that the depreciation rates used in this case to determine the normalized depreciation expenses are the same as those approved by the Commission in Case No. 2000-373. In this regard, please provide the following clarifying information:

    a. Explain why JECC has chosen to continue to use the current PSC-approved depreciation rates rather than the depreciation rates from the updated 2005 depreciation study.
    b. If the distribution and general plant accounts that are listed in the response to PSC-1-38, page 3 are *not* the current PSC-approved depreciation rates, explain why not. In addition, provide the current PSC-approved depreciation rates for these same plant accounts and calculate the normalized depreciation expenses based on the current PSC-approved depreciation rates as compared to the currently normalized depreciation expenses totaling $7,058,793 and the currently normalized transportation clearing expenses of $322,737. Show all calculations in the same format and detail as per pages 3 and 4 of the response to PSC-1-38.
    c. Provide a side-by-side comparison of the current PSC-approved depreciation rates and the corresponding depreciation rates from the 2005 depreciation study for each of the accounts listed on page 3 of the response to PSC-1-38.

30. As shown on pages 3 and 4 of the response to PSC-1-38, the proposed annualized/normalized gross depreciation expenses of $7,058,793 are $556,418 higher than the per books test year depreciation expenses of $6,502,373. Is this $556,418 difference purely the result of applying the current PSC-approved depreciation rates to test year-*end* depreciable plant balances (as done on page 3 of the response) as compared to the per books depreciation expenses that are essentially a result of applying the current PSC-approved depreciation rates to average test

year depreciable plant balances? If there are any other reasons for this $556,418 difference, provide detailed explanations for these reasons.