



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

December 20, 2007

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PUBLIC SERVICE  
COMMISSION

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

**RE: Case No. 2007-00333**  
**First Data Request of Commission Staff to Jackson Energy Cooperative**

Dear Ms. O'Donnell:

Please find enclosed the original and ten (10) copies of the responses to the Commission's Order "First Data Request of Commission Staff to Jackson Energy Cooperative" dated August 9, 2007.

If you have any questions, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink that reads "Donald Schaefer".

Donald Schaefer, P.E.  
President & CEO

Enclosure

c: Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 1. Comparative detailed income statement, cash flows and balance sheet.

Shown as Exhibit V of Application.  
Sheets 1 thru 3.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 2. Rate of return and rate base

Shown as Exhibit K of Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 3. TIER and DSC

Shown as Exhibit K of Application.

These are included in Item 2 above of this response.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Sharon Carson

Item 4. Borrower's Statistical Profile

Shown as Exhibit 17 of Application.

This information is reviewed on an annual basis. Neither Jackson Energy's management, Board of Directors nor RUS has taken any actions as a result of the Borrower Statistical Profile.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Sharon Carson

Item 5. CFC Key Ratio Trend Analysis

Shown as Exhibit 18 of Application.

This information is reviewed on an annual basis. Neither Jackson Energy's management, Board of Directors nor RUS has taken any actions as a result of the CFC Key Trend Analysis.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Sharon Carson

Item 6. KAEC Statistical Comparison

Shown as Exhibit 19 of Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 7. Capital structure

The capital structure is shown as Exhibit Z of the Application.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 8. Outstanding issues of long-term debt and short term debt

Item 8 a.

Shown as Exhibit 5 of this Application.

Item 8 b .

Shown as Exhibit 5 of this Application, page 4 of 4.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 9. Trial balance for 12 months

Shown as Exhibit Y of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 10. Comparison of balance sheet account balances with prior year's balance

Shown as Exhibit W of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 11. Comparison of income statement account balances with prior years

Shown as Exhibit X of this Application





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item No. 12. Property held for future use

Jackson Energy has no plant held for future use.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 13. Non utility property

Jackson Energy does not have any non-utility property.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 14. Jurisdictional plant allocations

Jackson Energy has no jurisdictional plant or expense allocations that are required.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 15. By Laws

Copy of current bylaws is attached. See Exhibit U of Application for changes since the last general rate case.

**BYLAWS OF  
JACKSON ENERGY COOPERATIVE  
McKee, Kentucky**

The purpose of the Jackson Energy Cooperative Corporation (hereinafter called "Cooperative") is to provide quality electric and other services to its members at the lowest cost consistent with sound economy and good management and to improve the quality of life in its service area.

**ARTICLE I MEMBERS**

**Section 1. Qualifications and Obligations.**

Any person, firm, corporation or body politic may become a member in the Cooperative by: (a) Paying the required membership fee; (b) agreeing to purchase from the Cooperative electric energy as hereinafter specified; and (c) agreeing to comply with and be bound by the Articles of Incorporation of the Cooperative and these bylaws and any amendments thereto and such rules and regulations as may from time to time be adopted by the Board of Directors, provided, however, that no person, firm corporation or body politic shall become a member unless and until he or it has been accepted for membership by the Board of Directors or the members. At such meeting of the members, all applications received more than ninety (90) days prior to such meeting and which have not been accepted by the Board of Directors as members subject to compliance by the applicant with the conditions set forth in subdivisions (a) (b) (c) of this section, such application for membership may be accepted by a vote of the members at such meeting.

A husband and wife constitute one member, and their application for a joint membership may be accepted in accordance with the foregoing provisions of this section, provided, the husband and wife comply jointly with the provisions of the above subdivisions (a) (b) and (c).

**Section 2. Membership Fee; Consumer Deposit, Service Connection Fee and Line Extension Fees; Facility Moving Expense Charge.**

The membership fee shall be as fixed from time to time by the Board of Directors and approved by the Public Service Commission of Kentucky. The membership fee (together with any consumer deposit, service connection fee, line extension fee, facility moving expense charge, or any combination thereof, if required by the Cooperative) shall entitle the member to one service connection. A service connection fee, in such amount as shall be prescribed by the Cooperative, (together with a consumer deposit, line extension fee, or facility moving expense charge or any combination thereof, if required by the Cooperative), shall be paid by the member for each additional service connection requested by him/her.

**Section 3. Termination of Membership.**

(a) Any member may withdraw from membership upon compliance with such uniform terms and conditions as the board may prescribe. The board may, by the affirmative vote of not less than two-thirds (2/3rds) of all the members of the board, expel any member who fails to comply with any of the provisions of the Articles of Incorporation, Bylaws, or Rules or Regulations adopted by the board, but only if such member shall have been given written notice by the Cooperative that such failure makes him liable to expulsion and such failure shall have continued for at least ten (10) days after such notice was given. Any expelled member may be reinstated by affirmative vote of not less than two-thirds (2/3rds) of the members of the Board of Directors. The membership of a member who for a period of six (6) months after service is available to him, has not purchased electric energy from the Cooperative, or of a member who has ceased to purchase energy from the Cooperative, may be cancelled by resolution of the Board.

(b) Upon withdrawal, death, cessation of existence or expulsion of a member the membership of such member shall thereupon terminate, and said termination shall be noted on the Cooperative's records. Termination of membership in any manner shall not release a member or his estate from any debts due the Cooperative.

(c) In case of withdrawal or termination of membership in any manner, the Cooperative shall repay to the member the amount of the membership fee paid by him, provided, however, that the Cooperative shall deduct from the amount of the membership fee the amount of any debts or obligations owed by the member to the Cooperative.

**Section 4. Conversion of Membership.**

(a) An unmarried member, should he/she marry, becomes a joint member with his or her spouse when both comply with the Articles of Incorporation, Bylaws, Rules and Regulations adopted by the Board of Directors. The changed status of membership shall then be noted in the records of the Cooperative.

(b) When a membership is held jointly by a husband and wife, upon the death of either, such membership shall be deemed to be held solely by the survivor with the same effect as though such membership had been originally issued solely to him or her, as the case may be, and this change of membership status shall be noted on the Cooperative's records, provided, however, that the estate of the deceased shall not be released from any membership debts or liabilities to the Cooperative.



**Section 5. Purchase of Electric Energy.**

Each member shall, as soon as electric energy is available, purchase from the Cooperative all electric energy used on the premises specified in his application for membership, and shall pay therefore monthly at rates, which, from time to time, shall be fixed by the Board of Directors, and established by order of Public Service Commission if required by law, provided, however, that the Board of Directors may limit the amount of electric energy which the cooperative shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished by members as capital and each member shall be credited with the capital so furnished, as provided by these Bylaws. Each member shall pay to the Cooperative a minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Cooperative as and when the same shall be due and payable.

**ARTICLE II MEETING OF MEMBERS**

**Section 1. Annual Meeting.**

The Board of Directors shall set the date and place within a county served by the Cooperative, of the Annual Membership Meeting no less than sixty (60) days prior to the holding of said Annual Membership Meeting, which date and place shall be designated in the notice of the meeting, for the purpose of electing board members, passing upon reports for the previous fiscal year and transacting such other business as may come before the meeting. It shall be the responsibility of the board to make adequate plans and preparations for the Annual Meeting. Failure to hold the Annual Meeting at the designated time shall not work a forfeiture or dissolution of the Cooperative.

**Section 2. Special Meetings.**

Special meetings of the members may be called by resolution of the board, or upon a written request signed by any five (5) board members, or by ten per centum (10%) or more of all the members, and it shall thereupon be the duty of the Secretary to cause notice of such meeting to be given as hereinafter provided. The Board of Directors shall designate the place at which the special meeting shall be held in a county served by the Cooperative.

**Section 3. Notice of Members Meeting.**

Written or printed notice stating the place, date and hour of the meeting and, in case of a special meeting, the purpose of which the meeting is called, shall be given to each member not less than five (5) days nor more than forty (40) days before the date of the meeting. At the direction of the Secretary or the persons calling such meeting notice thereof may be delivered personally, mailed or published in the official monthly publication of the Cooperative. If mailed or published in the official monthly publication of the Cooperative, such notice shall be deemed to be delivered when the notice or publication is deposited in the United States mail addressed to the member at his address as it appears on the record of the Cooperative with postage thereon paid. A joint membership notice given to either husband or wife shall be deemed notice to both joint members. The failure of any member to receive notice of an Annual or Special Meeting of the members shall not invalidate any action which may be taken by the members of any such meeting.

**Section 4. Quorum.**

Business may not be transacted at any meeting of the members unless there are present in person at least 50 of the then-total members of the Cooperative, except that, if less than a quorum is present at any meeting, a majority of those present in person may without further notice adjourn the meeting to another time and date not less than thirty (30) days later and to any place in one of the counties in Kentucky within which the Cooperative serves, provided, that the Secretary shall notify any absent members of the time, date and place of such adjourned meeting by delivering notice thereof as provided in Section 3 of this Article.

**Section 5. Voting.**

Each member presently receiving electric service shall be entitled to one vote and not more upon each matter submitted to a vote at a meeting of the members except as is otherwise provided in Section 7, Article II, hereof. At all meetings of the members at which a quorum is present all questions shall be decided by a vote of a majority of the members voting thereon in person, except as otherwise provided by law, the Articles of Incorporation of the Cooperative, or these Bylaws. Each membership is entitled to one vote except where a husband and wife hold more than one membership, in which case, each is entitled to one vote regardless of number of memberships, and each must be personally present to cast his vote.

**Section 6. Proxies.**

At any meeting of the members or adjournment thereof, any member may vote by proxy, but only if such proxy (a) is registered with the Secretary or his/her duly designated registrar before the starting time of the meeting or any adjournment thereof, or, if such proxy is to be voted on any matter the carrying of which requires the affirmative votes of more than a simple majority of the members voting at any meeting of the members, is registered with the Cooperative at its principal office during office hours on or before the third business day not preceding the date of the meeting or any adjournment thereof, as the case may be, (b) is executed by the member in writing and designates the holder thereof (and, if the member so desires, an alternative holder thereof and/or conferring upon the holder(s) full power of substitution) which holder(s) (or substitute(s), if any) shall be the member's spouse, an adult close relative (of legal age) residing

in the same household as the member or another member who is a natural person, and (c) specifies the particular meeting and/or any adjournment thereof at which it is to be voted and is dated not more than ninety (90) days prior to the date of such meeting or any adjournment thereof; provided, that any mailed proxies not otherwise dated shall be deemed dated as postmarked if postmark is satisfactorily evidenced; and provided further, that any proxy valid at any meeting shall be valid at any adjournment thereof unless the proxy itself specifies otherwise or is subsequently revoked by another proxy or by the presence in person of the member at such adjournment. A proxy may be unlimited as to the matters on which it may be voted or it may be restricted; a proxy containing no restriction shall be deemed to be unlimited. In the event a member executes two or more proxies for the same meeting or for any adjournment thereof, the most recently dated proxy shall revoke all others; if such proxies carry the same date and held by different persons, none of them will be valid or recognized. The presence in person of a member at a meeting or any adjournment thereof shall revoke any proxy theretofore executed by him/her for such meeting or such adjournment thereof, as the case may be, and he/she shall be entitled to vote in the same manner with the same effect as if he/she had not executed a proxy. No member may vote as proxy for more than three (3) members at any meeting of the members. Notwithstanding the foregoing provisions of this section whenever a member is absent from a meeting of such members but whose spouse attends such meeting, such spouse shall be deemed to hold and may exercise and vote, the proxy of such member at the same extent that such member could vote if present in person, unless such member has given written proxy to some other person eligible to vote such proxy.

**Section 7. Firm, Partnership, Corporation or Body Politic.**

Any firm, partnership, corporation, church, fraternal organization or body politic who is a member under the terms and provisions of these Bylaws may vote at any special or annual meeting upon any matter submitted to the meeting for a vote with the same right and privilege as an individual or joint membership except, however, such firm, partnership, corporation, church, fraternal organization or body politic, shall be entitled to cast only one (1) vote regardless of the number of memberships held. Any person casting the vote of such firm, partnership, corporation, church, fraternal organization or body politic must be clothed with authority by resolution or written statement from an authorized Board of Directors, or agreement by such firm, partnership, corporation, church, fraternal organization or body politic authorizing such person to cast said vote at such special or annual meeting.

**Section 8. Credentials and Election Committee.**

The Board shall consider before each annual meeting or special meeting of members whether it is necessary to appoint a credentials or election committee. If a petition has been filed under the provisions of Article II, Section 10, of these Bylaws nominating a member to serve as a director or if the Board deems it necessary, because of contested matters on the agenda or other good cause, the Board of Directors shall, pursuant to the provisions hereinafter set out, at least thirty (30) days before any meeting of the members, appoint a Credentials and Election Committee. The Committee shall consist of an uneven number of Cooperative members not less than three (3) nor more than five (5) who are not members of the Nominating Committee or are not existing Cooperative employees, agents, officers, directors or known candidates for director, and who are not close relatives or members of the same household thereof. In appointing the Committee, the Board shall have agreed for the equitable representation of the several areas served by the Cooperative. The Committee shall elect its own chairman and secretary prior to the member meeting. It shall be the responsibility of the Committee to establish or approve the manner of conducting member registration and any ballot or voting, to pass upon all questions that may arise with respect to the registration or members in person, to count all ballots or other votes cast in any election or in any other matter, to rule upon the effect of any ballots or other votes irregularly or indecisively marked or cast, to rule upon all other questions that may arise relating to member voting and the election of directors (including but not limited to the validity of petitions of nomination, proxies, or the qualifications of candidates and the regularity of the nominations and election of directors), and to pass upon any protest or objection filed with respect to any election or affecting the result of any election. In the exercise of its responsibility, the Committee shall have available to it the advice of counsel provided by the Cooperative. In the event a protest or objection is filed concerning any election, such protest or objection must be filed in writing with the Committee at the Cooperative's main office within three (3) business days following the adjournment of the meeting in which the voting is conducted. The Committee shall thereupon be reconvened, upon notice from the Committee Chairman, not less than seven (7) days after such protest or objection is filed. The Committee shall hear such evidence as is presented by the protestor(s) or objector(s), who may be heard in person, represented by counsel, or both, any opposing evidence; and the Committee, by vote of a majority or those present and voting, shall, within a reasonable time, but not later than thirty (30) days after such hearing, render its decision, the result of which may be to affirm the election, to change the outcome thereof, or to set it aside. The Committee may not affirmatively act on any matter unless a majority of the Committee is present. The Committee's decision (as reflected by a majority of those actually present and voting) on all matters covered by this Section shall be final.

**Section 9. Voting Districts.**

The territory served or to be served by the Jackson Energy Cooperative Corporation shall be divided into nine (9) Districts. Each district shall be represented by one (1) Director. The Districts are numbered and described as follows:

**District No. 1** - Eastern Jackson County - shall be composed of all the members in Jackson County residing East and North of Kentucky Highway No. 421 beginning at the Rockcastle and Jackson County boundary line and running with Highway No. 421 to its junction with Highway No. 587; thence running East with Highway No. 587 to its junction with County Road No. 1119; thence running South with County Road No. 1119 to its intersection with County Road No. 1118; thence Northwest with County Road No. 1118 to its intersection with Kentucky Highway No. 421; thence South with Kentucky Highway No. 421 to the Clay and Jackson County boundary line. **District No. 2** - Western Jackson County - shall be composed of all the members in Jackson County residing outside District 1. **District No. 3** - Shall be composed of all the members residing in Laurel County North of Highway 80.

**District No. 4** - Shall be composed of all members residing in Estill and Powell Counties. **District No. 5** - Shall be composed of all members residing in Rockcastle, Lincoln, Garrard, Pulaski and Madison Counties. **District No. 6** - Shall be composed of all the members residing in Clay and Leslie Counties. **District No. 7** - Shall be composed of all the members residing in Owsley and Breathitt Counties. **District No. 8** - Shall be composed of all the members residing in Lee and Wolfe Counties. **District No. 9** - Shall be composed of all members residing in Laurel County South of Highway No. 80.

**Section 10. Nomination and Election of Directors.**

It shall be the duty of the Board of Directors to appoint, no less than sixty (60) days nor more than ninety (90) days prior to the date of a meeting of the members at which directors are to be elected, a Committee on Nomination, consisting of nine (9) members of the Cooperative who are not existing Cooperative employees, agents, officers, directors or known candidates for directors, who are not close relatives or members of the same household thereof, and who are so selected that each of the Cooperative's Director Districts shall have representation thereon in proportion to the number of authorized directors from or with respect to such District. The Committee shall prepare and post at the principal office of the Cooperative at least fifty (50) days prior to the meeting a list of nominations for directors to be elected, listing separately the nominee(s) for each Director District from or with respect to which a director must, pursuant to this Article, be elected at the meeting. The Committee may include as many nominees for any director to be elected as it deems desirable. Any five hundred (500) or more members of the Cooperative, acting together, may make an additional nomination in writing over their signatures, listing their nominee in like manner, and by delivering same to the principal office of the Cooperative not less than forty (40) days prior to the meeting, and the Secretary shall post such nomination at the same place where the list of nominations made by the Committee is posted. The Names of all qualified nominee(s), as according to the qualifications outlined in Article III, Section 2 of these Bylaws, shall be placed on the official ballot which shall be prepared by or under the direction of the Secretary. The Secretary shall mail to the members with the notice of the meeting, or separately, but at least seven (7) days prior to the date of the meeting, a statement of the names and addresses of all nominee(s) for each Director District from or with respect to which one or more directors must be elected, showing clearly those nominated by the Committee and those nominated by petition, if any. Each eligible member of the Cooperative present at the meeting shall be entitled to vote for one nominee for each Director District. The nominee from each Director District receiving the highest number of votes at such meeting shall be elected as director.

**Section 11. Agenda.**

No proposal shall be voted upon at the Annual Meeting unless it has been placed on the agenda at least forty (40) days prior to such meeting. Any legitimate proposal may be placed on the agenda by any member by filing a copy of the proposal with the Secretary within the time allowed, with a request that it be submitted to the Annual Meeting for consideration. Said requested proposal should be placed on the order of business which is mailed in timely matter to the members prior to the Annual Meeting.

**Section 12. Order of Business.**

The order of business at the Annual Meeting of the members, and so far as possible at all other meetings of the members, shall be essentially as follows:

1. Report on the number of members present in person in order to determine the existence of a quorum.
2. Reading of the notice of the meeting and proof of the due publication or mailing thereof, or the waiver or waivers of notice of the meetings, as the case may be.
3. Reading of unapproved minutes of previous meeting of the members and the taking of necessary action thereon.
4. Presentation and consideration of, and acting upon, reports of officers, directors and committees.
5. Election of Directors.
6. Unfinished business.
7. New business.
8. Adjournment.

**ARTICLE III DIRECTORS**

**Section 1. General Powers.**

The business and affairs of the Cooperative shall be managed by a board of nine (9) Directors who shall exercise all of the powers of the Cooperative except such as are by law or by the Articles of Incorporation of the Cooperative or by these Bylaws conferred upon or reserved to the members.

**Section 2. Qualification and Tenure.**

No person shall be eligible to become or remain a director of the Cooperative who is a close relative of an incumbent director or of an employee of the Cooperative, or is not a member in good standing of the Cooperative and receiving service therefrom at his/her primary residential abode; residing within the Director District from which he/she is being considered, nominated or elected, and being of legal age.

Beginning at the Annual Meeting of the Cooperative held in 1950, Directors shall be elected by ballot from the membership as follows:

(a) One (1) Director from Districts 1, 3 and 5 to serve for a period of three (3) years or until their successors have been elected and shall be qualified.

(b) One (1) Director from Districts 2, 4 and 6 to serve for a period of three (3) years or until their successors have been elected and shall be qualified.

(c) One (1) Director from Districts 7, 8 and 9 to serve for a period of three (3) years or until their successors have been elected and shall be qualified.

At each Annual Meeting after 1950, three (3) Directors shall be elected from the membership by ballot to succeed those Directors whose terms of office shall have expired, to serve for a period of three (3) years, or until their successors have been elected.

No person shall be eligible to become or remain a board member of the Cooperative who is incumbent of, or a candidate for an elective public office in connection with which a salary is paid or, who is not a member and bona fide resident in the area served or to be served by the Cooperative; or is in any way employed by or financially interested in a competing enterprise or a business selling electric energy or supplies to the Cooperative, or a business primarily engaged in selling electrical or plumbing appliances, fixtures or supplies to the members of the Cooperative, or has ever been an employee of the Cooperative. If not otherwise disqualified, members of Boards of Education, Trustees, City Councilmen, and Committeemen serving on agricultural agencies, are eligible to become members of the Board. Upon establishment of the fact that a board member is holding the office in violation of any of the foregoing provisions, the Board shall remove such board member from office.

Nothing contained in this Section shall affect in any manner whatsoever the validity of any action taken at any meeting of the Board.

No close or near relative of a Director may be employed by the Cooperative. For the purpose of these Bylaws a close or near relative is defined as that relationship, either by blood or marriage, nearer or closer than a first cousin but not including first cousins and lesser relationships.

Any member of the Board of Directors failing to attend three regular consecutive monthly meetings, unless excused by the Board for reason satisfactory to it, shall be deemed to have vacated office. When a membership is held jointly by a husband and wife, either one, but not both, may be elected a Director, provided, however, that neither one shall be eligible to become or remain a Director or hold a position of trust in the Cooperative unless both shall meet the qualifications hereinabove set forth. Nothing in this Section contained shall, or shall be construed to affect in any matter whatsoever the validity of any action taken at any meeting of the Board of Directors.

**Section 3. Removal of Directors and Officers.**

Any member may bring charges against an officer or director by filing such charges in writing with the Secretary, together with a petition signed by ten per centum (10%) of the membership requesting the removal of the officer or director in question. The removal shall be voted upon at the next regular or special meeting of the members and any vacancy created by such removal may be filled by the members at such meeting; provided, however, that the new director must reside in the same district as the director in respect of whom the vacancy occurs. The director or officer against whom such charges have been brought shall be informed in writing of the charges previous to the meeting and shall have an opportunity at the meeting to be heard in person or by counsel and to present evidence; and the person or persons bringing the charges against him shall have the same opportunity.

**Section 4. Vacancies.**

Subject to the provisions of these Bylaws with respect to the removal of Directors, vacancies occurring in the Board of Directors shall be filled by a majority vote of the remaining Directors and any Director thus elected shall serve the unexpired term of the vacancy or until his successor has been elected and shall have qualified. The member elected as Director to fill the vacancy must reside in the same District as the Director of whose office he succeeds.

**Section 5. Compensation.**

Directors as such shall not receive any salary for their service, but by resolution of the Board of Directors a fixed sum and expense of attendance, if any, may be allowed for attendance at each local, regional, state, and national meeting of the Board of Directors, and except in emergencies, no Director shall receive compensation for serving the Cooperative in

any other capacity. By special resolution, the Board may authorize payment of the expenses of invited guests to meetings involving the interests of the Cooperative.

**Section 6. Rules and Regulations.**

The Board of Directors shall have power to make and adopt such rules and regulations, not inconsistent with law, the Articles of Incorporation of the Cooperative or these Bylaws, as it may deem advisable for the management, administration and regulation of the business and affairs of the Cooperative.

**Section 7. Accounting System and Reports.**

The Board of Directors shall cause to be established and maintained a complete accounting system, which, among other things, subject to applicable laws and rules and regulations shall conform to such accounting system as may from time to time be designated by the Administrator of the Rural Utilities Service of the United States of America. The Board of Directors shall, after the close of each fiscal year, cause to be made a full and complete audit of the accounts, books, and financial condition of the Cooperative as of the end of each fiscal year. A summary of the audited reports shall be submitted to the members at the following Annual Meeting.

**Section 8. Change in Rates.**

Written notice shall be given to the administrator of the Rural Utilities Service of the United States of America not less than ninety (90) days prior to the date upon which any proposed change in rates charged by the Cooperative for electric energy becomes effective.

**ARTICLE IV MEETINGS OF DIRECTORS**

**Section 1. Regular Meetings.**

A regular meeting of the Board of Directors shall be held without notice other than this Bylaw, immediately after, and at the same place as the Annual Meeting of the members. A regular meeting of the Board of Directors shall also be held monthly at such time and place in McKee, Jackson County, Kentucky, as the Board of Directors may provide by resolution. Such regular monthly meetings may be held without notice other than such resolution fixing the time and place thereof.

**Section 2. Special Meetings.**

Special meetings of the Board of Directors may be called by the Chairman of the Board or any five (5) Directors. The person or persons authorized to call special meetings of the Board of Directors may fix the time and place (which shall be in McKee, Jackson County, Kentucky, or such other place as may be designated by the Chairman of the Board only) for the holding of any special meeting of the Board of Directors called by them.

**Section 3. Notice.**

Notice of the time, place and purpose of any special meeting of the Board of Directors shall be given at least five (5) days previous thereto, by written notice, delivered personally or mailed, to each Director at his last known address. If mailed, such notice shall be deemed to be delivered when deposited in the United States mail so addressed, with postage thereon prepaid. The attendance of a Director at any meeting shall constitute a waiver of notice of such meeting, except in case a Director shall attend a meeting for the express purpose of objecting to the transaction of any business because the meeting shall not have been lawfully called or convened.

**Section 4. Quorum.**

A majority of the Board of Directors shall constitute a quorum for the transaction of business at any meeting of the Board of Directors, provided, that if less than a majority of the Directors is present at said meeting, a majority of the Directors present may adjourn the meeting from time to time without further notice; and provided further, that the Secretary shall notify any absent board members of the time and place of such adjourned meeting.

**Section 5. Manner of Acting.**

The act of the majority of the Directors present at a meeting at which a quorum is present shall be the act of the Board of Directors.

**ARTICLE V OFFICERS**

**Section 1. Number and Duties.**

The officers of the Cooperative shall be a Chairman of the Board, Vice-Chairman of the Board, Secretary, Treasurer, and such other officers as may be determined by the Board of Directors from time to time. The office of Secretary and of Treasurer may be held by the same person.

**Section 2. Election and Term of Office.**

The officers shall be elected, by ballot, annually by and from the Board of Directors at the first meeting of the Board of Directors held after each Annual Meeting of the members. If the election of officers shall not be held at such meeting, such election shall be held as soon thereafter as conveniently may be. Each officer shall hold office until the first meeting of the Board of Directors following the next succeeding Annual Meeting of the members or until his successor shall have been duly elected and shall have qualified, subject to the provisions of these Bylaws with respect to the removal of officers.

**Section 3. Removal.**

Any officer or agent elected or appointed by the Board of Directors may be removed by the Board of Directors whenever in its judgment the best interest of the Cooperative will be served thereby.

**Section 4. Vacancies.**

Except as otherwise provided in these Bylaws, a vacancy in any office may be filled by the Board of Directors for the unexpired portion of the term.

**Section 5. Chairman of the Board.**

The Chairman of the Board: (a) Shall be the chief and principal officer of the Cooperative and shall preside or designate some other individual to preside at all meetings of the members and of the Board of Directors, and (b) in general shall perform all duties incident to the office of Chairman of the Board, and such other duties as may be prescribed by the Board of Directors from time to time.

**Section 6. Vice-Chairman of the Board.**

In the absence of the Chairman of the Board, or in the event of his inability or refusal to act, the Vice-Chairman shall perform the duties of the Chairman, and when so acting, shall have the power of and be subject to all the restrictions upon the Chairman, and shall perform such other duties as may from time to time be assigned to him by the Board of Directors.

**Section 7. Secretary.**

The Secretary shall be responsible for: (a) Keeping the minutes of the meetings of the members and of the Board in books provided for that purpose; (b) seeing that all notices are duly given in accordance with these Bylaws, or as required by law; (c) the safekeeping of the corporate books and records, and the seal of the Cooperative, and affixing the seal of the Cooperative to all papers, instruments and documents of membership prior to the issue thereof, the execution of which on behalf of the Cooperative under its seal, is duly authorized in accordance with the provisions of the Bylaws; (d) keeping a register of the names and post office addresses of all members; (e) keeping on file at all times a complete copy of the Articles of Incorporation and Bylaws of the Cooperative containing all amendments thereto (which copy shall always be open to the inspection of any members) and at the expense of the Cooperative, furnishing a copy of the Bylaws, and of all amendments thereto, to any members upon request; (f) having general charge of the books of the Cooperative in which records of the members are kept; and (g) in general, performing all duties incident to the office of Secretary, and such other duties as from time to time may be assigned to him by the Board.

**Section 8. Treasurer.**

The Treasurer shall be responsible for: (a) Custody of all funds and securities of the Cooperative; (b) the receipt of and the issuance of receipts for all monies due and payable to the Cooperative, and for the deposit of all such monies in the name of the Cooperative in such bank or banks as shall be selected in accordance with the provisions of these Bylaws; and (c) the general performance of all the duties incident to the office of Treasurer and such other duties as from time to time may be assigned to him by the Board.

**Section 9. Delegation of Secretary's and Treasurer's Responsibilities**

Notwithstanding the duties, responsibilities and authorities of the Secretary and of the Treasurer herein before provided in Section 7 and 8 above, the Board of Directors by resolution may, except as otherwise limited by law, delegate, wholly or in part, the responsibility and authority for, and the regular or routine administration of, one or more of each such officer's duties to one or more agents, other officers or employees of the Cooperative who are not directors. To the extent that the Board does so delegate with respect to any such officer, that officer shall be released from such duties, responsibilities, and authorities.

**Section 10. President and Chief Executive Officer.**

The Board of Directors may appoint an Executive who shall have the title of President and Chief Executive Officer (CEO) and who may be, but shall not be required to be, a member of the Cooperative. The President and Chief Executive Officer (CEO) has such general and complete authority as vested in him by the Board of Directors.

**Section 11. Bonds of Officers.**

The Board of Directors shall require the Treasurer or any other officer to the Cooperative charged with responsibility for the custody of any of its funds or property, to give bond in the sum and with such surety as the Board of Directors shall determine. The Board of Directors in its discretion may also require any other officer, agent or employee of the Cooperative to give bond in such amount and with such surety as it shall determine.

**Section 12. Compensation.**

The compensation of officers, agents and employees shall be fixed by the Board of Directors.

**Section 13. Reports.**

The officers of the Cooperative shall submit at each Annual Meeting of the members reports covering the business of the Cooperative at the close of such fiscal year.

**ARTICLE VI CONTRACTS, CHECKS, AND DEPOSITS**

**Section 1. Contracts.**

Except as otherwise provided in these Bylaws, the Board of Directors may authorize any officer or officers, agent or



agents to enter into any contract or execute and deliver any instrument in the name and on behalf of the Cooperative and such authority may be general or confined to specific instances.

**Section 2. Checks, Drafts, etc.**

All checks, drafts or other orders for the payment of money, and all notes, bonds or other evidences of indebtedness issued in the name of the Cooperative shall be signed by such officer or officers, agent or agents, employee or employees of the Cooperative and in such manner as shall from time to time be determined by resolution of the Board of Directors.

**Section 3. Deposits.**

All funds of the Cooperative shall be deposited from time to time to the credit of the Cooperative in such bank or banks as the Board of Directors may select.

**ARTICLE VII MEMBERSHIP RECEIPTS**

**Section 1. Evidence of Membership.**

Membership in the Cooperative shall be evidenced by a receipt of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to, or inconsistent with, the Articles of Incorporation of this Cooperative or by these Bylaws.

**Section 2. Issue of Membership Receipts.**

No membership receipt shall be issued until the payment of the full amount of the membership fee.

**ARTICLE VIII NON-PROFIT OPERATION**

**Section 1. Interest or Dividends on Capital Prohibited.**

The Cooperative shall at all times be operated on a Cooperative non-profit basis for the mutual benefit of its patrons. No interest or dividends shall be paid or payable by the Cooperative on any capital furnished by its patrons.

**Section 2. Patronage Capital in Connection with Furnishing Electric Energy.**

In the furnishing of electric energy the Cooperative's operations shall be so conducted that all patrons will through their patronage furnish capital for the Cooperative. In order to induce patronage and to assure that the Cooperative will operate on a non-profit basis the Cooperative is obligated to account on a patronage basis to all its patrons for all amounts received and receivable from the furnishing of electric energy in excess of operating costs and expenses properly chargeable against the furnishing of electric energy. All such amounts in excess of operating costs and expenses at the moment of receipt by the Cooperative are received with the understanding that they are furnished by the patrons as capital. The Cooperative is obligated to pay credits to a capital account for each patron all such amounts in excess of operating costs and expenses. The books and records of the Cooperative shall be set up and kept in such a manner that at the end of each fiscal year the amount of capital, if any, so furnished by each patron is clearly reflected and credited in an appropriate record to the capital account of each patron. All such amounts credited to the capital account of any patron shall have the same status as though they had been paid to the patron in cash in pursuance of a legal obligation to do so and the patron had then furnished the Cooperative corresponding amounts for capital.

All other amounts received by the Cooperative from its operations in excess of costs and expenses shall, insofar as permitted by law, be (a) used to offset any losses incurred during the current or any prior fiscal year and (b) to the extent not needed for that purpose, allocated to its patrons on a patronage basis and any amount so allocated shall be included as part of the capital credited to the accounts of patrons, as herein provided.

In the event of dissolution or liquidation of the Cooperative, after all outstanding indebtedness of the Cooperative shall have been paid, outstanding capital credits shall be retired without priority on a pro rata basis before any payments are made on account of property rights of members. If, at any time prior to dissolution or liquidation, the board shall determine that the financial condition of the Cooperative will not be impaired thereby, the capital credited to patrons' accounts may be retired in full or in part.

Capital credited to the account of each patron shall be assignable only on the books of the Cooperative pursuant to written instruction from the assignor and only to successors in interest or successors in occupancy in all or a part of such patron's premises served by the Cooperative unless the board, acting under policies of general application, shall determine otherwise.

Notwithstanding any other provision of these Bylaws, the board at its discretion, shall have the power at any time upon the death of any patron, if the legal representatives of his estate shall request in writing that the capital credited to any such patron be retired prior to the time such capital would otherwise be retired under the provisions of these Bylaws, to retired capital credited to any such patron immediately upon such terms and conditions as the board, acting under policies of general application, and the legal representatives of such patron's estate shall agree upon; provided, however, that the financial condition of the Cooperative will not be impaired thereby, and further provided that no payment of capital credits to the estate of a deceased member shall be made except to the extent said credits represent receipts in cash to the Cooperative.

The patrons of the Cooperative, by dealing with the Cooperative, acknowledge that the terms and provisions of the Articles of Incorporation and Bylaws shall constitute and be a contract between the Cooperative and each patron, and both the Cooperative and the patrons are bound by such contract, as fully as though each patron had individually signed a

separate instrument containing such terms and provisions.

**ARTICLE IX WAIVER OF NOTICE**

Any member or Director may waive, in writing, any notice of meetings required to be given by these Bylaws. In case of a joint membership a waiver of notice signed by either husband or wife shall be deemed a waiver of notice of such meeting by both joint members.

**ARTICLE X DISPOSITION OF PROPERTY**

The Cooperative may not sell, mortgage, lease, or otherwise, dispose of or encumber all of its property unless such sale, mortgage, lease or other disposition or encumbrance is authorized at a meeting of the members thereof by the affirmative vote of not less than two-thirds (2/3rds) of all of the members of the Cooperative, and unless the notice of such proposed sale, mortgage, lease or other disposition or encumbrance shall have been contained in the notice of the meeting; provided, however, that notwithstanding anything herein contained, the board of the Cooperative, without authorization by the members thereof, shall have full power and authority to authorize the execution and delivery of a mortgage or mortgages or a deed or deeds of trust upon, or the pledging or encumbering of, any or all of the property, assets, rights, privileges, licenses, franchises and permits of the Cooperative, whether acquired or to be acquired, and wherever situated, as well as the revenues and income therefrom, all upon such terms and conditions as the board shall determine, to secure any indebtedness of the Cooperative to the United States of America, National Rural Utilities Cooperative Finance Corporation, or any instrumentality or agency thereof; provided further, that the board may, upon the authorization of a majority of those members of the Cooperative present at a meeting of the members thereof, sell, lease or otherwise dispose of all or a substantial portion of its property to another Cooperative or foreign corporation doing business in this state pursuant to the Act under which this Cooperative is incorporated.

**ARTICLE XI AREA COVERAGE**

The board shall make diligent effort to see that electric service is extended to all unserved persons within the Cooperative service area who (a) desire such service and (b) meet all reasonable requirements established by the Cooperative as a condition of such service.

**ARTICLE XII FISCAL YEAR**

The fiscal year of the Cooperative shall begin on the first (1st) day of January each calendar year and end on the thirty-first (31st) day of December of the same year.

**ARTICLE XIII MEMBERSHIP IN OTHER ORGANIZATIONS**

The Cooperative shall not become a member of any other organization without an affirmative vote of the members at a meeting called as provided in these Bylaws, and the notice of said meeting shall specify that action is to be taken upon such proposed membership as an item of business, provided, however, that the Directors shall have full power and authority to authorize the Cooperative to purchase stock in or to become a member of any corporation or cooperative organized on a non-profit basis for the purpose of engaging in or furthering the cause of rural electrification.

**ARTICLE XIV SEAL**

The corporate seal of the Cooperative shall be in the form of a circle and shall have inscribed thereon the name of the Cooperative and the words "CORPORATE SEAL, KENTUCKY."

**ARTICLE XV LIABILITY FOR DAMAGES**

The Cooperative shall not be liable to its members for personal injuries or damage to property resulting from the use of electric current furnished through the equipment of the Cooperative on member's premises, except in the event of the Cooperative's negligence and the member shall save the Cooperative harmless from injuries to the person or damages to the property of third persons resulting from such use of current.

**ARTICLE XVI CONTINUITY OF SERVICE**

All reasonable efforts will be made to supply continuous and uninterrupted service. However, the Cooperative shall have the right to suspend the supply of electric energy for the purpose of making repairs, betterment or extensions.

**ARTICLE XVII AMENDMENTS**

These Bylaws may be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3rds) of all the Directors at any regular meeting. These Bylaws may also be altered, amended or repealed by the affirmative vote of not less than two-thirds (2/3rds) of all the Directors of any special meeting, provided, a notice of such meeting shall have contained a copy of the proposed alteration, amendment or repeal.

Revised March 11, 2005





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

**Item 16. Equity Management Plan**

A copy of the Equity Management Plan is attached. The plan was last updated on June 10, 2005. There were no changes since the plan was last presented to the Commission.

Jackson Energy Cooperative  
Case No. 2007-00333  
February 28, 2007

Capital credits were paid as follows:

	<u>General</u>	<u>Estates</u>	<u>Total</u>
2007 2 months	\$0	\$64,437	\$64,437
2006		404,555	404,555
2005		339,867	339,867
2004	2,999,738	346,325	3,346,063
2003		329,360	329,360
2002		396,618	396,618
Prior years	<u>1,432,154</u>	<u>6,313,652</u>	<u>7,745,806</u>
Total	<u>\$4,431,892</u>	<u>\$8,194,814</u>	<u>\$12,626,706</u>

**JACKSON ENERGY COOPERATIVE CORPORATION**

**BOARD POLICY NO. B200**

**SUBJECT: CAPITAL MANAGEMENT**

**I. OBJECTIVES:**

- A. To assure the financial strength of the Cooperative, in order to provide high quality electric services to members, and at the same time provide power at cost consistent with Cooperative philosophy.
- B. To develop an approach to long range financial planning which will assure that the Cooperative meets its financial responsibilities to both lending entities and member-owners through equity and margin planning.
- C. To comply with the various regulations and operational practices prescribed by RUS, Kentucky Public Service Commission and other agencies as required.

**II. POLICY:**

A. Equity and TIER Levels

It will be the policy of the Cooperative to achieve and maintain a target Equity Ratio of 30-40% excluding Generation and Transmission Capital Credits (GTCC's) and a TIER Ratio of 1.50 to 2.00 including GTCC's.

- B. A long range financial plan will be developed and updated periodically that will guide and insure the Cooperative meeting all of its financial obligations which include the following:
  - 1. Maintaining a minimum current ratio (current assets divided by current liabilities) of 1.0 as target measure for cash.
  - 2. It will be the policy of the Cooperative to achieve and maintain a standard DSC (Debt Service Coverage) minimum level of 1.25 or an operating DSC minimum of 1.10 to meet loan eligibility requirements as a borrower of RUS and CFC. Maintaining these minimum levels will assure that funds are available for debt retirement.
  - 3. Maintaining access to timely loan fund balances and sources to meet needed plant additions.
  - 4. Insuring that funds are available for an established capital credit retirement program.

5. Maintaining revenue requirements necessary to meet margins, equity, TIER and capital credit rotation requirements.

C. Capital Credit Retirements

1. In addition to estate retirements, the Cooperative will consider general retirement of capital credits each year.
2. The Board may elect to dispense with capital credit general retirements if they feel that the financial conditions are not advantageous to the Cooperative to do so. The Board may elect the appropriate method at the time of the retirement.
3. Capital credits may be retired on a general basis, provided that mortgage requirements would be met. These include a TIER minimum of 1.25 and an equity level of no less than 30% after the retirement. Equity level is defined as Total Margins and Equity divided by Total Assets from the RUS Form 7.
4. Capital credits will be allocated to members on the basis of margins contributed per rate.

D. Policy Performance Review

A long range financial study and a review of the equity and equity management performance as well as the cash working capital level shall be conducted at least annually and reported to the Board of Directors in April of each year.

III. **RESPONSIBILITY:**

- A. The President and CEO is responsible for the administration of this policy and for recommending needed revisions to the Board of Directors.
- B. The Board of Directors shall determine that the Cooperative's Capital Management Policy meets the needs of the member-owners.

  
\_\_\_\_\_  
CHAIRMAN OF THE BOARD

**ADOPTED:** March 8, 1996

**REVIEWED:** June 6, 2007

**REVISED:** March 10, 2000; February 14, 2003; March 12, 2004; August 13, 2004;  
June 10, 2005



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 17. Professional services

Shown as Exhibit 9 of this Application.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 18. Compensation of Directors

Shown as Exhibit 10 of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 19. Annual meeting information

Shown as Exhibit P in this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 20. Customer billing and increases, by rate class

- a. Shown as Exhibit G of this Application.
- b. Shown as Exhibit G of this Application.
- c. Shown as Exhibit G of this Application
- d. Shown as Exhibit G of this Application
- e. Shown as Exhibit 14 of this Application, page 3 of 3



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 21. Customer billing determinants

a. through f.

Shown as Exhibit G and Exhibit J to this Application.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 22. Capitalization rates

Shown as Exhibit 1 of this Application.

Labor allocation based on employee time sheets. Benefits based on labor distribution. Transportation clearing based on miles driven per vehicle, which includes depreciation on vehicles.

There were no changes during the test year, or proposed after the test year.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 23. Salaries and wages

Item 23 a. and b.

- a. Attached.
- b. Shown as Exhibit 1, page 1 of 10 of this Application.

Analysis of Salaries and Wages  
For the calendar years 2004 through 2006  
and the Test year

Line No	Item (a)	Twelve Months Ended				Test year 2007							
		2004		2005		2006							
		Amount (f)	% (g)	Amount (h)	% (i)	Amount (j)	% (k)	Amount (l)	% (m)				
1	Wages charged to expense:												
2	Distribution expense	1,973,307	22%	1,879,517	-5%	2,029,141	8%	2,022,523	-0%				
3	Customer accounts expense	1,179,939	14%	1,310,470	11%	1,296,370	-1%	1,285,672	-1%				
4	Customer service and information	229,895	17%	229,904	0%	228,280	-1%	225,096	-1%				
5	Sales expense	4,319	-1%	4,283	-1%	3,117	-27%	3,036	-3%				
6	Administrative and general expenses:												
	(a) Administrative and general	665,678	8%	760,375	14%	736,682	-3%	771,195	5%				
	(b) Office supplies and expense												
	(c) Outside services employed												
	(d) Property insurance												
	(e) Injuries and damages	6,935	-1%	5,574	-20%	5,687	2%	5,625	-1%				
	(f) Employees hospitalization and bene	28,758	19%	15,962	-44%	7,868	-51%	11,596	47%				
	(g) Retirement and security												
	(h) Miscellaneous general	81,005	31%	74,607	-8%	62,596	-16%	63,681	2%				
	(i) Maintenance of general plant	71,077	-5%	31,275	-56%	26,882	-14%	27,010	0%				
7	Total administrative and general expenses L6(a) to L6(i)	853,453	9%	887,793	-3%	839,715	-3%	879,107	-3%				
8	Charged to clearing and others	865,750	-8%	1,217,773	41%	950,411	-22%	963,145	1%				
9	Total salaries and wages charged to expense and other L2 to L6 + L7 + L8	5,106,663	11%	5,529,740	8%	5,347,034	-3%	5,378,579	1%				
10	Wages capitalized	1,452,834	0%	1,643,091	13%	1,731,392	5%	1,711,232	-1%				
11	Total salaries and wages	6,559,497	9%	7,172,831	9%	7,078,426	-1%	7,089,811	0%				
12	Ratio of salaries and wages charged to expense to total wages L9 / L11	78%		77%		76%		76%					
13	Ratio of salaries and wages capitalized to total wages L10 / L11	22%		23%		24%		24%					
14	Overtime wages	709,290	15%	802,329	13%	652,997	-19%	630,359	-3%				

Item 23a  
Page 1 of 1



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 24. Regular and overtime hours, and percentages of increase

Item 24 a to d.

a. & b.        Shown as Exhibit 1 of this Application.  
                  Pages 3 thru 5

c. & d.        Shown as Exhibit 1 of this Application.  
                  Pages 8 thru 10



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 25. Payroll tax information

Item 25 a. to d.

Shown as Exhibit 2 of this Application.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 26. Property and franchise taxes

Shown as Exhibit 4. of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 27. Electric plant in service

Shown as Exhibit 3 of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 28. Employee benefits

Shown as Exhibit 20, page 2 of 2 of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 29. Salary of Executive Officers

Shown as Exhibit 1 of this Application, page 7 and 10





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 30. Advertising

Shown as Exhibit 11 of this Application.  
Pages 3, 4 and 5



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 31. Miscellaneous general expenses

Shown as Exhibit 11 of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 32. Other income deduction Account 426

Shown as Exhibit 8 of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 33. Board of Directors

Shown as Exhibit 10 of this Application.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins  
Witness: Don Schaefer

Item 34. Compensation of Board of Directors

Shown as Exhibit 10 of this Application.  
There are no spouse expenses included.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 35. Professional services expenses

Shown as Exhibit 9 of this Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins  
Witness: Sharon Carson

Item 36. Rate case costs

Item 36 a. to c.

- a. All costs are recorded in Account 928.00. There were no costs incurred during the test year.
- b. Shown as Exhibit 13 of this Application.
- c. All cost are included as Item 36 a. of this response, with monthly updates being submitted at the time the monthly reports are prepared.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 37. Advance of loan funds

Jackson Energy advanced \$8,200,000 of loan funds on May 2, 2007. It is estimated that another \$4,141,000 will be advanced on or about December 31, 2007. These funds will be used to repay the short-term borrowings used to finance construction projects.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 38 . Depreciation expense

Information for Exhibit 3, of the Application was inadvertently omitted from the original filing. These exhibits are included with this response.

Witness: Jim Adkins

Jackson Energy Cooperative

Case No. 2007-00333

February 28, 2007

**Depreciation Expense**

Depreciation is computed on a composite basis. The ending plant balance is multiplied by rates that are within RUS approved guidelines. Depreciation rates and procedures follow RUS Bulletin 183-1. Jackson Energy has had a depreciation study updated as of December 31, 2005 and is submitting that study with this application.

Depreciation rates for distribution plant were calculated using Whole Life Rates using the Average Service Life and Net Salvage for the previous five (5) years. This is in accordance with the Commissions Order in Jackson Energy's last rate request in Order No. 2000-373. Jackson Energy has included a schedule to reflect the Whole Life Rates with the average net salvage rolled into the rates.

General plant depreciation rates are exclusive of net salvage value.

Depreciation on transportation equipment is charged to a clearing account. Transportation costs are then cleared to various accounts based on miles driven for each vehicle from the daily time sheets of employees driving the vehicles.

Items of general plant that are fully-depreciated have been removed from the calculation in order to determine the normalized depreciation cost. These amounts have been separated on the right had column of the normalized calculation.

Account	Number	Description	Test Year Balance	Proposed Rate	Normalized Expense	Test Year Expense	Exclude Depreciated Items Fully
362		Station equipment	\$1,463,190	6.67%	\$97,595		177,549
364		Poles, towers & fixtures	55,432,254	4.21%	2,333,698		77,116
365		Overhead conductors & devices	47,257,108	3.61%	1,705,982		131,423
366		Underground conduit	29,207	2.00%	584		0
367		Underground conductor & devices	1,275,527	3.52%	44,899		164,264
368		Line transformers	25,009,124	2.56%	640,234		459,118
369		Services	15,429,549	4.78%	737,532		61,550
370		Meters	2,071,487	4.17%	86,381		32,225
370.10		Meters, AMR	7,921,562	6.67%	528,368		72,295
372		Security lights	3,649,295	5.02%	183,195		9,258
373		Street lights	216,871	5.21%	11,299		209,298
General plant:			159,755,174		6,369,766	6,007,875	
389		Land	199,155				
390		Structures and improvements	6,503,863	1.98%	125,261		177,549
391		Office furn and eqt	299,779	6.82%	15,186		77,116
391.01		Office computer equip	749,047	6.82%	42,122		131,423
391.02		Office furn and eqt	217,097	6.82%	14,806		0
391.2		Office furn and eqt	232,124	6.82%	4,628		164,264
392		Transportation	4,394,940	8.20%	322,737		459,118
392.01		Transportation, other	247,795	11.72%	21,828		61,550
393		Stores	235,207	5.00%	10,149		32,225
394		Tools, shop and garage	283,643	5.00%	13,587		11,910
395		Laboratory	247,096	6.67%	11,659		72,295
396		Power operated	127,322	9.53%	11,251		9,258
397		Communications	907,131	10.00%	69,783		209,298
398		Miscellaneous	344,580	8.67%	26,029		44,360
Total electric plant			\$174,743,953		7,058,793	6,502,373	

Items that are fully depreciated are removed from the ending balance to compute test year depreciation.

Test Year	Normalized	Adjustment
6,502,375	7,058,793	556,418
104,964	322,737	217,773
6,397,411	6,736,055	338,644

The allocation of the increase in depreciation on transportation equipment is based on actual test year transportation clearing.

Account	%	Amount
Construction and retirement WIP	45%	\$98,515
Others	2%	5,414
Distribution - operations	21%	44,916
Distribution - maintenance	20%	44,110
Consumer accounts	4%	8,575
Consumer service and information	3%	6,319
Administrative and general	5%	9,924
<b>Total</b>	<b>100%</b>	<b>\$217,773</b>

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Witness: Jim Adkins

Jackson Energy Cooperative  
Case No. 2007-00333  
Depreciation Guideline Curve  
February 28, 2007

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Year Ended	Distribution Plant in Service	Accumulated Deprec for Distribution	Reserve Ratio	Ratio of Current Distribution Plant to Distribution Plant 10 Years Prior
2005	63,058,263	13,075,631	20.74%	1.83
2004	59,451,341	11,662,562	19.62%	1.81
2003	54,860,933	10,441,991	19.03%	1.75
2002	50,686,141	9,208,504	18.17%	1.73
2001	48,581,161	7,944,824	16.35%	1.73
1995	34,469,259	6,102,375	17.70%	
1994	32,897,721	5,991,225	18.21%	
1993	31,264,971	5,708,752	18.26%	
1992	29,348,251	5,502,712	18.75%	
1991	28,055,578	5,114,874	18.23%	

Jackson Energy Cooperative		Case No. 2007-00333		February 28, 2007	
40	39	38	37	36	35
<b>Changes in electric plant:</b>					
362	Station equipment	1,342,210	120,980	1,463,190	159,755,174
364	Poles, towers and fixtures	53,636,515	2,711,760	55,432,254	159,755,174
365	Overhead conductor and devices	44,177,153	3,842,694	47,257,108	159,755,174
366	Underground conduit	29,207	0	29,207	159,755,174
367	Underground conductor and devices	1,101,282	196,183	1,275,527	159,755,174
368	Line transformers	24,447,771	1,238,331	25,009,124	159,755,174
369	Services	14,757,048	1,017,426	15,429,549	159,755,174
370	Meters	2,489,584	778	2,071,487	159,755,174
370.10	AMR meters	6,084,956	1,855,487	7,921,562	159,755,174
371	Security lights	3,428,847	315,797	3,649,295	159,755,174
373	Street lights	214,445	6,487	216,871	159,755,174
<b>Subtotal distribution plant</b>					
21		151,709,018	11,305,923	3,259,767	159,755,174
22	Land	199,155	0	199,155	159,755,174
23	Structures and improvements	6,474,258	29,605	6,503,863	159,755,174
24	Office furn and eqt	381,046	6,407	299,779	159,755,174
25	Office computer equip	828,117	113,125	749,047	159,755,174
26	Office furn and eqt	217,097	0	217,097	159,755,174
27	Office furn and eqt	232,124	0	232,124	159,755,174
28	Transportation	4,385,910	249,892	4,394,940	159,755,174
29	Transportation, other	236,157	11,638	247,795	159,755,174
30	Stores	239,921	0	235,207	159,755,174
31	Tools, shop and garage	280,894	5,719	283,643	159,755,174
32	Laboratory	186,711	60,385	247,096	159,755,174
33	Power operated	195,091	2,862	127,322	159,755,174
34	Communication	712,814	195,491	907,131	159,755,174
35	Miscellaneous	336,516	8,064	344,580	159,755,174
<b>Subtotal general plant</b>					
37		14,905,811	683,188	14,988,779	159,755,174
38					159,755,174
39	Total electric plant in service	\$11,989,111	\$3,859,987	\$174,743,953	159,755,174
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Begin Balance Additions Retirements End Balance

Jackson Energy Cooperative  
Case No. 2007-00333  
February 28, 2007

Changes in reserve for depreciation:

	Begin Balance	Accrual	Original Cost	Removal Cost	Gain/Loss Salvage	Net Charge	End Balance
Distribution plant	\$26,873,754	\$6,007,875	\$3,259,767	\$1,182,114	\$155,077	\$4,286,804	\$28,594,825
Land							
Structures and improvements	865,898	135,753	0				1,001,651
Office furn and eqt	262,107	17,091	87,674				191,524
Office computer equip	433,674	95,100	192,195			1,236	337,815
Office furn and eqt	195,203	4,837	0				200,040
Office furn and eqt	34,006	8,162	0				42,168
Transportation	2,167,261	104,964	240,862			50,465	2,081,828
Transportation , other	(77,518)	7,715	0				(69,803)
Stores	102,877	9,554	4,714			335	108,052
Tools, shop and garage	66,193	10,480	2,970			208	73,911
Laboratory	117,472	10,094	0				127,566
Power operated	39,318	17,442	70,631			59,330	45,459
Communication	401,214	56,777	1,174				456,817
Miscellaneous	113,970	16,531	0				130,501
Subtotal general plant	4,721,675	494,500	600,220	0	0	111,574	4,727,529
Retirement WIP	373,578			(71,743)		(71,743)	301,835
Total accumulated depreciation	\$31,221,851	\$6,502,375	\$3,859,987	\$1,253,857	\$155,077	\$4,470,121	\$33,020,519

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Jackson Energy Cooperative  
 Case No. 2007-00333  
 February 28, 2007

Calculation of Rates Using Net Salvage Amount

Account Number	Description	Balance Dec 31, 2005	Net Salvage Ratio	Net Salvage Amount	Ratio to Total	Net Salvage Allocation	Net Salvage Percent
<b>Distribution plant</b>							
362	Station equipment	1,160,271	0%	0	0%	0	0.00%
364	Poles, towers & fixtures	53,329,683	60%	31,997,810	53%	407,593	0.76%
365	Overhead conductors & devices	43,527,397	30%	13,058,219	22%	166,338	0.38%
366	Underground conduit	29,207	0%	0	0%	0	0.00%
367	Underground conductor & devices	1,049,714	15%	157,457	0%	2,006	0.19%
368	Line transformers	24,369,369	0%	0	0%	0	0.00%
369	Services	14,639,757	95%	13,907,769	23%	177,159	1.21%
370	Meters	2,626,073	0%	0	0%	0	0.00%
370.10	Meters, AMR	6,083,049	0%	0	0%	0	0.00%
372	Security lights	3,392,602	20%	678,520	1%	8,643	0.25%
373	Street lights	214,833	35%	75,192	0%	958	0.45%
		<u>150,421,955</u>		<u>59,874,967</u>		<u>762,697</u>	

Year	Gross Salvage	Cost of Removal	Net Salvage
2001	30,355	578,492	(548,137)
2002	51,152	791,971	(740,819)
2003	42,018	875,065	(833,047)
2004	59,889	949,898	(890,009)
2005	66,110	867,581	(801,471)
Five year average			<u>(762,697)</u>

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Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 39. Depreciation rates

Item 39 a. and b.

- a. The depreciation rates are the same as those approved by the Commission in Case No. 2000-373.
- b. A copy of the depreciation study was filed with the Application.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 40. Depreciation guideline curve information

Included with Item 38 of this response.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 41. Charitable and political contributions

All charitable and political contributions are recorded in Account 426. An analysis of that account is shown as Exhibit 8 of this Application.

All amounts included in this Account are for charitable purposes, there are no political contributions either in cash or services.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 42. Lobbying activities

Jackson Energy does not engage in lobbying activities, therefore, there are no expenses to report.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 43. Pension plan expenses

Jackson Energy treats and accounts for the pension plans using the same basis for rate-making purposes and financial reporting.

Retirement benefits for substantially all employees are provided through participation in the NRECA Retirement and Security Program, a multiemployer plan. Jackson Energy makes annual contributions to the Program equal to amounts accrued for pension expense. 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.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 44. SFAS No. 106

Item 44. a. to c.

- a. SFAS 106 was adopted as of January 1, 1995.
- b. The accounting entry to recognize SFAS 106 as is shown as Exhibit 6, page 11 of this Application.
- c. Shown as Exhibit 6.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 45. SFAS No. 112

SFAS 112 does not apply to Jackson Energy.





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins  
Witness: Don Schaefer

Item 46. Subsequent events that may effect rate request

As of the date of this response, there are no known events that have occurred after the test year end that would have a material effect on net operating income, rate base, and cost of capital.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 47. Current labor contracts

There are no employment contracts in place.



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 48. Investment in subsidiary and joint ventures

- a. 1 Jackson Energy Services Corporation, is owned 75% by Jackson Energy and 25% by East Kentucky Power Cooperative. Services Corporation owns 100% of Jackson Energy Propane Plus, LLC. Propane Plus distributes propane to residential and commercial customers.
- a.2 Jackson Service Plus, Inc. which provided security and monitoring and other non-electric services, was sold during the test year in December 2006.
- b.1 July 15, 1998
- b.2 February 19, 1997
- c.1 Investment in capital stock of \$1,344,000.
- c.2 None at the end of test year.
- d. Included with Exhibit N of Application as part of the consolidated financial statements.
- e.1 Jackson Energy Services Corporation

<u>Name of Officer</u>	<u>Annual Compensation</u>	<u>Compensation charged to Subsidiary</u>	<u>Position with Jackson Energy</u>	<u>Compensation Received from Jackson Energy</u>
Don Schaefer	\$0	[REDACTED]	President/CEO	[REDACTED]
David Drake	\$0	\$0	None	\$0
Keith Binder	\$0	\$0	Director	[REDACTED]

Quarterly board meetings are held outside the normal monthly Jackson Energy board meetings. There is no compensation paid for attending the Services Corporation board meetings.

- e.2 Jackson Service Plus, Inc.

<u>Name of Officer</u>	<u>Annual Compensation</u>	<u>Compensation charged to Subsidiary</u>	<u>Position with Jackson Energy</u>	<u>Compensation Received from Jackson Energy</u>
Fred Callahan	\$0	\$0	Director	\$15,724
Fred Brown	\$0	\$0	Director	\$7,054
Keith Binder	\$0	\$0	Director	\$11,838


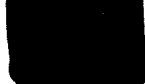


Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Don Schaefer

Item 49. Dividends or income received from subsidiary

Jackson Energy reported the following in its results of operations as a result of its investment in Jackson Energy Services Corporation and Jackson Service Plus, Inc.

	<u>Services Corporation</u>	<u>Service Plus</u>
Test year		
2005		
2004		
2003		

Results of operations are included on the income statement in Account No. 418.

Financial statements are included with the annual audit report submitted to the Commission on an annual basis.

The Balance Sheet and Income Statement are included with the financial results in the annual report to members. A copy of the 2007 and 2006 annual meeting inserts in the Kentucky Living magazine are attached to this response that shows this information.



# *Team Energy*




This nurse director, high school guidance counselor, Little League coach, and utility president and CEO share a unique bond—they make up one of the most powerful forces in our community—Jackson Energy Cooperative

The Annual Report of



**JACKSON ENERGY**

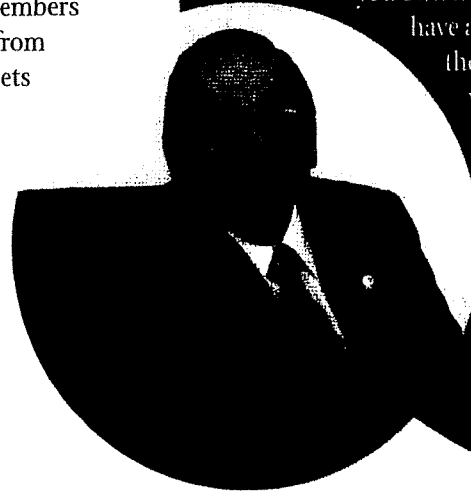
A Touchstone Energy® Cooperative 

# Making the Team

On the cover: Shanae Hicks, nurse director, Horizon Adult Center; Randi Moore, Jackson County High School guidance counselor; Ed Morgan, Jackson County Little League coach; Don Schaefer, President and CEO, Jackson Energy Cooperative.  
Photos: Jim Battles

As part of the community that receives its electricity from Jackson Energy, Shanae Hicks, Ed Morgan, and Randi Moore work with co-op President and CEO Don Schaefer to make up a team that does a lot more than offer a great electricity value. They also bring in jobs, educate our children, and strengthen our neighborhoods. And they represent the whole range of Jackson Energy members who work together to do everything from providing our food to paving our streets to organizing festivals.

Jackson Energy owes its success of this past year to the team energy of all its members. Thank you. And congratulations.



In the past year, Jackson Energy has made the most of its unique structure that makes a team out of the entire community.

As a cooperative, being a customer of Jackson Energy means you own it—you're on the team. You're a member and you have a vote to elect a representative to the board. Since the customers own the co-op, it will stay local—the worldwide headquarters of Jackson Energy will always be within easy driving distance. And since the customers and owners are one and the same, it only makes sense that Jackson Energy operates on a not-for-profit basis, using all of its income to benefit the local community.

# Team Fundamentals

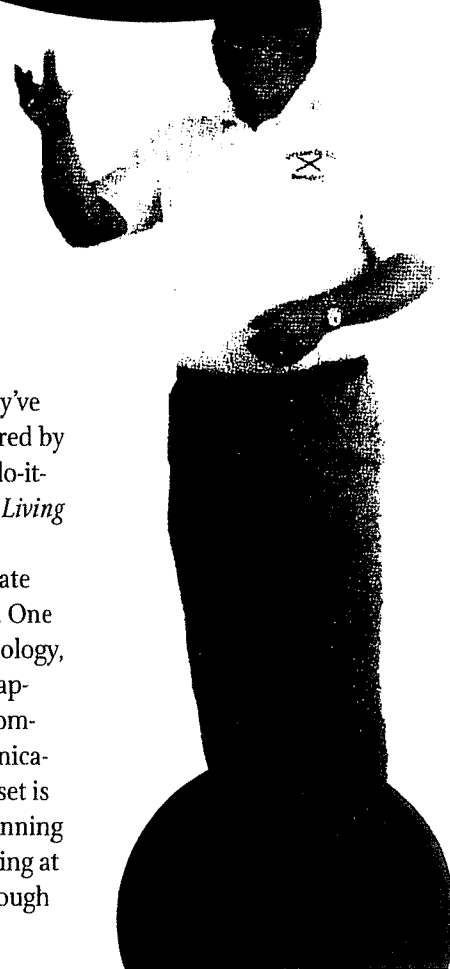
In the highly competitive game of providing energy, Jackson Energy has excelled by staying focused on the basics—providing the best combination of low electricity costs and outstanding, reliable electric service.

Jackson Energy has been able to maintain affordable rates and superior service in the face of tremendous pressures. Energy prices worldwide have steadily increased costs for everyone, and expensive regulations to protect the environment have hit coal-fired electric power plants in Kentucky especially hard.

Members of Jackson Energy have helped control electricity costs by making sure they have their homes and businesses operating at high levels of energy efficiency. In order to

make the best use of their electricity, they've used energy management programs offered by Jackson Energy, and adopted ideas and do-it-yourself suggestions printed in *Kentucky Living* magazine.

Two other cost-effective systems operate from inside the Jackson Energy building. One is an advanced use of cutting-edge technology, streamlining work through electronic mapping systems, advanced metering, and computer-based record-keeping and communications. And Jackson Energy's strongest asset is a world-class workforce. These award-winning employees keep Jackson Energy performing at the highest levels day and night, and through all weather.



# Playing it safe

A single injury can undo the strongest performance. That's why Jackson Energy continues to raise the bar on the health of its employees, and for everyone in the community. Electricity really is one of the most valuable ingredients to modern life. But

it is deadly if misused. For employees, especially power line workers, tough safety standards are explained and enforced. For community members from grownups to schoolchildren, Jackson Energy regularly appears before groups to talk about how to avoid danger, and use electricity wisely and safely.

## Team Spirit

Jackson Energy will consider any non-electric business enterprise with extreme caution, because it won't get involved in any venture that could hurt its rates and service.

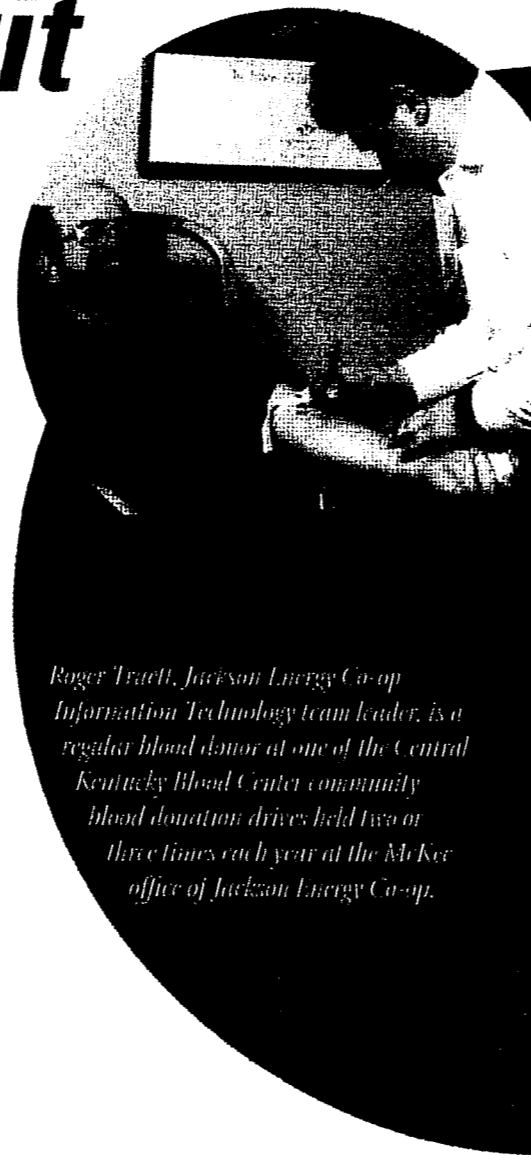
Jackson Energy also teams up with students and schools to support community education in a variety of ways. From awarding college scholarships to classroom presentations on safety and other subjects, Jackson Energy contributes its expertise to helping educators in their work of improving the quality of life not just for our children, but for all electric co-op members.

The most visible spirit of Jackson Energy shows up at the annual meeting. At that yearly gathering, the membership meets to conduct the serious, legally required business of the utility. That's when Jackson Energy formally and publicly presents its income and expenses, results of director elections, and status of the member-owned corporation. But that event is also a huge party to have some fun, say "thank you" to the members of the co-op, and generally to celebrate the team that makes our community successful.

One of the most gratifying aspects of being a part of the electric co-op team is seeing the neighborliness and community improvement that flow from this consumer-owned source of electricity.

In economic development to bring jobs, income, and opportunity to our area, Jackson Energy sits right in the thick of things. It often takes a leading role, working with local, state, and national leaders to continually improve our local quality of life.

An especially notable achievement came last year when the state Legislature helped co-op members across Kentucky by reversing a state Supreme Court ruling that restricted co-ops from any business other than electricity. The new law clearly allows co-ops to offer nonelectricity services such as propane or Internet access.



*Roger Tractl, Jackson Energy Co-op Information Technology team leader, is a regular blood donor at one of the Central Kentucky Blood Center community blood donation drives held two or three times each year at the McKee office of Jackson Energy Co-op.*

# Operation Round-Up

A partnership of giving

Item 49  
Page 5 of 17



Jackson Energy members have an easy way to contribute to the co-op's mission of improving the quality of life in the communities we serve. By joining Operation Round-Up, they can contribute each month to community programs and services in their local hometowns.

Operation Round-Up is a voluntary program and members who participate agree to have their electric bill rounded to an even dollar amount each month. The spare change from that contribution is collected each month and put into a trust fund. An independent board made up of Jackson Energy members administers the fund and meets regularly to award grants to community organizations. Any nonprofit organization in the Jackson Energy service area can apply for an Operation Round-Up grant and 100 percent of the funds collected are distributed through the grant process.

Since its inception in 2003, Op-

eration Round-Up has awarded more than \$25,000 to organizations ranging from local libraries and Little Leagues to hospice programs and community parks. The average member contribution is only 50 cents a month, but when added together, Operation Round-Up offers co-op members an easy and relatively painless way to make a difference.

In 2006, grants included funds for the Lee County Senior Citizens Center, Kentucky Mountain Mission, Owsley County Arts Council, Laurel County Historical Society, Hampton Gardens, and the Rockcastle County Public Library.

Grant recipients say the funds have helped them keep community-based programs up and running.

"The Operation Round-Up grant went a long way in helping us to improve our facilities," says Mark Hoskins with the

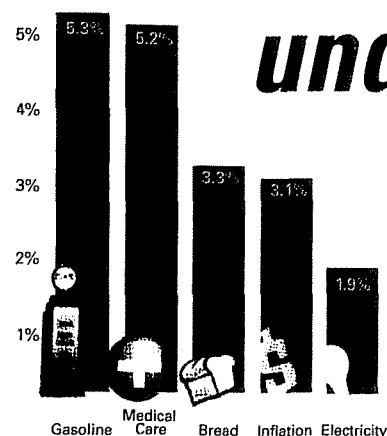
Clay County Little League is just one of the community programs that have received an Operation Round-Up grant. More than \$25,000 in funds have been distributed to local nonprofit programs since Operation Round-Up began in 2003.

Photo: Clay County Little League

Clay County Little League. "Little League is a program that touches the lives of a lot of families and this money has helped us provide them with the facilities they need to have a successful program."

"It's no secret senior citizens programs are being cut," says Lee County Senior Citizens Director Kathy Foley of her organization's grant, "and this money will help us continue to fund nutrition programs, including Meals on Wheels, in our community."

## Keeping costs under control



Average annual price increases 1985-2006

Over the years, electricity has recorded some of the smallest price increases compared with most other regular purchases—electricity increases have even been lower than the overall inflation rate.

Source: Bureau of Labor Statistics; National Rural Electric Cooperative Association

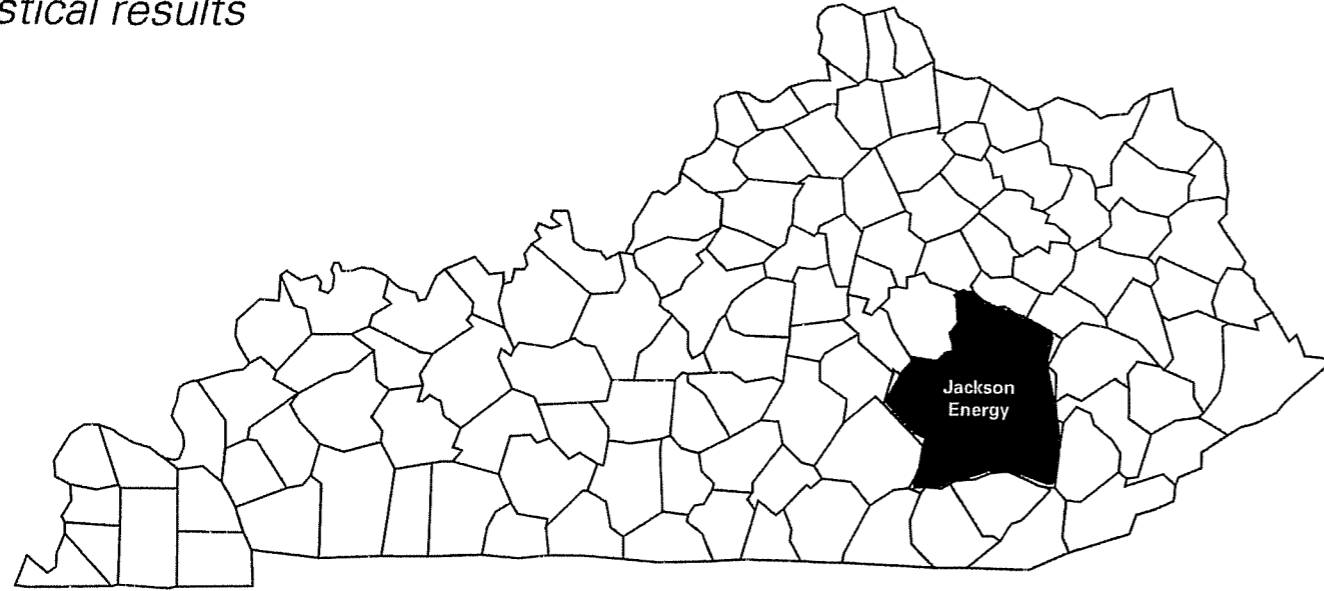
Electricity provides the best heating deal. Here is a comparison of estimated annual costs for heating a typical 1,100-square-foot house, based on figures from December 2006:

Natural Gas	\$487
Electricity	\$344

Source info: Electricity, Jackson Energy residential rates based on 6.956 cents per kilowatt-hour and use of air-to-air heat pump; natural gas, Energy Information Administration, Kentucky residential rates based on \$11.54 per million Btu and 80 percent efficiency.

# Jackson Energy

statistical results



## Members Served in 2006

Clay County .....	8,472
Estill County .....	4,842
Jackson County .....	8,097
Laurel County .....	17,713
Lee County .....	3,241
Owsley County .....	2,666
Rockcastle County .....	5,827
Other .....	161
<b>Total .....</b>	<b>51,019</b>

## Accounts Billed

2006 .....	51,019
2005 .....	50,661

## Average Kilowatt-hour use

(Residential per month)

2006 .....	1,171
2005 .....	1,257

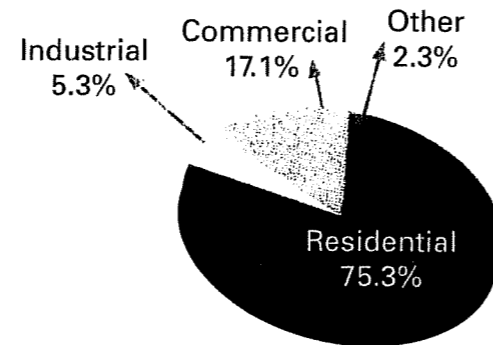
## Miles of Line

2006 .....	5,621
2005 .....	5,597

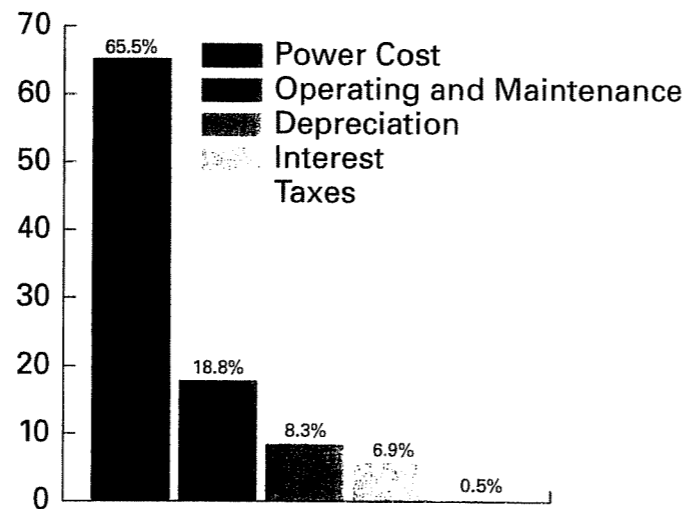
## Consumers per Mile

2006 .....	9.08
2005 .....	9.05

## Revenue Sources



## Major Costs



# Jackson Energy

financial results

## Statement of Operations

For the Year Ending December 31, 2006

Operating Revenue.....	\$79,395,242
Operating Expense	
Purchased Power.....	\$53,109,137
Operating System .....	15,235,226
Depreciation .....	6,750,716
Taxes.....	89,597
Interest on Loans .....	5,565,753
Other Deductions.....	415,107
Total Cost of Electric Service .....	\$81,165,536
Operating Margins.....	(1,770,294)
Non-Operating Margins.....	(29,414)
Other Capital Credits.....	352,055
Patronage Capital and Margins.....	(1,447,653)

## Balance Sheet

For the Year Ending December 31, 2006

<b>Assets</b>	
Total Utility Plant.....	\$175,571,870
Less Depreciation .....	32,187,831
Net Utility Plant.....	\$143,384,039
Non-Utility Property and	
Other Investments .....	\$21,263,850
Cash .....	2,461,797
Owed to Co-op Accounts	
and Notes.....	16,241,577
Inventory .....	1,289,717
Expenses Paid in Advance .....	452,220
Deferred Debits and Other Assets....	9,397,060
Total Assets .....	\$194,490,260
<b>Liabilities</b>	
Consumer Deposits .....	1,512,984
Membership and Other Equities.....	56,153,111
Long-Term Debt .....	116,513,060
Notes and Accounts Payable.....	13,640,408
Other Current Liabilities .....	6,670,697
Total Liabilities.....	\$194,490,260



*Jackson Energy conducts training sessions for vocational school students and other community organizations at its annual Safety Day.  
Photo: Karen Combs*

**JACKSON SERVICE PLUS**

*Jackson Service Plus, Inc. (JSPI) was a wholly-owned subsidiary of Jackson Energy Cooperative Corporation. It provided a number of security products and services. During 2006, the assets of JSPI were sold. The net result of the operations and sale of the subsidiary on Jackson Energy Cooperative's books for 2006 was a loss of \$316,637.70*

**JACKSON ENERGY SERVICES CORP.**

**JACKSON ENERGY PROPANE PLUS LLC**

**INCOME STATEMENT**

For the Period Ending December 31, 2006

**Revenues**

Net Revenues Generated from  
Holding Operations.....\$172,607.57  
Interest Revenue..... \$1,117.75  
Total Revenues.....\$173,725.32

**Expenses**

Office, Fee, License, Tax Expense..... \$6,163.92  
Total Expenses..... \$6,163.92  
Net Income..... \$167,561.40

**Balance Sheet**

For the Period Ending December 31, 2006

**Assets**

Cash..... \$6,131.14  
Accounts Receivable.....5,135.00  
Interest Receivable.....191.45  
Short Term Investment in CDs.....70,000.00  
Investment in Propane Company.....1,470,000.00  
Less Effect of Loss—Propane Company..... 65,216.39  
Total Assets.....\$1,616,673.98

**Liabilities**

Accounts Payable – to JEC.....\$233.48  
Total Liabilities.....\$233.48

**Stockholders' Equity**

Common Stock, 1792 shares, no par.....\$1,792,000.00  
Retained Earnings.....-175,559.50  
Total Stockholders' Equity.....\$1,616,440.50  
Total Liabilities & Stockholder Equity.....\$1,616,673.98

*Jackson Service Corporation is the sole owner of the subsidiary, Jackson Propane Plus LLC. Jackson Propane Plus LLC provides propane gas, accessories, propane appliances, and bottled water and plans to continue to provide these products and services in the future.*

**INCOME STATEMENT**

For the Period Ending December 31, 2006

**Revenues**

Gross Revenue.....\$2,639,212.96  
Less Cost of Goods Sold.....1,593,918.21  
Gross Profit..... \$1,045,294.75

**Expenses:**

Operating Expenses..... \$872,687.18  
Net Income..... \$172,607.57

**Balance Sheet**

For the Period Ending December 31, 2006

**Assets:**

Current Assets..... \$481,431.34  
Fixed Assets.....2,065,119.01  
Total Assets.....\$2,546,550.35

**Liabilities:**

Current Liabilities.....\$200,890.21  
Long Term Liabilities..... 735,461.64  
Total Liabilities..... \$936,351.85


**Stockholders' Equity**

Capital Stock..... \$1,293,140.89  
Retained Earnings..... 317,057.61  
Total Stockholders' Equity..... \$1,610,198.50  
Total Liabilities and Stockholder equity.....\$2,546,550.35

# Your Board of Directors



# JACKSON ENERGY

A Touchstone Energy Cooperative 

Item 49  
Page 9 of 17



Don Schaefer  
President & CEO



Fred Callahan  
Chairman



Fred Brown  
Vice Chairman



Keith Binder  
Secretary-Treasurer



Jim Hays III



Dale Madden



Charlie McWhorter



Steve Patton Jr.



Don Thompson  
In memory of  
service 1985-2006



Warren Kelen

## 2007 Annual Meeting

**Friday, June 29**

Jackson Energy Farm  
McKee, KY

Registration:  
4:00 p.m.

Business meeting:  
8:00 p.m.

*Show Your  
Team Spirit*

## Featuring

Fireworks at Dusk and  
Appalachian Troubadours

**two \$250 grand prizes  
drawing for 7 \$500  
scholarships**

**children's entertainment  
tribute to veterans  
community exhibits  
cruise-in car show**



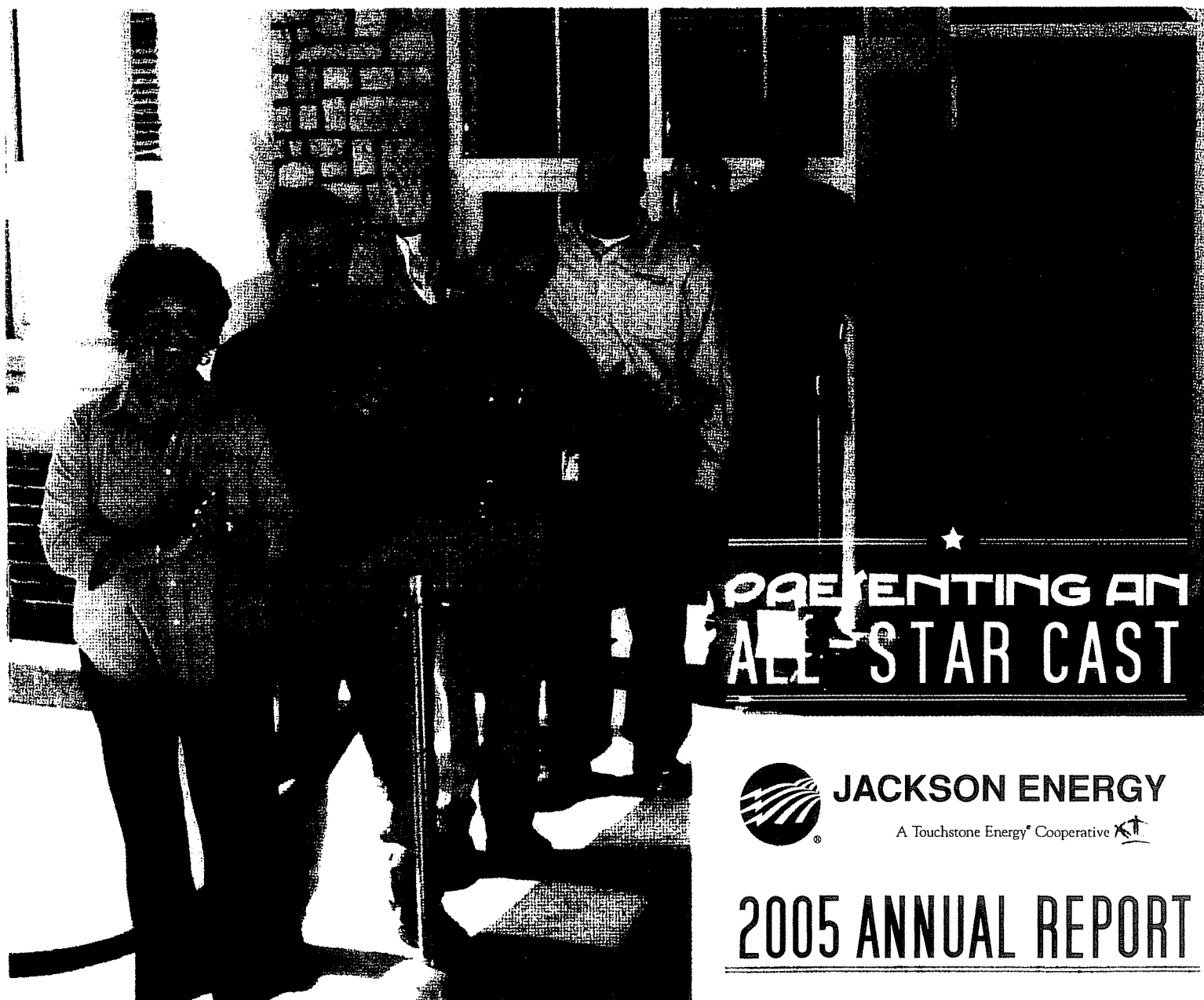
NOW SHOWING AT  
JACKSON ENERGY

Item 49  
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# ELECTRICITY

## THE GREATEST VALUE

IT HEATS AND COOLS YOUR HOME. COOKS YOUR FOOD. RUNS YOUR TV.  
SHINES YOUR LIGHTS 24/7. IT'S ONE OF THE BEST BARGAINS AROUND.



PRESENTING AN  
ALL-STAR CAST



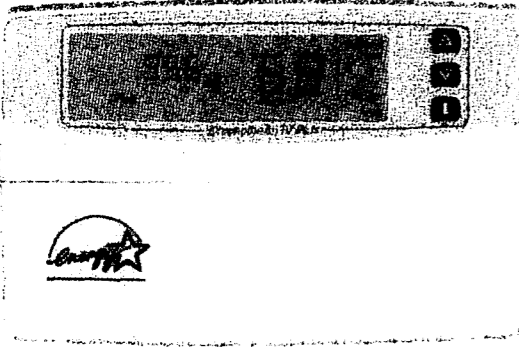
JACKSON ENERGY

A Touchstone Energy® Cooperative

## 2005 ANNUAL REPORT

# FEATURING BRILLIANT WAYS TO USE ELECTRICITY

*On the Cover: Staff welcoming you into the Jackson Energy Cooperative office in McKee are Cashier Claudene Scaf, AMR Supervisor Kendall Gabbard, Marketing Representative Roger Medlock, AMR Technician Mike Gabbard, Operations Manager Lannie Wilson, Supervisor of Engineering Services Keith Vickers, and Cashier Tammy Wiggs. Photo: Jim Battles*



## ENERGY EXPERTS CAN SHOW YOU HOW TO SAVE MONEY

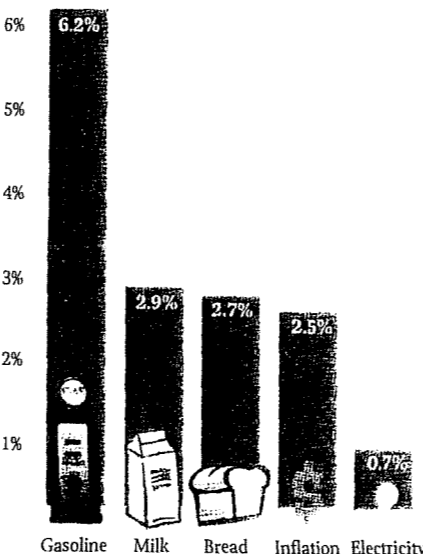
Just pick up the phone—a Jackson Energy energy-efficiency advisor will check your home for ways to reduce your bill.

## THE LATEST EQUIPMENT

From heat pumps to surge protectors for your sensitive electronic equipment, Jackson Energy can hook you up with the right stuff to run your home reliably and economically.

# INTRODUCING AN INCREDIBLY GOOD DEAL

For all that electricity does for you, it still offers one of the best returns on your money. Compared with other necessities of life, electricity's prices have increased less than milk and less than inflation. In addition to lower price increases, electric costs have been much more stable and reliable than other energy sources, such as gasoline and natural gas.



*Average annual price increases 1994-2005. Source: Bureau of Labor Statistics, NRECA*

# WITH SPECIAL APPEARANCES BY

## ELECTRIC SAFETY.....

Jackson Energy Cooperative makes safety a top-of-the-mind priority.

Lineworkers in particular regularly work inches away from potentially deadly current, so making sure they follow strict safety procedures is a requirement. Making sure that happens calls for equipment that's in the best condition, practicing safe procedures over and over, as well as constant reminders never to cut corners. Keeping lineworkers safe is the right thing to do, and it's part of making sure your electricity remains the best energy value.

*Jackson Energy Co-op Linemen Marty York and Brian Turner showed off and brushed up on their safety skills and expertise at the first Kentucky Lineman's Rodeo at East Kentucky Power Cooperative last August in Winchester. Jackson Energy Co-op now displays a traveling chrome transformer in its offices, the trophy for being the overall winner at the rodeo—the Jackson team earned a perfect score at the event, which emphasizes safety over speed. Photo: Jim Battles*

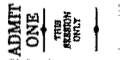
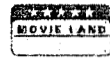


## AND EXPERT STAFF.....

The staff of experts at Jackson Energy Cooperative stays sharp with regular training, learning the latest techniques for their specialties. All through the co-op office, staff members study and attend conferences to do the best work possible, whether it's in management, accounting, engineering, or any of the other disciplines needed to run a world-class business as important, complex, and cutting-edge as an electric utility.

*Jackson Energy Co-op holds regular training sessions to make sure that all employees are up-to-the-minute on the skills and knowledge to do their jobs. Shown in this apprentice lineman training class are Brandon Angel and Willis Sizemore in the light shirts, and John Akers and Chad Mashburn at the computer. Photo: Jim Battles*





# ELECTRICITY THE GREATEST VALUE

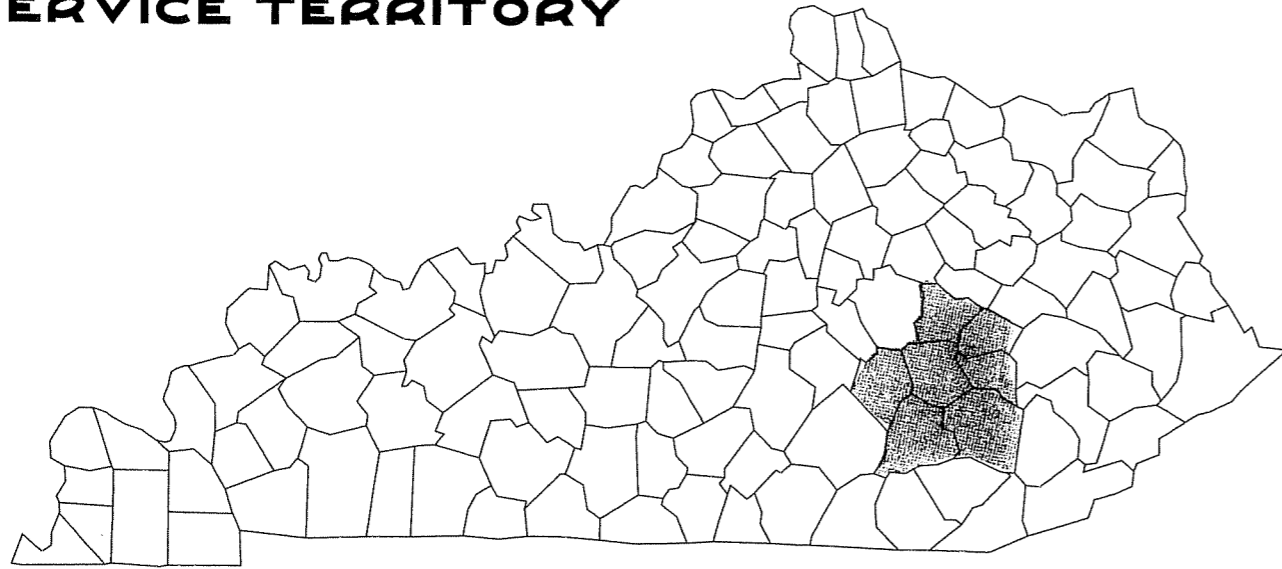
When you buy electricity from an electric cooperative, you become more than a customer. You're a member and an owner of the co-op. You have a say in the direction of the co-op by being able to vote for a representative on the board of directors. Jackson Energy operates on a not-for-profit basis. That means all the efforts and income of the co-op are used to give you the best possible combination of low prices and outstanding service. And since the co-op exists to provide electricity to the members in our community, it will remain located right here, serving your friends and neighbors. It all adds up to neighbors working together to provide you with electricity—the greatest value.

*The annual meeting of Jackson Energy Co-op is a chance to participate in the business of your local utility that is owned by the customers it serves, and to have some fun at the same time. This photo from last year's annual meeting shows Board Chairman Fred Callahan and President and CEO Don Schaefer presenting a plaque to the South Laurel High School basketball team for winning the state tournament. Photo: Karen Combs*



# JACKSON ENERGY

## SERVICE TERRITORY



**MEMBERS SERVED IN 2005**

Clay .....	8,499
Estill .....	4,801
Jackson .....	8,062
Laurel .....	17,447
Lee .....	3,226
Owsley .....	2,684
Rockcastle.....	5,780
Other.....	162

ACCOUNTS BILLED.....50,661

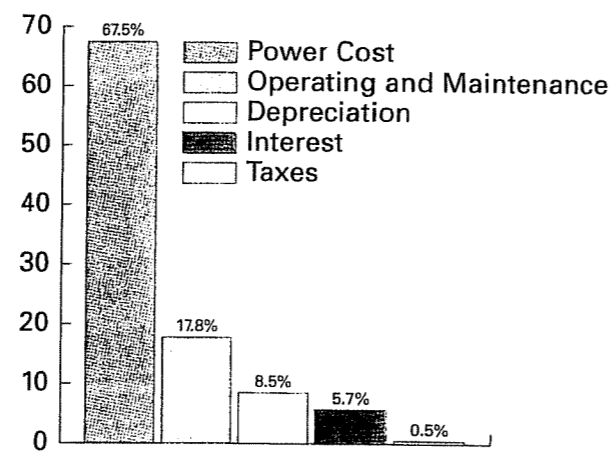
**AVERAGE**

KWH USAGE  
(Residential per month) .....1,257

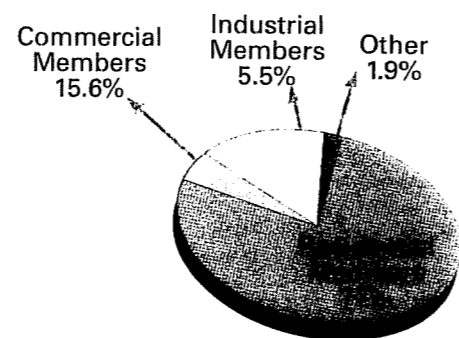
MILES OF LINE.....5,597

CONSUMERS PER MILE .....9.05

### MAJOR COSTS



### REVENUE SOURCES



# JACKSON ENERGY

## FINANCIAL RESULTS

### STATEMENT OF OPERATIONS

For the Year Ending December 31, 2005

Operating Revenue and Patronage Capital .....	\$80,222,531
Operating Expense	
Cost of Purchased Power .....	\$51,379,764
Operating the Electric System .....	13,564,822
Depreciation .....	6,497,421
Taxes .....	77,379
Interest on Loans .....	4,352,851
Other Deductions .....	282,375
 Total Cost of Electric Service .....	 \$76,154,612
 Patronage Capital or Operating Margins .....	 4,067,919
Non-Operating Margins .....	298,794
Other Capital Credits .....	257,493
Patronage Capital or Margins .....	4,624,206

### BALANCE SHEET

For the Year Ending December 31, 2005

#### ASSETS

Total Utility Plant .....	\$167,845,414
Less Depreciation .....	31,065,900
Net Utility Plant Book Value .....	136,779,514
 Non-Utility Property and Other Investments .....	 21,480,708
Cash and Reserves .....	1,832,974
Owed to Co-op Accounts and Notes .....	18,038,270
Material in Inventory .....	1,306,410
Expenses Paid in Advance .....	636,215
Deferred Debits and Other Assets .....	9,868,834

Total Assets .....

\$189,942,025

#### LIABILITIES

Consumer Deposits .....	1,577,530
Membership and Other Equities .....	57,154,567
Long-Term Debt .....	110,424,959
Notes and Accounts Payable .....	13,771,545
Other Current and Accrued Liabilities .....	7,013,424

Total Liabilities and Equities .....

\$189,942,025

# JACKSON SERVICE PLUS

*Jackson Service Plus, Inc. (JSP) provides security services, standby generators, and related products such as surge protection, gate control, structured cabling for security installations, camera surveillance, etc. JSP will continue to provide these services and products in the future.*

## INCOME STATEMENT For the Period Ending December 31, 2005

REVENUES	
Gross Revenue .....	\$730,268.68
Less Cost of Goods Sold .....	-216,771.24
Gross Profit .....	\$513,497.44

EXPENSES:	
Operating Expenses .....	\$535,497.44
Net Operating Income .....	-21,646.04
Other Income/Expenses .....	-13,646.00

NET LOSS .....\$-35,292.04

# JACKSON ENERGY SERVICES CORP.

## INCOME STATEMENT For the Period Ending December 31, 2005

REVENUES	
Net Revenues Generated from Holding Operations .....	\$170,019.01
Interest Revenue .....	\$263.32
Total Revenues .....	\$170,282.33

EXPENSES	
Office, Fee, License, Tax Expense .....	\$4,681.13
Total Expenses .....	\$4,681.13

Net Income .....\$165,601.20

## BALANCE SHEET For the Period Ending December 31, 2005

ASSETS	
Cash .....	\$31,268.64
Accounts Receivable .....	55,135.00
Interest Receivable .....	0
Short Term Investment in CDs .....	0
Investment in Propane Company .....	1,470,000.00
Less Effect of Loss—Propane Company .....	-107,391.18
Total Assets .....	\$1,449,012.46

LIABILITIES	
Accounts Payable – to JEC .....	\$133.36
Total Liabilities .....	\$133.36

STOCKHOLDERS' EQUITY	
Common Stock, 1792 shares, no par .....	\$1,792,000.00
Retained Earnings .....	-\$343,120.90
Total Stockholders' Equity .....	\$1,448,879.10

Total Liabilities & Stockholder Equity .....\$1,449,012.46

*Jackson Energy Services Corporation (JES) is the sole owner of the subsidiary, Jackson Energy Propane Plus, LLC (JEPP). JEPP provides propane gas, accessories, propane appliances, and bottled water. JEPP will continue to provide these services and products in the future.*

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## BALANCE SHEET For the Period Ending December 31, 2005

ASSETS:	
Current Assets .....	\$404,409.19
Fixed Assets .....	64,306.86
Total Assets .....	\$468,716.05

LIABILITIES:	
Current Liabilities .....	\$130,274.55
Long Term Liabilities .....	11,789.53
Total Liabilities .....	\$142,064.08

STOCKHOLDERS' EQUITY	
Capital Stock .....	\$543,750.00
Retained Earnings .....	-217,098.03
Total Stockholders' Equity .....	\$326,651.97

TOTAL LIABILITIES AND STOCKHOLDER EQUITY .....\$468,716.05

# JACKSON ENERGY PROPANE PLUS LLC

## INCOME STATEMENT For the Period Ending December 31, 2005

REVENUES	
Gross Revenue .....	\$2,211,805.07
Less Cost of Goods Sold .....	-1,327,052.22
Gross Profit .....	\$884,752.85

EXPENSES:	
Operating Expenses .....	\$714,733.84

NET INCOME .....\$170,019.01

## BALANCE SHEET For the Period Ending December 31, 2005

ASSETS:	
Current Assets .....	\$396,681.63
Fixed Assets .....	2,013,691.56
Total Assets .....	\$2,410,373.19

LIABILITIES:	
Current Liabilities .....	\$125,535.76
Long Term Liabilities .....	847,246.50
Total Liabilities .....	\$972,782.26

STOCKHOLDERS' EQUITY	
Capital Stock .....	\$1,293,140.89
Retained Earnings .....	144,450.04
Total Stockholders' Equity .....	\$1,437,590.93

TOTAL LIABILITIES AND STOCKHOLDER EQUITY .....\$2,410,373.19

# 2006 ANNUAL MEETING

TWO \$250 GRAND PRIZES

DRAWING FOR 7 \$500 SCHOLARSHIPS

CHILDREN'S ENTERTAINMENT

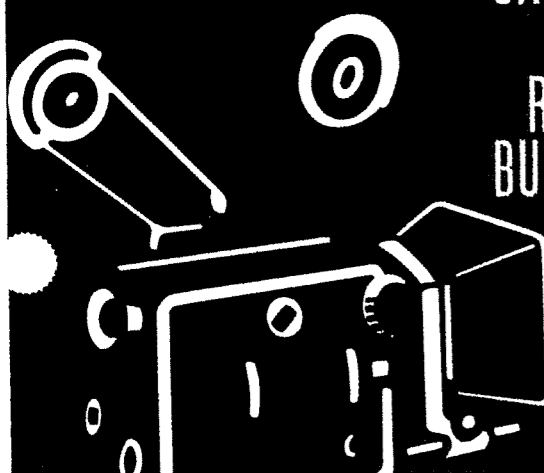
TRIBUTE TO VETERANS  
COMMUNITY EXHIBITS

FIREWORKS BEGIN AT DUSK

ALSO FEATURING ENTERTAINMENT BY THE APPALACHIAN TROUBADOURS AND THE GOOD NEWS QUARTET



FRIDAY, MAY 26  
JACKSON ENERGY FARM,  
MCKEE  
REGISTRATION: 4 P.M.  
BUSINESS MEETING: 8 P.M.



## YOUR BOARD OF DIRECTORS



Don Schaefer  
*President & CEO*



Fred Callahan  
*Chairman*



Fred Brown  
*Vice Chairman*



Keith Binder  
*Secretary-Treasurer*



Jim Hays III



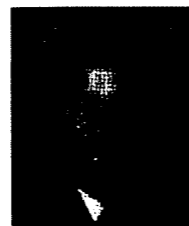
Dale Madden



Charlie McWhorter



Steve Patton, Jr.



Don Thompson



Warren Keller  
*Attorney*



Ed Stamper  
*In memory of service 1974-2006*





Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 50. Non-regulated activities

- a. No
- b. No
- c. n/a
- d. n/a



Jackson Energy Cooperative  
Case No. 2007-00333  
First Data Request of Commission Staff

Witness: Jim Adkins

Item 51. Purchase Power Costs

Shown as Exhibit 14 of this Application.