Steven L. Beshear
Governor

Robert D. Vance, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
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Mark David Goss
Chairman

John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

January 4, 2008

Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

RE: Case No. 2007-00333

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

Beth O'Donnell
Executive Director

BOD/rs
Enclosure

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Mark David Goss
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Commissioner

January 4, 2008

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

RE: Case No. 2007-00333

Please see enclosed data request from Commission Staff in the above case.

If you need further assistance, please contact my staff at (502) 564-3940.

Sincerely,

Beth O'Donnell
Executive Director

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COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON ENERGY COOPERATIVE FOR AN ADJUSTMENT OF RATES	))	CASE NO. 2007-00333

SECOND DATA REQUEST OF COMMISSION STAFF TO JACKSON ENERGY COOPERATIVE

Jackson Energy Cooperative ("Jackson Energy"), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before January 18, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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

Jackson Energy shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which

Jackson Energy fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Jackson Energy submitted its application for an increase in rates on November 13, 2007 wherein it proposed a test year ending February 28, 2007. Explain in detail why Jackson Energy did not propose a test year that was more current than the proposed test year, which was 8.5 months old at the time the application was received.

2. Paragraph 12(c) of Jackson Energy's application refers to its Times Interest Earned Ratios ("TIER") of 0.90 for its proposed test year and 0.74 for calendar year 2006. Provide Jackson Energy's income statements and TIERs for the 12-month periods ending June 30 and September 30, 2007 and, as soon as they are available, provide Jackson Energy's income statement and TIER for calendar year 2007.

3. Jackson Energy proposes to consolidate several tariffs, resulting in the elimination of several rate schedules. On page 4 of his testimony, James R. Adkins states that the reduction in rate schedules should make the billing process and record keeping easier and more manageable.

a. Explain why Jackson Energy specifically chose Rate Schedules 1, 30, 33, 43 and 60 for elimination.

b. If it were not proposing to eliminate them, explain whether Jackson Energy would propose to adhere to its cost-of-service study to set the rates for these particular schedules.

4. Refer to Exhibit J, pages 1 – 15, of the application. Provide electronic versions of the spreadsheets included in Exhibit J on CD-ROM or diskette.

5. Refer to Exhibit K, page 6 of 7, of the application. Explain whether Jackson Energy is currently in default of its RUS Mortgage requirements.

6. Refer to Exhibit N of the application. Do the 12 months ending in February represent Jackson Energy's fiscal year? If no, what 12-month period constitutes Jackson Energy's fiscal year?

7. Refer to Exhibit R, Schedules 1 – 10, of the application. Provide electronic versions of the spreadsheets included in Exhibit R on CD-ROM or diskette.

8. Refer to Exhibit R of the application and the testimony of James R. Adkins. Explain whether there have been any changes in the methodology used in preparing the cost-of-service study from that used by Mr. Adkins in other recent cooperative rate cases in which he has been a witness sponsoring the utility's cost-of-service study. If there are any changes, identify and describe them in detail.

9. Explain whether Jackson Energy considered proposing adjustments to its non-recurring charges or its cable television pole attachment charges in this rate case.

10. Refer to page 2 of 4 of Exhibit S of the application. There appear to be some errors in the addition of expense amounts in the column headed "Normalization Adjustments" starting with line 29 where no adjustment for "Amortization" is shown, while the remaining columns indicate that an adjustment of ($470,772) was intended.

a. Provide a revised Exhibit S, page 2 of 4, with the necessary corrections.

b. Explain why the amortization for the extraordinary property adjustment of $470,772 was reduced to zero for the test year.

c. Is Jackson Energy proposing to incorporate this amortization into its depreciation rates? If yes, explain why such an approach is consistent with the Commission's Order in Jackson Energy's previous rate case, Case No. 2000-00373.[1]

11. Refer to Exhibit V of the application which indicates that, for the 12 months immediately preceding the proposed test year, Jackson Energy had a TIER of 1.97 with net margins of $4,455,832. Exhibit K indicates that, for calendar years 2004 and 2005, Jackson Energy had TIERs of 1.66 and 2.06, respectively. One reason for the differences in margins and TIERs between the proposed test year and the 12 months immediately prior to the test year is the level of interest on long-term debt. However, the $1.1 million increase in interest expense accounts for only a fraction of the decrease in net margins and TIER in the proposed test year compared to the prior periods identified herein. The following requests attempt to identify other factors that might have contributed to the decline in Jackson Energy's margins and TIER levels.

a. Jackson Energy's revenues for the proposed test year declined by $647,000 compared to the 12 months immediately preceding the test year while its purchased power cost for the proposed test year was $1.7 million greater than in the prior period, according to Exhibit X of the application. Provide a side-by-side

[1] Case No. 2000-00373, The Application of Jackson Energy Cooperative Corporation for an Adjustment of Rates.

comparison of Jackson Energy's retail billing units, by rate schedule, for the two periods along with any relevant narrative explanation for why revenues declined by this amount.

b. Provide a side-by-side comparison of Jackson Energy's wholesale billing units, by rate schedule, as billed by its wholesale supplier, East Kentucky Power Cooperative, Inc. ("EKPC"), for the test period and the 12 months immediately preceding the test period along with any relevant narrative explanation for why purchased power expense increased as it did from the prior period to the proposed test period.

c. Refer to Exhibit X of the application, which provides a comparison of income statement account levels for the test period and the 12 months immediately preceding the test period.

(1) Page 3 of 16 shows that Account 588.06, Mapping, increased by $97,041, from $184,300 to $281,341, from the 12 months ending February 2006 to the proposed test period. Provide a detailed explanation for why this expense increased by this magnitude.

(2) Page 3 of 16 also shows that Account 593.00, Maintenance of Overhead Lines, increased by $183,037, from $420,538 to $603,575, from the 12 months ending February 2006 to the proposed test period. Provide a detailed explanation for why this expense increased by this magnitude.

(3) Page 3 of 16 also shows that Account 593.01, Maintenance of Lines – Emergency, increased by $153,855, from $1,017,253 to $1,171,108, from the 12 months ending February 2006 to the proposed test period. Provide a detailed explanation for why this expense increased by this magnitude.

(4) Page 4 of 16 shows that Account 593.18, Right of way – Machine Trim, increased by $372,998, from $1,303,419 to $1,676,417, from the 12 months ending February 2006 to the proposed test period. Provide a detailed explanation for why this expense increased by this magnitude.

(5) Page 5 of 16 shows that Account 903.00, Consumer Records and Collection, increased by $82,253, from $58,912 to $141,165, from the 12 months ending February 2006 to the proposed test period. Provide a detailed explanation for why this expense increased by this magnitude.

(6) Page 13 of 16 shows that Account 427.32, Treasury Interest, increased from $0.00 to $349,557 from the 12 months ending February 2006 to the test period. Describe what is meant by "Treasury Interest" and provide a detailed explanation for why there was an expense of this magnitude during the proposed test period while there was no such expense in the prior period.

12. Refer to Exhibit 1 of the application.

a. The narrative states that wage increases since 2006 have been granted on November 1. The wage increase for 2007, as shown on page 1 of 10, is 3.5 percent. Based upon the narrative on page 1 of 10, this would imply the 2007 increase would be effective November 1, 2007. However, the wage normalization schedule indicates that the 3.5 percent wage increase was in effect as of March 1, 2007. Reconcile the apparent contradiction and indicate when the 3.5 percent increase became effective.

b. Page 3 of 10 shows 4 salaried employees working less than 2,080 hours in the test year. For each such employee, explain why it is reasonable to normalize the employee's salary using 2,080 hours.

c. The 3-year schedule of executive officer compensation on page 7 of 10 indicates that several increases greater than 3.5 percent have been granted to executive officers. For each instance where the salary increase was greater than 3.5 percent, explain the basis for the level of increase granted.

13. Refer to Exhibit 3 of the application, Item 38 of the response to the Commission Staff's ("Staff") initial data request, and pages 30-34 of the Commission's May 21, 2001 Order in Case No. 2000-00373.

a. Were the Gannett Fleming Companies ("Gannett") made aware of the conclusions stated in the Commission's final Order in Jackson Energy's last rate case? Describe how those conclusions affected the current depreciation study.

b. Provide a schedule comparing the proposed depreciation rates with Jackson Energy's current depreciation rates and the depreciation rates established by the Rural Utilities Service ("RUS").

c. Will it be necessary for Jackson Energy to seek RUS authorization for the proposed depreciation rates? If yes, has authorization already been requested? Include any correspondence with the RUS concerning the proposed depreciation rates.

d. Explain whether Jackson Energy performed an analysis of whether to include net salvage as a component of its depreciation rates or to continue to use the "average net salvage allowance" approach proposed by the Office of the Attorney General and adopted by the Commission in Case No. 2000-00373.

e. Prepare and provide a schedule which shows the resulting annual depreciation expense using the "average net salvage approach" based on Jackson Energy's February 28, 2007 plant account balances.

14. Refer to Exhibit 4, page 6 of 6, of the application, the Analysis of Other Operating Taxes. The item shown on lines 27-31 is identified as the Public Service Commission ("PSC") assessment, but the PSC assessment is based on revenues, not property values, which is the basis for the assessment shown on lines 27-31.

a. Provide a revised page 6 of 6 which correctly identifies the item shown on lines 27-31.

b. Explain why Jackson Energy has not proposed an adjustment for the PSC assessment based on its proposed rate increase of $6.2 million and the current PSC assessment rate.

15. Refer to Exhibit 5 of the application.

a. Describe the purpose of the short-term debt issue at the end of the proposed test year and explain how it was determined that the proposed revenue increase would be sufficient to allow Jackson Energy to repay approximately one-half of the short-term note payable.

b. Provide an update of the schedule on page 2 of 4 that reflects the current interest rates for long-term debt applied to the long-term debt balances as of the end of the proposed test year.

16. Refer to Exhibit 8 of the application, page 2 of 2, and pages 51-52 of the May 22, 2002 Management Audit Report on Jackson Energy performed for the PSC by

Management Consulting Services, Inc. and Hedberg & Associates ("MCS Report") concerning the issue of "work orders abandoned."

a. Describe, generally, the nature of, and circumstances leading to, Jackson Energy's work orders abandoned and explain whether the amount in the proposed test year is typical for a 12-month period.

b. The discussion in the audit report references two approaches for dealing with work orders abandoned. The first is to charge the accrued costs to Account 426.5, Other Deductions, which appears to be what is shown on page 2 of 2. The second is to charge the costs to the appropriate operating expense account. Explain whether Jackson Energy uses the first approach exclusively.

c. Based on its response to part (a) of this request, explain how Jackson Energy determined that the cost of work orders abandoned should be removed for rate-making purposes.

17. Refer to Exhibit 9 of the application.

a. Is the $19,096 cost incurred during the proposed test year the full cost of the depreciation study performed by the Gannett? If no, what was the full cost and when were the additional costs incurred?

b. In Case No. 2000-00373, the cost of Jackson Energy's 2000 depreciation study was amortized over 5 years for rate-making purposes. Explain whether Jackson Energy believes that the cost of the current depreciation study should be similarly amortized for rate-making purposes.

c. Was Jackson Energy aware that in previous electric cooperative rate cases the Commission has not included as an expense for rate-making purposes the cost for legal seminars and legal subscriptions for the cooperative attorney? Explain in detail why the Commission should allow these expenses in this case.

d. Provide individual detailed descriptions of the items identified as "various legal issues" that totaled over $48,000 in costs during the proposed test year.

e. Explain what was involved in the "labor matters" for which Jackson Energy paid over $3,800 to Frost, Brown & Todd, LLC, and why Jackson Energy's local attorney could not have handled these matters.

18. Refer to Exhibit 10 of the application which details the adjustment proposed for director expenses.

a. Refer to page 2 of the exhibit. Explain whether anyone is, or was during the test year, designated as an alternate to represent Jackson Energy with either the Kentucky Association of Electric Cooperatives ("KAEC") or the National Rural Electric Cooperative Association ("NRECA").

b. Explain whether Jackson Energy was aware that it has been Commission policy to allow expenses for attendance KAEC or NRECA meetings for rate-making purposes only for attendance by a cooperative's designated representative or its designated alternate representative. Explain in detail why the Commission should allow such expenses for other directors in this case.

c. Some directors attended "other board meetings" that are identified as being for a "director search." Provide a detailed description of what Jackson Energy's director search entailed.

d. Jackson Energy's policy for directors states that the chairman and secretary/treasurer will receive an additional $300 for "time involved in carrying out official duties." Explain whether this is the reason that directors Binder, Callahan, and Stamper are shown as receiving $600 for regular board meetings. Explain whether Jackson Energy was aware that it has been Commission policy not to allow this type of additional compensation to be recovered through rates by electric cooperatives. Explain in detail why the Commission should allow these expenses in this case.

e. Jackson Energy's policy for directors states that newer board members (those joining the board on or after May 11, 2006) will receive $1,000 monthly, as compared to the $300 monthly amount paid to individuals that were directors prior to May 11, 2006. Provide a detailed explanation for why Jackson Energy has chosen to pay a monthly fee of $1,000 and why it is reasonable for an amount of this magnitude to be allowed for rate-making purposes.

f. Exhibit 10 reflects that some directors received per diem amounts for attendance at KAEC or NRECA meetings or training sessions in addition to being reimbursed for their out-of-pocket expenses. Explain whether Jackson Energy was aware that it has been Commission policy not to allow per diem amounts to be recovered through rates when the director was also reimbursed for actual expenses. Explain in detail why the Commission should allow these expenses in this case.

19. Refer to page 6 of 19 in Exhibit 10. Described the type of training provided to directors who attended KAEC coordinated training, such as Mr. Callahan.

20. Refer to pages 7 of 19 and 15 of 19 in Exhibit 10. Describe the type of training provided to directors who attend NRECA pre-annual meeting training, such as Mr. Cundiff and Phillip Thompson.

21. Refer to Exhibit 11 of the application.

a. Refer to page 1 of 10. Provide a more detailed description of EKPC's Partner Plus Program including an explanation for why EKPC has opted to eliminate the program.

b. On pages 3 through 5 of 10 there are several references to "Employee purchases." Explain the nature of these purchases and why the transaction is recorded in Account No. 913.00.

c. On page 5 of 10 there are several entries identified as "Apparel" and "Monogram apparel." Explain the nature of these entries and why the transaction is recorded in Account No. 913.00.

d. On page 7 of 10 there is a transaction identified as "Special early retirement." Provide a detailed explanation of this transaction.

e. On page 9 of 10 there are several expense entries described as Region Member Service Association meeting expense. Provide an explanation of nature and purpose of these meetings.

22. Refer to Exhibit 16 of the application. Provide the source document and/or derivation of the amount of $342,752 identified as "fuel adjustment lag."

23. Refer to Item 16 of Jackson Energy's response to the Staff's initial data request.

a. Provide copies of and explanations for the revisions to Board Policy B200 occurring since 2001.

b. Provide copies of the annual long range financial study and the annual review of the equity and equity management performance submitted to the

Board of Directors in April 2006 and April 2007. If these reviews were not performed, explain in detail the reason(s) for not performing the policy-required reviews.

24. Refer to Item 37 of Jackson Energy's response to the Staff's initial data request.

a. Explain whether the $4,140,000 in loan funds that Jackson Energy estimated would be advanced around December 31, 2007 has been advanced.

b. Explain whether the last sentence in the response "These funds will be used to repay the short-term borrowings used to finance construction projects" refers only to the December 31, 2007 advance or to that advance and the May 2, 2007 advance of $8,200,000.

c. Explain whether the short-term borrowings referenced in this response are the same short-term borrowings referred to in Exhibit 5 of the application.

25. Refer to Item 48, subsection (e), of Jackson Energy's response to the Staff's initial data request. Two columns show compensation received by Donald Schaefer, one for "Compensation charged to subsidiary" and one for "Compensation received from Jackson Energy." Clarify whether Mr. Schaefer's total compensation is the sum of the amounts in the two columns or the amount in the column "Compensation received from Jackson Energy."

26. Refer to Item 49 of Jackson Energy's response to the Staff's initial data request.

a. Explain whether the lines "2005, 2004, 2003" reflect income from subsidiaries for the 12 months ending December 31 of those years or for 12 months ending at some other time during those years.

b. Provide the income received from subsidiaries for the same 12 calendar months for 2006 as has been provided for 2005, 2004, and 2003.

27. Refer to pages 36-38 of the Commission's May 21, 2001 Order in Case No. 2000-00373, and pages 33-40 of the MCS Report. The report indicates that Jackson Energy had properly addressed the issue from the rate case concerning the allocation of costs to its subsidiaries by developing and operating within a formal cost allocation manual ("CAM"). Explain whether Jackson Energy is continuing to operate under the CAM it had developed at the time of the MCS Report, as amended in its September 1, 2006 filing with the PSC, and whether there have been any changes to the CAM since September 2006.

28. Regarding MCS's report on Jackson Energy's focused management audit,

a. The Commission's records indicate that the cost of the audit exceeded $57,000. What was Jackson Energy's total cost for the management audit?

b. How did Jackson Energy record the cost of the audit on its books?

c. Explain why Jackson Energy did not propose to begin recovery of the cost of its focused management audit in this rate case.

Robert A. Amato for
Beth O'Donnell
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: January 4, 2008
cc: All Parties