COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON ENERGY COOPERATIVE CORPORATION FOR AN ADJUSTMENT OF RATES	)))	CASE NO. 2013-00219

O R D E R

On August 8, 2013, Jackson Energy Cooperative Corporation ("Jackson Energy") submitted an application requesting approval to increase its rates for retail electric service by $4,110,000, which amounts to a 4.6 percent increase over its normalized revenues.[1] A review of the application revealed that it did not meet the minimum filing requirements set forth in 807 KAR 5:001 Sections 4(3), 14(1), 16(1)(b)(4), 16(2)(c), and 16(4)(g);[2] therefore, a notice of filing deficiencies was issued. On August 27, 2013, Jackson Energy filed information that cured the deficiencies except for the requirement under 807 KAR 5:001 Section 16(4)(g). On August 30, 2013, Jackson Energy filed a motion for a deviation, pursuant to 807 KAR 5:001, Section 22,[3] to waive the remaining deficiency, which concerned notice to a street lighting class. On September 6, 2013, the Commission issued an Order granting Jackson Energy's motion for deviation and its application was accepted as filed on that date.

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[1] Jackson Energy's most recent general rate case was Case No. 2007-00333, *Application of Jackson Energy Rural Electric Corporation for an Adjustment in Rates* (Ky. PSC June 5, 2008).

[2] Due to a revision in the Commission's regulation effective January 3, 2014, 807 KAR 5:001, Section 16(4)(a), is now addressed in 807 KAR 5:001, Section 16(4)(g).

[3] Due to a revision in the Commission's regulation effective January 3, 2014, 807 KAR 5:001, Section 21, is now addressed in 807 KAR 5:001, Section 22.

KRS 278.180(1) requires 30 days' notice of a change in rates. Accordingly, the Commission advised Jackson Energy that based on the September 6, 2013, filed date, the earliest the proposed rates could become effective was October 6, 2013. Finding that an investigation would be necessary to determine the reasonableness of Jackson Energy's proposed increase, the Commission suspended the rates for five months, up to and including March 5, 2014, pursuant to KRS 278.190(2).

BACKGROUND

Jackson Energy is a consumer-owned rural electric cooperative organized pursuant to KRS Chapter 279. It is engaged in the sale of electric energy to approximately 51,240 member customers in Breathitt, Clay, Estill, Garrard, Jackson, Laurel, Lee, Leslie, Lincoln, Madison, Owsley, Powell, Pulaski, Rockcastle and Wolfe counties in Kentucky. It is one of 16 member distribution cooperatives that own and receive wholesale power from East Kentucky Power Cooperative, Inc. ("EKPC").

Jackson Energy based its requested increase on reaching a target Times Interest Earned Ratio ("TIER") of 1.45 after three years. After allowing time for the suspension and investigation of its proposed rates, Jackson Energy is proposing to implement its requested increase of $4,110,000 in three steps over a period of 18 months. Jackson Energy states that gradual, phased-in increases are suited to its customer base better than a one-time full-amount increase because its service territory has some of the highest unemployment rates in Kentucky, and a significant percentage of residential customers live below the poverty level.

A procedural order was issued on September 6, 2013, that provided for discovery, intervenor testimony, and rebuttal testimony. There were no intervenors in this matter; however, several letters of opposition to the proposed increase were filed by customers. Jackson Energy responded to four requests for information from Commission Staff ("Staff"). A formal evidentiary hearing on the proposed rate adjustment was conducted on January 28, 2014. Jackson Energy filed responses and supplemental responses to post-hearing requests for information on February 7, 2014, and February 18, 2014, respectively. The case now stands submitted for a decision.

TEST PERIOD

Jackson Energy proposed the 12-month period ending December 31, 2012, as the test period to determine the reasonableness of its proposed rates. The Commission finds the use of this test period to be reasonable. In using a historic test period, the Commission has given full consideration to appropriate known and measurable changes.

VALUATION

Rate Base

Jackson Energy proposed a net investment rate base of $164,556,645 based on test-year-end plant in service and construction work in progress; on the 13-month average balances for materials and supplies and prepayments, plus a cash working-capital allowance, minus the adjusted accumulated depreciation balance; and on the test-year-end level of customer advances for construction.[4]

The Commission concurs with Jackson Energy's proposed rate base with these exceptions: (1) working capital has been adjusted to reflect the pro forma adjustments to operation and maintenance expenses; and (2) accumulated depreciation has been

[4] Application, Exhibit L.

increased to reflect the adjustments described herein. With these adjustments, Jackson Energy's net investment rate base for ratemaking purposes is as follows:

Utility Plant in Service	$	217,147,938
Construction In Progress		993,407
Total Utility Plant	$	218,141,345
ADD:		
Materials and Supplies	$	1,325,826
Prepayments		214,138
Working Capital		2,452,460
Subtotal	$	3,992,424
DEDUCT:		
Accumulated Depreciation	$	57,759,012
Customer Advances for Construction		34,653
Subtotal	$	57,793,665
NET INVESTMENT RATE BASE	$	164,340,104

Capitalization and Capital Structure

The Commission finds that Jackson Energy's capitalization as adjusted at test-year-end for ratemaking purposes is $177,789,707[5] and consists of $41,648,578 in equity[6] and $136,141,129 in long-term debt. Using this capital structure, Jackson Energy's year-end equity to total capitalization ratio is 23 percent.

REVENUES AND EXPENSES

In its application, Jackson Energy did not propose adjustments to its revenues and expenses. In responses to discovery, Jackson Energy proposed 13 adjustments to revenues and expenses to reflect current and expected operating conditions. The

[5] Long-term debt was increased due to Jackson Energy's Response to Item 5.b. of Commission Staff's Third Request for Information ("Staff's Third Request").

[6] Generation & Transmission Capital Credits ("G&T Capital Credits") are typically excluded by the Commission in calculating a distribution cooperative's equity and capital structure. At test-year end, Jackson Energy had a balance of $31,890,182 in G&T Capital Credits.

Commission finds that 11 of the proposed adjustments are reasonable and should be accepted. Those adjustments are shown in the following table:

Descriptions	Adjustments
Payroll – Salaries & Wages	$ 163,895
Payroll Taxes	18,140
Depreciation	253,158
Normalize Interest on Long- and Short-Term Debt	538,447
Retirement and Security Plan Costs	105,352
Professional Services	(8,458)
Donations	(467)
Directors' Expenses	(66,744)
Miscellaneous Expense	18,327
Generation and Transmission Credits	(4,358,339)
Normalize Purchase Power Costs	(7,661,075)

The Commission has modified the remaining proposed adjustments and made further adjustments to the test-year expenses as discussed herein.[7]

Normalization of Base Rates

Jackson Energy proposed an adjustment of $84,406 for the normalization of base-rate revenue. This adjustment is based on information from Jackson Energy's prior rate case, and such information is not relevant to the case at hand. Therefore, this adjustment should be denied.

Rate Case Expense

In response to Staff's Fourth Request for Information ("Staff's Fourth Request"), Jackson Energy requested $27,000 per year for three years to amortize its estimated rate case expense of $81,000.[8] However, in Jackson Energy's updated rate case

[7] The discussion also covers one of the accepted adjustments: the normalization of interest on long- and short-term debt.

[8] Jackson Energy's Response to Item 9, page 4 of Exhibit S, received December 9, 2013.

information filed on January 29, 2014, the total amount incurred as of that date was $68,909. Of this amount, $16,930 was for labor and benefit costs of Jackson Energy personnel. As these costs are already included as part of Jackson Energy's operating expenses for ratemaking purposes and do not reflect incremental costs related to the preparation and prosecution of the instant rate case, they are not allowable to also be recovered as rate case expenses. Therefore, the total allowable amount of rate case expense is $51,979, which, amortized over three years, results in annual rate case expense of $17,326. Accordingly, Jackson Energy's annual rate case expense for ratemaking purposes has been reduced by $9,674, from $27,000 to $17,326.

Cost Savings After End of Test Year

On February 19, 2013, Jackson Energy was notified by the United States Department of Agriculture ("USDA") Rural Development Department, which administers the USDA's electric program through the Rural Utilities Service ("RUS"), that it did not meet the agency's minimum operating TIER of 1.1 for calendar year 2012. In addition, RUS requested information on the areas that had an adverse effect on Jackson Energy's financial condition and asked what corrective measures had been or would be implemented by Jackson Energy to remedy the inadequate ratio. Jackson Energy responded by stating that additional conservation efforts by its members and low growth in new members had an adverse effect on its financial condition.[9] Jackson Energy also stated it had initiated cost-control measures and had projected an operating TIER of 1.1 for calendar year 2013.

In response to Item 7 of Staff's Third Request, Jackson Energy identified approximately $1.4 million in cost savings it realized in calendar year 2013 as a result of

[9] *See* Jackson Energy's March 7, 2013 letter to RUS, Application, Exhibit H-A, page 2.

the measures implemented in response to the RUS notification. None of these cost savings were recognized in the test year. Of the $1.4 million in cost savings, $566,000 appears to be non-recurring one-time savings, while $834,000 appears to be recurring savings of the type that could have been realized during the test year and reflected in test-year expenses had the measures been in effect in 2012. Therefore, Jackson Energy's operation and maintenance expenses have been reduced by $834,000 to reflect these savings as part of its current and ongoing operations.

PSC Assessment Fee

Jackson Energy did not propose an adjustment to its PSC Assessment Fee to reflect its normalization of revenues and purchased power expense or the impact of its proposed revenue increase. The Commission has determined that an adjustment to the PSC Assessment Fee to reflect the normalization of revenue and purchased power expense is appropriate. Applying the 2013–2014 assessment rate to normalized revenues and purchased power expense produces a $9,290 decrease in the PSC Assessment Fee for the test year. The Commission has also recognized an increase to the PSC Assessment Fee, based on the revenue increase being granted herein, of $7,341. Combined, the net result of these adjustments is a decrease of $1,941 in the PSC Assessment Fee.

Interest on Long-Term Debt

In response to a Staff request for information regarding interest on long-term debt, Jackson Energy identified a new loan it received in July 2013, after the end of the test year.[10] Jackson Energy requested a revised adjustment for its interest on long-term

[10] *See* Jackson Energy's Response to Item 5.b. of Staff's Third Request.

debt including the annualized interest on the new debt. The revised adjustment results in an increase of $538,447 above Jackson Energy's test-year actual interest on long-term debt. While we do not typically recognize post-test year adjustments for changes occurring so far beyond the end of the test year, the Commission has adjusted Jackson Energy's revenue requirements to reflect cost savings achieved at various times after the end of the test year. For purposes of consistency, we will also recognize the revised adjustment for interest on long-term debt to reflect expected operating conditions.

Pro Forma Adjustments Summary

The effect of the pro forma adjustments on Jackson Energy's net income is as follows:

	Actual Test Period	Pro Forma Adjustments	Adjusted Test Period
Operating Revenues	$99,291,970	(7,666,128)	$91,625,842
Operating Expenses	94,586,909	(7,968,106)	86,618,803
Net Operating Income	4,705,061	301,978	5,007,039
Interest on Long-Term Debt	5,403,344	538,447	5,941,791
Interest Expense-Other	54,021		54,021
Other Deductions	80,896	(64,588)	16,308
NET INCOME	$ (833,200)	$ (171,881)	$ (1,005,081)

REVENUE REQUIREMENTS

Jackson Energy's actual test-year rate of return on net investment rate base was 2.98 percent.[11] Its test-year TIER, excluding G&T Capital Credits, was 0.91[12] and its equity ratio was 23 percent.

As previously mentioned, Jackson Energy received notification from RUS that it failed to meet its operating TIER requirement of 1.1 for calendar year 2012 as required

[11] Application, Exhibit X, page 2.

[12] Jackson Energy's Response to Item 9 of Staff's Fourth Request, page 1.

by its mortgage covenant. Jackson Energy's financial position has deteriorated since 2010 due to a decline in the number of customers, decreasing energy sales, increasing costs, and the success of its energy-efficiency and demand-side management ("DSM") programs.[13] Jackson Energy has attempted to rectify this situation by instituting cost-cutting measures, as well as by filing the current general rate case, the status of which it has apprised the RUS.

In response to a post-hearing request for information, Jackson Energy provided its 2013 financial results. Due to its cost savings measures and robust energy sales in December 2013, Jackson Energy's operating TIER for calendar year 2013 was 1.27.[14] RUS requires distribution cooperatives to have an average operating TIER of 1.1 based on the average of the best two out of the last three calendar years. Therefore, Jackson Energy is in compliance with its RUS mortgage covenants, as it had to have an operating TIER for calendar year 2013 of at least .92 to avoid technical default on its mortgage.[15]

After making adjustments to normalize Jackson Energy's test-year operations, its request for a rate increase in this case is based on a TIER of 1.58, which, under the circumstances of this case, the Commission finds reasonable. Historically, distribution cooperatives' rate-increase requests are based on a TIER of 2.0, which is the TIER the Commission has granted for a number of years. Based on the pro forma adjustments

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[13] Application, Exhibit H, page 2 of the Direct Testimony of Virginia Carol Wright.

[14] *See* Jackson Energy's Response to Item 1.a. on page 3 of Jackson Energy's response to Staff's post-hearing request for information.

[15] Jackson Energy had operating TIERs of 1.28, .85 and 1.27 in calendar years 2011, 2012, and 2013, respectively. Therefore, as of the close of calendar year 2013, its average operating TIER for the two highest years is 1.28. For 2014, Jackson must achieve an operating TIER of .93 (2.2 -1.27=.93) to stay in compliance with its RUS mortgage covenants.

found reasonable herein, the Commission has determined that, in order to produce a TIER of 2.0, Jackson Energy would have required an increase in revenues of over $6.6 million. Therefore, Jackson Energy's proposed increase of $4,110,000 is reasonable. This should produce net operating income of $9,112,145, resulting in a 5.5 percent return on Jackson Energy's net investment rate base found reasonable herein.

PRICING AND TARIFF ISSUES

Cost of Service

Jackson Energy filed a fully allocated cost-of-service study ("COSS") in order to determine the cost to serve each customer class and the amount of revenue to be allocated to each customer class. Jackson Energy filed a revised COSS in response to Staff's Fourth Request. Having reviewed Jackson Energy's COSS, as revised through discovery, the Commission finds it to be acceptable for use as a guide in allocating the revenue increase granted herein.

Revenue Allocation and Rate Design

Jackson Energy proposes to allocate the entire proposed increase to the customer charge of each of its rate classes. This proposal results in class increases ranging from .21 percent to 7.74 percent, with the residential class receiving a 5.14 percent increase. For the lighting class, Jackson Energy proposes an increase of 5.17 percent. Energy and demand charges will not change under this proposal.[16] The allocation of the proposed increase to the customer classes and the proposed increases in customer charges for all rate classes generally reflect the results of Jackson Energy's

[16] Jackson Energy is proposing no increases in its non-recurring charges or cable television attachment charges in this case.

revised COSS and substantially maintains the current revenue percentage responsibility among the rate classes.

Jackson Energy's revised COSS shows that the current customer charges for most rate classes are insufficient to recover the customer-related costs of serving those classes. Within each class, Jackson Energy proposes to increase customer charges as follows:

Rate Class	Current Customer Charge	Proposed Customer Charge
10-Residential	$10.44	$16.44
20-Comm. & Small Power	$27.47	$39.47
40-Large Power 50 kW>	$49.45	$56.95
46-Large Power 500 kW>	$1,079.86	$1,700.47
47-Large Power 500-4999 kW	$1,079.86	$1,700.47
48-Large Power 5,000 kW and Larger *	$1,202.46	$1,823.07
50-Schools, Churches, & Etc.	$16.49	$22.49
52-All Electric Schools	$43.96	$55.96

*Rate Class 48 currently has no customers.

As previously stated, given the depressed economy of its service territory, Jackson Energy is proposing a three-step incremental revenue increase of equal amounts of $1.37 million, the first as of March 2014, the second as of September 2014, and the third as of September 2015. The residential customer charge will increase from $10.44 to $16.44 in three steps of $2.00, with the other classes' customer charges being increased in a similar manner until they reach the levels shown above.

With respect to the proposed increases in Jackson Energy's customer charges, the Commission concludes that, for an electric cooperative that is strictly a distribution utility, there is merit to the arguments that there is need for a means to guard against the revenue erosion that often occurs due to the decrease in sales volumes that accompanies reductions in economic activity, changes in weather patterns, and the implementation or expansion of DSM and energy-efficiency programs. We further conclude, as we did in recent cases involving Owen Electric Cooperative, Inc. ("Owen"),[17] Big Sandy Rural Electric Cooperative Corporation,[18] Fleming-Mason Energy Cooperative, Inc.,[19] and Grayson Rural Electric Cooperative Corporation,[20] that in conjunction with an expansion in Jackson Energy's DSM programs, the potential reduction in sales volumes provides strong reasons for increasing customer charges in order to improve the utility's recovery of its fixed costs, which are supported by the COSS.

The approved increase of $4,110,000 results in an overall increase of 4.6 percent in base rate revenue. Given the results of the COSS and Jackson Energy's responses to discovery, the Commission finds it reasonable to allocate the revenue increase to each rate class as set out in Jackson Energy's application. In addition, for the reasons

[17] Case No. 2011-00037, Application of Owen Electric Cooperative Corporation for an Order Authorizing a Change in Rate Design for Its Residential and Small Commercial Rate Classes, and the Proffering of Several Optional Rate Designs for the Residential Classes (Ky. PSC Feb. 29, 2012).

[18] Case No. 2012-00030, Application of Big Sandy Rural Electric Cooperative Corporation for an Adjustment of Rates (Ky. PSC Oct. 31, 2012).

[19] Case No. 2012-00369, Application of Fleming-Mason Energy Cooperative, Inc. for an Order Authorizing a Change in Rate Design for Its Residential Rate Class and the Offering of Several Optional Rate Designs for the Residential Rate Classes (Ky. PSC July 2, 2013).

[20] Case No. 2012-00426, Application of Grayson Rural Electric Corporation for an Adjustment of Rates (Ky. PSC July 31, 2013).

set forth in its application, the Commission finds that Jackson Energy's proposal to increase its rates in three steps should be approved.

Tariff Issues

In response to a Staff Post-Hearing Request, Jackson Energy provided information regarding its Prepay Meter Program, which was approved in Case No. 2010-00210.[21] Jackson Energy's prepay program has been a success and has grown into a mature program. In Case No. 2013-00037[22] and in Case No. 2013-00403,[23] the Commission granted Nolin Rural Electric Cooperative Corporation and Owen, respectively, permission to use a simplified reporting procedure for their prepay metering programs. The Commission is therefore amending Jackson Energy's reporting requirements to those set forth herein, which are consistent with the requirements established in Case Nos. 2013-00037 and 2013-00403.

OTHER ISSUES

Timing and Content of General Rate Case Filing

In testimony at the hearing, Jackson Energy stated that it became aware of its deteriorating financial position in early 2013 as a result of a letter from RUS advising that it did not meeting its operating TIER for 2012.[24] The current general rate case was not filed until August 2013, approximately six months after RUS's notification. Jackson

[21] Case No.2010-00210, Tariff Filing of Jackson Energy Cooperative to Establish Prepaid Electric Service (Ky. PSC Nov. 30, 2010).

[22] Case No. 2013-00037, Filing of Nolin Rural Electric Cooperative Corporation for Approval to Eliminate its Pilot Prepay Program and for Approval of a Permanent Prepay Program Regulatory Tariff (Ky. PSC May 19, 2013).

[23] Case No. 2013-00403, Application of Owen Electric Cooperative, Inc. for Approval of a Prepay Metering Program Tariff (Ky. PSC Feb. 7, 2014).

[24] Application, Exhibit H-1, page 1 of the Prepared Testimony of Virginia Carol Wright.

Energy should have been aware much sooner than February 2013 of its deteriorating financial condition and should have implemented any cost-saving strategies, as well as a general rate case proceeding, before being required to take actions by its lender. Jackson Energy responded to RUS with a letter that outlined several cost-saving measures that were being implemented to improve its financial condition. These measures, as well as a robust December 2013, allowed Jackson Energy to close calendar year 2013 with an operating TIER of 1.27X; therefore, it is in compliance with its mortgage requirements. Nonetheless, the Commission believes Jackson Energy should have addressed this situation with more urgency. The financial condition of Jackson Energy and the well-being of its employees and customers are at risk of being compromised as a result of the failure of the board of directors and management to respond in a timely manner to the situation. The Commission directs Jackson Energy to be more proactive in addressing such problems in the future.

NRECA Retirement and Security Plan Prepayments

During 2013, cooperatives participating in the National Rural Electric Cooperative Association ("NRECA") Retirement and Security were allowed to make an Accelerated Funding Payment and receive an immediate reduction in their current contribution requirement equal to approximately 25 percent of their 2013 billing rate.[25] The Commission commends Jackson Energy for recognizing and taking advantage of this opportunity to achieve cost savings for its employees and customers. The Commission urges other cooperatives to take advantage of similar opportunities when available.

[25] *See* Jackson Energy's Response to Item 2.e. of Staff's Second Request for Information.

Demand-Side Management

Jackson Energy has stated that it currently offers a number of programs to reduce energy inefficiencies and is working with EKPC in expanding and developing new DSM programs. In addition, Jackson Energy has a case pending before the Commission regarding the Kentucky Energy Retrofit Rider.[26] The Commission believes that energy conservation, energy efficiency, and DSM will become increasingly important for Kentucky. Governor Steven L. Beshear has identified a road map to energy independence for Kentucky in *Intelligent Energy Choices for Kentucky's Future,* November 2008. That document states that energy efficiency should offset at least 18 percent of Kentucky's projected 2025 energy demand.[27] In addition, the Commission has stated its support for eliminating impediments to the consideration and adoption by utilities of cost-effective DSM strategies in its July 1, 2008, Report to the Kentucky General Assembly.[28]

In Case No. 2010-00238,[29] a settlement agreement was reached wherein EKPC agreed to initiate a collaborative to evaluate and assess its energy diversification portfolio to expand deployment of renewable energy and DSM programs in conjunction

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[26] Case No. 2013-00398, Application of Jackson Energy Cooperative for an Order Approving Kentucky Energy Retrofit Rider Permanent Tariff (Ky. PSC filed Nov. 12, 2013).

[27] *Intelligent Energy Choices for Kentucky's Future, Kentucky's 7-Point Strategy for Energy Independence*, Governor Steven L. Beshear, November 2008, p. 22.

[28] *Electric Utility Regulation and Energy Policy in Kentucky, A Report to the Kentucky General Assembly Prepared Pursuant to Section 50 of the 2007 Energy Act*, Kentucky Public Service Commission, July 1, 2008, p. 3.

[29] Case No. 2010-00238, An Investigation of East Kentucky Power Cooperative, Inc.'s Need for the Smith 1 Generating Facility (Ky. PSC Feb. 28, 2011). The members of the Collaborative are EKPC, its 16 owner-member cooperatives, the Sierra Club, the Kentucky Environmental Foundation, Kentuckians for the Commonwealth, and the Office of the Attorney General, by and through his Office of Rate Intervention.

with its distribution cooperatives and other stakeholders. The Commission encourages Jackson Energy to continue to work with EKPC and other stakeholders in the collaborative to identify opportunities for new or expanded cost-effective DSM programs and encourages Jackson Energy and all other electric energy providers to make a greater effort to offer cost-effective DSM and other energy-efficiency programs. With the rate design changes approved herein, Jackson Energy has been provided an opportunity to widen its DSM and energy-efficiency offerings and to vigorously pursue those plans.

The Commission is very interested in the impact of Jackson Energy's DSM and energy-efficiency programs, as well as in the impact of the changes in rate design that are authorized herein. Jackson Energy will therefore be required to file annual reports which contain the status of each DSM and energy-efficiency program and certain information with regard to its members' responses to the rate changes approved herein.

Motion for Reconsideration

On February 18, 2014, Jackson Energy filed a motion requesting the Commission to reconsider its February 14, 2014 Order, which denied Jackson Energy's December 11, 2013, motions for confidentiality with respect to the terms and provisions of a purchase power contract between Jackson Energy and Wellhead Energy Systems, LLC ("Wellhead Contract"). Jackson Energy contends that, pursuant to the Wellhead Contract itself, Jackson Energy is prohibited from disclosing the terms of the contract to third parties. Jackson Energy also points out that it is subject to a non-disclosure agreement in which Jackson Energy agreed to not disclose to third parties pricing and other financial information related to the Wellhead Contract. Jackson Energy further contends that public disclosure of the terms of the Wellhead Contract would impair its ability to negotiate similar contracts in the future. Lastly, Jackson Energy asserts that the interests of its customers in knowing the price of the Wellhead Contract is outweighed by Jackson Energy's interest in honoring the terms of the Wellhead Contract, in being able to freely negotiate future similar contracts, and by the fact that the amount of power being purchased from the Wellhead Contract is relatively small in proportion to Jackson Energy's total load.

Having reviewed the motion to reconsider and being otherwise sufficiently advised, the Commission finds that Jackson Energy has failed to satisfy its burden of proof, on reconsideration, to persuade the Commission to modify the February 14, 2014 Order. The Commission notes that both the Wellhead Contract and the non-disclosure agreement, by their own terms, would not unconditionally prohibit Jackson Energy from disclosing the terms and provisions of the Wellhead Contract. The Commission is also not persuaded by Jackson Energy's contention that public disclosure of the terms and provisions of the Wellhead Contract would impair its ability to negotiate future contracts of a similar nature with other suppliers. Although Jackson Energy argues that disclosure of the pricing terms of the Wellhead Contract would act as a floor for future negotiations with similar contracts, the Commission finds that public disclosure of such information is just as likely to have the effect of decreasing prices for similar purchase power contracts in which one power supplier may wish to undersell another in order to obtain a long-term contract with Jackson Energy. The lack of any firm evidence of anti-competitive effects resulting from public disclosure of the terms of the Wellhead Contract must be weighed against Jackson Energy's customers' right to have access to the information relating to a component of their bills. Accordingly, the Commission finds that Jackson Energy's motion to reconsider should be denied.

FINDINGS

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The rates proposed by Jackson Energy would produce revenues found to be reasonable herein and should be approved.

2. The rates and dates of implementation set forth in the Appendix to this Order are fair, just, and reasonable rates for Jackson Energy and should be approved.

3. The rate of return and TIER granted herein are fair, just, and reasonable and will provide for Jackson Energy's financial obligations.

4. Jackson Energy is directed to notify the Commission in writing within ten days of all communication with RUS in order for the Commission to be informed of the resolution of Jackson Energy's financial situation.

5. For its prepay metering program, Jackson Energy should track and maintain the following data and file the information in a supplemental report at the same time it files its annual financial report for calendar years 2014, 2015, and 2016.

a. The number of new and total participants.

b. The number of participants who leave the prepay program and the reasons they leave.

c. The number of participants who allow their accounts to deplete to zero and are disconnected.

6. After 2016, Jackson Energy should continue to maintain the records identified in Paragraph 5 above and be able to provide the information upon request.

7. Commencing in 2015, at the same time Jackson Energy files its annual financial report with the Commission, Jackson Energy should file annual reports with the Commission which contain the status of each DSM and energy-efficiency program and which contain the following information with regard to the members' responses to the rate changes approved herein:

a. By DSM program, the number of customers and peak demand and kWh savings;

b. A recap of Jackson Energy's customer-awareness and education efforts, and the number of members who make contact regarding such efforts;

c. Budgets, actual expenditures, number of participants, and the estimated impact on sales of each DSM and energy-efficiency program approved; and

d. The estimated implementation date for any program planned but not yet implemented as of the date of that report, and explanations for why any such planned programs have not yet been implemented. Subsequent-year reports should contain information further describing Jackson Energy's efforts to implement the planned programs.

8. Upon request from Jackson Energy, Commission Staff should conduct a technical conference to address any questions concerning the requirements set out in this Order.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Jackson Energy will produce revenues found to be reasonable herein and are approved.

2. The rates and implementation dates in the Appendix to this Order are approved for service rendered by Jackson Energy.

3. Jackson Energy shall notify the Commission in writing within ten days of all communication with RUS in order for the Commission to be informed of the resolution of Jackson Energy's financial situation.

4. Commencing in 2015, at the same time it files its annual financial report with the Commission, Jackson Energy shall file with the Commission five copies of its annual report on its prepay meter program containing the information as set out in Paragraph 5 of the Findings section.

5. Commencing in 2015, at the same time it files its annual financial report with the Commission, Jackson Energy shall file with the Commission five copies of its DSM annual reports which contain the status of each DSM and energy-efficiency program and which contain the information as set out in paragraph 7 of the Findings section.

6. Upon request of Jackson Energy, Commission Staff shall schedule a technical conference to address any questions concerning the requirements set out in this Order.

7. Within 20 days of entry of this Order, Jackson Energy shall file with this Commission, using the Commission's electronic Tariff Filing System, revised tariff

sheets setting out the rates approved herein and reflecting the date of issue, the effective date, and that they were approved pursuant to this Order.

8. Any documents filed pursuant to ordering paragraphs 3, 4, 5, and 6, of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file. Any request from Jackson Energy for a technical conference should be made outside of this case and filed in Jackson Energy's post-case reference file.

9. The Executive Director is delegated authority to grant reasonable extensions of time for the filing of any documents required by this Order upon Jackson Energy's showing of good cause for such extension.

10. Jackson Energy's motion to reconsider the Commission's February 14, 2014 Order is denied.

By the Commission

ENTERED
FEB 27 2014
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2013-00219 DATED FEB 2 7 2014

The following rates and charges are prescribed for the customers in the area served by Jackson Energy Cooperative Corporation. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE 10 - RESIDENTIAL SERVICE

	Customer Charge Per Month	All kWh Per Month Per kWh
Step 1- March 1, 2014	$12.44	$0.09849
Step 2- September 1, 2014	$14.44	$0.09849
Step 3- September 1, 2015	$16.44	$0.09849

SCHEDULE 20 - COMMERCIAL SERVICE LESS THAN 50 KW

	Customer Charge Per Month	All kWh Per Month Per kWh
Step 1- March 1, 2014	$31.47	$0.08809
Step 2- September 1, 2014	$35.47	$0.08809
Step 3- September 1, 2015	$39.47	$0.08809

SCHEDULE 40 - LARGE POWER LOADS 50 KW AND OVER

	Customer Charge Per Month	Demand Charge Per Month Per kW	All kWh Per Month Per kWh
Step 1- March 1, 2014	$51.95	$6.59	$0.06579
Step 2- September 1, 2014	$54.45	$6.59	$0.06579
Step 3- September 1, 2015	$56.95	$6.59	$0.06579

SCHEDULE 46 - LARGE POWER RATE - 500 KW AND OVER

	Customer Charge Per Month	Demand Charge Per Month Per kW	All kWh Per Month Per kWh
Step 1- March 1, 2014	$1,286.73	$6.84	$0.05102
Step 2- September 1, 2014	$1,493.60	$6.84	$0.05102
Step 3- September 1, 2015	$1,700.47	$6.84	$0.05102

SCHEDULE 47 - LARGE POWER RATE - 500 KW AND OVER

	Customer Charge Per Month	Demand Charge per kW Contract Demand	Demand Charge per kW for Billing Demand in Excess	All kWh Per Month Per kWh
Step 1- March 1, 2014	$1,286.73	$6.84	$9.50	$0.05206
Step 2- September 1, 2014	$1,493.60	$6.84	$9.50	$0.05206
Step 3- September 1, 2015	$1,700.47	$6.84	$9.50	$0.05206

SCHEDULE 48 - LARGE POWER RATE - 5,000 KW AND OVER

	Customer Charge Per Month	Demand Charge per kW Contract Demand	Demand Charge per kW for Billing Demand in Excess	All kWh Per Month Per kWh
Step 1- March 1, 2014	$1,409.33	$6.84	$9.50	$0.04542
Step 2- September 1, 2014	$1,616.20	$6.84	$9.50	$0.04542
Step 3- September 1, 2015	$1,823.07	$6.84	$9.50	$0.04542

SCHEDULE 50
SCHOOLS, CHURCHES, COMMUNITY HALLS AND COMMUNITY PARKS

	Customer Charge Per Month	All kWh Per Month Per kWh
Step 1- March 1, 2014	$18.49	$0.09483
Step 2- September 1, 2014	$20.49	$0.09483
Step 3- September 1, 2015	$22.49	$0.09483

SCHEDULE 52 - ALL ELECTRIC SCHOOLS (A.E.S.)

	Customer Charge Per Month	All kWh Per Month Per kWh
Step 1- March 1, 2014	$47.96	$0.07890
Step 2- September 1, 2014	$51.96	$0.07890
Step 3- September 1, 2015	$55.96	$0.07890

SCHEDULE OL – OUTDOOR LIGHT

Street Lighting- Cobra Head:

	Step 1- March 1, 2014	Step 2- September 1, 2014	Step 3- September 1, 2015
400 Watt M.V.	$15.45	$15.75	$16.05
200 Watt HPS- 22,000 Lumens	$16.55	$16.85	$17.15
250 Watt HPS- 27,500 Lumens	$13.12	$13.42	$13.72
400 Watt HPS- 50,000 Lumens	$13.07	$13.37	$13.67

Residential & Commercial Standard Lighting:

	Step 1- March 1, 2014	Step 2- September 1, 2014	Step 3- September 1, 2015
175 Watt M.V.- Security	$9.30	$9.45	$9.60
400 Watt M.V.- Flood	$17.68	$17.98	$18.28
1,000 Watt M.V.- Flood	$35.16	$36.06	$36.96
100 Watt HPS- 9,500 Lumens-Security	$9.30	$9.45	$9.60
250 Watt HPS- 27,500 Lumens-Flood	$14.65	$14.95	$15.25
400 Watt HPS- 50,000 Lumens-Flood	$17.30	$17.60	$17.90

Specialty Lighting:

	Step 1- March 1, 2014	Step 2- September 1, 2014	Step 3- September 1, 2015
175 Watt M.V.- Acorn	$16.81	$17.11	$17.41
100 Watt HPS- 9,500 Lumens- Acorn	$11.64	$11.94	$12.24
100 Watt HPS- 9,500 Lumens- Colonial	$7.76	$7.91	$8.06
175 Watt M.V.- Colonial	$9.16	$9.31	$9.46
400 Watt HPS- 50,000 Lumens-Int.	$20.92	$21.52	$22.12
70 Watt HPS- 4,000 Lumens- Colonial	$11.60	$11.90	$12.20

Poles shall be furnished by the Cooperative at the following rates per pole per month:

	Step 1- March 1, 2014	Step 2- September 1, 2014	Step 3- September 1, 2015
15 ft Aluminum Pole	$4.83	$4.98	$5.13
30 ft Wood Pole	$3.99	$4.24	$4.49
30 ft Aluminum Pole for Cobra Head	$23.22	$23.82	$24.42
35 ft Aluminum Pole	$28.34	$28.94	$29.54
35 ft Aluminum Pole for Cobra Head	$22.84	$23.44	$24.04
40 ft Aluminum Pole	$31.94	$32.84	$33.74
40 ft Aluminum Pole for Cobra Head	$55.80	$57.30	$58.80
Power Installed Foundation	$7.89	$8.14	$8.39

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