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February 10, 2005

FEDERAL EXPRESS

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40601

FEB 11 2005
PUBLIC SERVICE
COMMISSION

Re: Case No. 2004-00319

Dear Ms. O'Donnell:

Pursuant to the directive of Commission Staff in the telephonic informal conference on January 26, 2005, this letter explains the revised rates that Jackson Purchase Energy Corporation ("JPEC") will be requesting if settlement efforts fail and the pending Application needs to be amended. The revised rates are lower than those originally requested, as set forth in the following table:

	Rates Proposed In <u>Application</u>	Revised <u>Rates</u>
2 Party Pole	\$ 6.60	\$ 5.28
3 Party Pole	\$ 5.40	\$ 4.41
2 Party Anchor	\$10.16	\$ 5.52

In arriving at the revised rates, JPEC has followed the procedure outlined in the Commission's September 17, 1982, order in Administrative Case No. 251, along with subsequent orders in companion cases. However, JPEC has changed two (2) of the factors in order to reflect current, accurate information. JPEC respectfully submits that fair, just and reasonable rates cannot be attained using arbitrary, outdated figures, and that its approach more nearly reaches that goal.

The two (2) factors JPEC has changed are (i) the amount per ground and (ii) the adjustment percentage for minor appurtenances, being explained as follows:

(i) The Commission's September 17, 1982, order in Administrative Case No. 251 uses the figure of \$12.50 per ground. This figure may have been proper then, but simply applying CPI adjustments, the figure now exceeds \$24.00. The current gross value of grounds in JPEC accounts is \$33.08 per ground. JPEC proposes that this figure be used in the calculations.

Based on recent field observations, JPEC believes that CATV customers attach to approximately every other ground and therefore submits that a fair adjustment would be 50%.

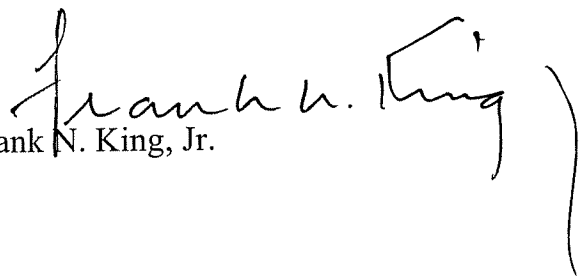
(ii) The Commission's above order is generally accepted as requiring a 15% adjustment for minor appurtenances. However, JPEC segregates major appurtenances, including anchors, and its pole plant includes only minor appurtenances such as staples, pole top pins and a minuscule amount of ground wire, for which JPEC's accounting discloses an adjustment of 6.4% would accurate. JPEC agrees that some adjustment is appropriate, and proposes that an adjustment of 6.4% should be used for the exclusion of actual minor appurtenances, rather than the inflexible, arbitrary 15%.

Attached are two (2) sheets with calculations supporting JPEC's revised rates. If the Commission needs additional information regarding this matter, please contact the undersigned.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.

FNKJr/cds

Encls.

COPY/w/encls.:

Attorney General of Kentucky, Office of Rate Intervention
Mr. Gardner F. Gillespie
Mr. Frank Chuppe
Mr. John E. Selente
Ms. Holly C. Wallace
Jackson Purchase Energy Corporation

CASE NO. 2004-00319
JPEC Revised 2/10/05

Item	Qty	Gross Book Value (Total)	Gross Book Value (Per Item)	Comments
35' Poles	13,982	\$2,402,756	\$171.85	Same as KCTA
40' Poles	16,538	\$6,765,739	\$409.10	KCTA had \$6,765,738 for Gross Amt
45' Poles	3,971	\$1,647,556	\$414.90	KCTA had \$1,647,550 for Gross Amt
Guys & Anchors	39,833	\$5,213,927	\$130.89	Average value of anchors (incl. guys) (gross) - systemwide
Pole Grounds	45,338	\$1,499,927	\$33.08	Average value of pole grounds (gross) - systemwide
Bare Pole Factor	93.6%			This is in lieu of the "85%" previously used by KCTA.
Gross to Net Adjustment Factor	71.82%			Based on total plant. Equal to KCTA.
Annual Carrying Charge	20.23%			Calculated on a NET basis.
2 PARTY POLE:				
		\$2,402,756	\$171.85	35' Poles
		\$6,765,739	\$409.10	40' Poles
		\$9,168,495	\$300.41	Weighted Avg. Cost/Pole in Place (Gross)

		Grounds = 1/2 x \$33.08	\$16.54	Gross value of pole grounds. Assumes CATV connects 50% of poles.

		\$316.95	Gross Value of Complete Pole	
	x minor appurt	adjustment factor	93.6%	\$296.67
	x gross to net factor		71.82%	\$213.07
	x annual carrying charge of		20.23%	\$43.10
	x usable space factor of		12.24%	\$5.28
				REVISED 2 PARTY ATTACHMENT RATE

JPEC Revised 2/10/05

3 PARTY POLE:	\$6,765,739	16,538	\$409.10	40' Poles
	\$1,647,556	3,971	\$414.90	45' Poles
	\$8,413,295	20,509	\$410.22	Weighted Avg. Cost/Pole in Place (Gross)
			\$16.54	Gross value of pole grounds. Assumes CATV connects 50% of poles.
			\$426.76	Gross Value of Complete Pole
		93.60%	\$399.45	
		71.82%	\$286.88	
		20.23%	\$58.04	
		7.59%	\$4.41	REVISED 3 PARTY ATTACHMENT RATE
2 PARTY ANCHOR			\$5,213,927	
			\$3,024,078	
		71.82%	\$2,171,893	
		20.23%	\$439,374	
		39,833	\$11.03	
		2	\$5.52	REVISED 2 PARTY ANCHOR ATTACHMENT RATE