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FAX MESSAGE

TO: PSC -- FILINGS DIVISION
FAX NO. 502 - 564-3460

FROM: FRANK N. KING, JR.

DATE: July 20, 2005

NO. OF PAGES 19 (including this page)

MESSAGE

Re: CASE NO. 2004-00319

Attached for filing please find a copy of Response and the cover letter to the Commission . The original and eight (8) copies are being sent today via FedEx for overnight delivery.

FNK,Jr

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July 20, 2005

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PUBLIC SERVICE
COMMISSION

VIA FAX and FEDEX

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

Re: Case No. 2004-00319

Dear Ms. O'Donnell:

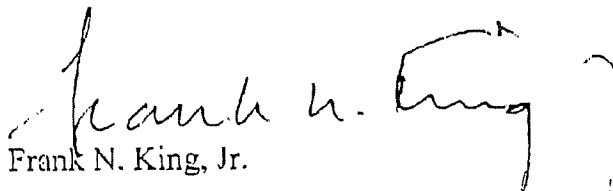
Enclosed for filing please find Response of Jackson Purchase Energy Corporation to First Data Request of Commission Staff.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.

FNKJr/eds

COPY/w/encls.:

Service List
Jackson Purchase Energy Corporation

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION FOR)
ADJUSTMENTS IN EXISTING CABLE)CASE NO. 2004-00319
TELEVISION ATTACHMENT TARIFF)

RESPONSE OF JACKSON PURCHASE ENERGY CORPORATION
TO FIRST DATA REQUEST OF COMMISSION STAFF

DORSEY, KING, GRAY, NORMENT & HOPGOOD
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Telephone (270) 826-3965
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Attorneys for Jackson Purchase Energy Corporation

By Frank N. King, Jr.
Frank N. King, Jr.

I hereby certify that this Response has been served upon Gardner F. Gillespie, Hogan & Harston, L.L.P., 555 Thirteenth Street, Washington, D.C. 20004-1109, and Frank F. Chuppe, Wyatt, Tarrant & Combs, LLP, 500 West Jefferson Street, Suite 2600, Louisville, KY 40202, attorneys for Kentucky Cable Telecommunications Association; and John E. Selent and Holly C. Wallace, Dinsmore & Shohl, LLP, 1400 PNC Plaza, 500 West Jefferson Street, Louisville, KY 40202, attorneys for Ballard Rural Telephone Cooperative Corporation, Inc., by mailing a true and correct copy of same on this 20th day of July, 2005. I also hereby certify that a filing of this Response has been made with the Kentucky Public Service Commission on said day by submitting a copy by facsimile (Filings Division at (502) 564-3460) and by sending the original and eight (8) copies via FedEx for overnight delivery.

Frank N. King, Jr.
counsel for Jackson Purchase Energy Corporation

JACKSON PURCHASE ENERGY CORPORATION
RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
CASE NO. 2004-00319

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INTRODUCTION

In the telephonic informal conference in this case on January 26, 2005, counsel for Jackson Purchase Energy Corporation ("JPEC") informed Commission Staff and counsel for the intervenors that JPEC would be requesting revised rates (different from those in the Application) if settlement efforts failed, and that the pending Application would need to be amended. This was followed up with a February 10, 2005, letter to the Commission with copies to counsel for the intervenors, a copy of which is attached, along with the accompanying two (2) pages of calculations, as Introduction Page 2 through 5 of 5.

The February 10, 2005, letter explains that in arriving at these 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 two (2) of the factors have been changed in order to reflect current, accurate information, being (i) the amount per ground was increased to \$33.08, which is the current gross value of grounds in JPEC accounts, and (ii) a 6.4%* adjustment for minor appurtenances was used because JPEC segregates major appurtenances, including anchors.

In light of the Commission's order of July 12, 2005, JPEC will be filing an Amended Application in this case.

*As will be noted in the following responses, this adjustment percentage was extrapolated from data based on approximately three-fourths of the JPEC system being inventoried. JPEC's entire system has now been inventoried, and based on complete data the correct figure for the adjustment is 7.8%.

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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

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:

C
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P
Y

	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.

Page Two
February 10, 2005

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%.

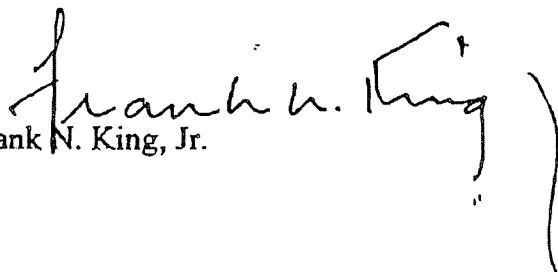
(ii) The Commission's above order is generally accepted as requiring a 15% adjustment for minor appurtenances. However, JPEC segregates major appurtenances, including anchors, and its pole plant includes only minor appurtenances such as staples, pole top pins and a minuscule amount of ground wire, for which JPEC's accounting discloses an adjustment of 6.4% would^{be}/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 Pole Grounds	39,833	\$5,213,927	\$130.89	Average value of anchors (incl. guys) (gross) - systemwide
	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	13,982	\$171.85	35' Poles
	\$6,765,739	16,538	\$409.10	40' Poles
	\$9,168,495	30,520	\$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.
			\$318.95	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	18,538	\$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)
	Grounds = 1/2 x \$33.08	\$16.54	Gross value of pole grounds. Assumes CATV connects 50% of poles.	
		\$426.76	Gross Value of Complete Pole	
x minor appurt & anchor adjustment factor		93.60%	\$399.45	
x gross to net factor		71.82%	\$286.88	
x annual carrying charge of		20.23%	\$58.04	
x usable space factor of		7.59%		\$4.41 REVISED 3 PARTY ANCHOR ATTACHMENT RATE
2 PARTY ANCHOR			\$5,213,927	
	Gross Guy/Anchor Plant Value			
	less estimated value of Guys (\$ 2,189,849)		\$3,024,078	
x Net plant factor of		71.82%	\$2,171,893	
x Carrying Charge of		20.23%	\$439,374	
Divided by # of Anchors		39,833	\$11.03	
Divided by # of Users		2		\$5.52 REVISED 2 PARTY ANCHOR ATTACHMENT RATE

JACKSON PURCHASE ENERGY CORPORATION
RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
CASE NO. 2004-00319

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Item 1) Refer to the Application, Exhibit 2, Note 1.

a. Provide the amount and description of the non-pole material included in the pole accounts.

b. Explain in detail why Jackson Purchase used a multiplier of .95 instead of .85 as directed in the Commission's Order in Administrative Case No. 251, page 9. Provide all supporting calculations and documentation.

c. Explain in detail why Jackson Purchase used a value per pole ground of \$33.08 instead of \$12.50 as directed in the Commission's Order in Administrative Case No. 251, page 9. Provide all supporting calculations and documentation.

Response)

a. JPEC maintains Continuous Plant Records (CPR's) for virtually all of the material installed on its poles as required by the Rural Utilities Service. However, as there is no requirement to separate single phase tangent (A1) and single phase small angle (A2) materials, the material associated with these units is included in the pole account. In order to make calculations in this case JPEC has identified the amount and description of non-pole material included in its pole accounts, which are shown on Item 1, Page 3 through 4 of 4.

b. JPEC used a multiplier of 0.95 instead of 0.85 because at the time the filing was made, that figure represented JPEC's best estimate of the value of minor appurtenances included in its pole accounts based upon representative sampling of the accounts. It is JPEC's belief that the .85 multiplier was chosen as acceptable when utilities had no basis for calculating its costs, which in 1982 was true for virtually all utilities. Today, however, the existence of detailed Geographic Information Systems (GIS) allows most utilities, including JPEC, to better determine the value of these appurtenances. At the time of filing the Application the system inventory was not quite complete and JPEC developed the .95 by extrapolating a sample. JPEC's entire system has now been inventoried and it turns out that the foregoing result was slightly high as the actual multiplier should be .922 (minor appurtenances equal 7.8% of total pole plant). See Item 1, Page 3 through 4 of 4.

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RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
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As stated in 1.a above, single phase tangent and small angle structures represent most of the "minor appurtenance" value in our pole plant. In order to remove the value of these items from the total, JPEC needed to determine what percent of the typical pole cost that they represent when present, and what percent of the total number of poles that include them. From that was calculated a weighted average that can be applied to the gross value of all poles. See Item 1, Page 3 through 4 of 4.

c. Jackson Purchase used \$33.08 per ground because that is the current gross value per ground in JPEC's accounts. JPEC acknowledges that the Commission's September 17, 1982, order in Administrative Case No. 251 uses the figure of \$12.50 per ground but respectfully states that this figure is outdated and therefore arbitrary. The \$12.50 per ground figure may have been proper in 1982 but simply applying CPI adjustments, this figure now exceeds \$24.00.

The prepared testimony of Richard Sherrill is Exhibit 8 to the Application in this case. See "Sherrill Exhibit 1" (fourth page) which shows balance of pole grounds (\$1,499,927) and quantity (45,338) which results in the average value of pole grounds (gross) – systemwide of \$33.08.

Witness) Richard Sherrill.

I. CALCULATE PERCENT OF TOTAL COST (2005 DOLLARS) REPRESENTED BY MINOR APPURTENANCES.

COMMENTS		35'			40'			45'					
QTY		AVG COST/100 LBS	MATERIAL COST	INSTALLATION COSTS	% OF TOTAL COST	AVG COST/100 LBS	MATERIAL COST	INSTALLATION COSTS	% OF TOTAL COST	AVG COST/100 LBS	MATERIAL COST	INSTALLATION COSTS	% OF TOTAL COST
1	POLE	\$164.290	\$164.29	\$442.00	85.4%	\$194.270	\$194.27	\$555.00	87.6%	\$256.860	\$256.86	\$555.00	88.7%
1	CONNECTOR	\$0.563	\$0.56			\$0.563	\$0.56			\$0.563	\$0.56		
1	STAPLES	\$0.050	\$0.05			\$0.050	\$0.05			\$0.050	\$0.05		
45	GROUND WIRE	\$0.257	\$11.57	\$21.03	4.7%	\$0.257	\$11.57	\$21.00	3.9%	\$0.257	\$11.57	\$21.00	3.6%
2	5/8" NACK BOLT	\$0.779	\$1.56			\$0.779	\$1.56			\$0.779	\$1.56		
1	UPSET SOLT	\$3.027	\$3.03			\$3.027	\$3.03			\$3.027	\$3.03		
2	CONNECTOR	\$0.563	\$1.13			\$0.563	\$1.13			\$0.563	\$1.13		
1	PIN TYPE INSUL	\$4.170	\$4.17			\$4.170	\$4.17			\$4.170	\$4.17		
1	SPOOL INSUL	\$1.068	\$1.07			\$1.068	\$1.07			\$1.068	\$1.07		
3	LOCK NUT	\$0.159	\$0.48			\$0.159	\$0.48			\$0.159	\$0.48		
1	POLE TOP PIN	\$4.909	\$4.91			\$4.909	\$4.91			\$4.909	\$4.91		
2	PREFORM TIE	\$2.362	\$4.72			\$2.362	\$4.72			\$2.362	\$4.72		
3	SQ. WASHER	\$0.198	\$0.59	\$49.00	10.0%	\$0.198	\$0.59	\$49.00	8.3%	\$0.198	\$0.59	\$49.00	7.7%
			\$198.13	\$512.00									
	Total Installed Cost:			\$710.13				\$853.11				\$915.70	

COMMENTS		35'			40'			45'					
QTY		AVG COST/100 LBS	MATERIAL COST	INSTALLATION COSTS	% OF TOTAL COST	AVG COST/100 LBS	MATERIAL COST	INSTALLATION COSTS	% OF TOTAL COST	AVG COST/100 LBS	MATERIAL COST	INSTALLATION COSTS	% OF TOTAL COST
1	POLE	\$164.290	\$164.29	\$442.00	82.9%	\$194.270	\$194.27	\$555.00	85.7%	\$256.860	\$256.86	\$555.00	86.7%
1	CONNECTOR	\$0.563	\$0.56			\$0.563	\$0.56			\$0.563	\$0.56		
1	STAPLES	\$0.050	\$0.05			\$0.050	\$0.05			\$0.050	\$0.05		
45	GROUND WIRE	\$0.257	\$11.57	\$21.00	4.5%	\$0.257	\$11.57	\$21.00	3.8%	\$0.257	\$11.57	\$21.00	3.5%
4	5/8" NACK BOLT	\$0.779	\$3.12			\$0.779	\$3.12			\$0.779	\$3.12		
1	ARMOR ROD	\$5.239	\$5.24			\$5.239	\$5.24			\$5.239	\$5.24		
2	CONNECTOR	\$0.563	\$1.13			\$0.563	\$1.13			\$0.563	\$1.13		
1	WIDE BACK CLEVS	\$3.525	\$3.53			\$3.525	\$3.53			\$3.525	\$3.53		
2	PIN TYPE INS J.	\$4.170	\$8.34			\$4.170	\$8.34			\$4.170	\$8.34		
1	SPOOL INSUL	\$1.068	\$1.07			\$1.068	\$1.07			\$1.068	\$1.07		
4	LOCK NUT	\$0.159	\$0.64			\$0.159	\$0.64			\$0.159	\$0.64		
2	POLE TOP PIN	\$4.909	\$9.82			\$4.909	\$9.82			\$4.909	\$9.82		
1	PREFORM TIE	\$2.362	\$2.36			\$2.362	\$2.36			\$2.362	\$2.36		
3	SQ. WASHER	\$0.198	\$0.59	\$56.00	12.6%	\$0.198	\$0.59	\$56.00	10.5%	\$0.198	\$0.59	\$56.00	9.8%
			\$212.31	\$519.00									
	Total Installed Cost:			\$731.31				\$874.29				\$936.88	

ALL OTHER POLES		35'		40'		45'			
POLE	1	\$164,290	\$164.29	\$442.00	94.8%	\$194.27	\$194.27	\$555.00	98.1%
CONNECTOR	1	\$0.563	\$0.56	\$0.56	0.1%	\$0.563	\$0.56	\$0.56	0.1%
STAPLES	1116 LB	\$0.050	\$0.05	\$0.050	0.0%	\$0.050	\$0.05	\$0.050	0.0%
GROUND WIRE	45	\$0.257	\$11.57	\$21.00	5.2%	\$0.257	\$11.57	\$21.00	3.9%
		\$176.47	\$463.00	\$576.00		\$269.04	\$576.00	\$845.04	
		Total Installed Cost: \$639.47		\$782.45		\$845.04			

II. CALCULATE WEIGHTED PERCENTAGE FOR MINOR APPURTENANCES BY POLE HEIGHT

	35' Poles	40' Poles	45' Poles
	Qty	Qty	Qty
	%	%	%
w/ A1 framing	4313	5150	563
w/ A2 framing	1356	2160	296
w/ No primary framing	8328	10694	2879
	13997	16004	3738
	14.6%	12.2%	11.3%
	17.1%	14.3%	13.3%
	5.2%	4.2%	3.9%
	1294.6	1389.2	216.4
	9.2%	7.7%	5.8%
	(12546 divided by 13537)	(13892 divided by 18044)	(2164 divided by 3738)

II. CALCULATE WEIGHTED PERCENTAGE FOR MINOR APPURTENANCES FOR ALL POLE PLANT

	Gross Book Value [A]	Weighted %	Value of Minor Appurt [B]
35'	\$2,402,756	9.2%	\$222,234
40'	6,765,739	7.7%	522,052
45'	1,647,556	5.8%	95,374
	\$10,816,051		\$839,660
			7.8% Weighted Average of Minor Appurtences for all Pole Plant
			(839660 divided by 10816051)

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Item 2) Refer to the Application, Exhibit 7, Testimony of G. Kelly Nuckols, page 2, Item 3. Mr. Nuckols states that the field count of attachments for Charter Communications has been substantially completed but the September 30, 2004, count is believed to be correct.

a. Explain whether the count is expected to be completed and, if so, when it is to be completed. If the count is not to be completed, explain why it is not to be completed.

b. Explain whether Charter Communications has indicated that it agrees to disagree with the count.

Response) a. The actual count was completed late in 2004 and the totals for Charter Communications are 221 2-party attachments and 548 3-party attachments.

b. Charter Communications participated in the count and agrees with this figure.

Witness) Kelly Nuckols; Richard Sherrill.

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RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
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Item 3) Refer to the Application, Exhibit 8, Testimony of Richard Sherrill (“Sherrill Testimony”), page 3, second paragraph. Should the gross book value of the entire pole plant be as of year ended December 2004 or December 2003?

Response) This should be as of year ended December 2003.

Witness) Richard Sherrill.

JACKSON PURCHASE ENERGY CORPORATION
RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
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Item 4) Refer to the Application, Sherrill Testimony, page 3, Item 7. The Commission's Order in Administrative Case No. 251, page 10, states that the rate of return "should be equal to the return on investment (margin) allowed in the utility's last rate case." Explain in detail why Jackson Purchase did not use the rate of return authorized in its last rate case in its calculations.

Response) JPEC's last general rate case that had a rate of return stipulated in its order was Case No. 8863 dated December 29, 1983. That rate of return was 8.88%. JPEC is unable to locate a copy of the final order in Case No. 8863 but has located a copy of an order in a later case, Case No. 9167, that makes reference to Case No. 8863 and states that the rate of return allowed in that case was "8.88 percent while the test year actual rate of return was 11.05 percent." A copy of the first page of the order in Case No. 9167 is attached hereto as "Item 4, Page 2 of 2."

Since 1983 JPEC has had one general rate case, being No. 97-00224. However, the settlement agreement and order in that case did not contain an explicit rate of return or TIER. In fact, the calculated TIER as a result of that order was 1.37, which was below the 1.50 TIER required by JPEC's lenders. As a result of that order JPEC became in non-compliance with its lenders as it failed to meet TIER for several years. Upon analysis JPEC determined that the shortfall was a result of inappropriate depreciation and as a result filed Cases No. 2000-00527 and No. 2002-00485. JPEC believes all three (3) cases need to be collectively considered to determine a rate of return. See Sherrill Testimony, page 3, Item 7 that explains why JPEC believes that these three (3) Commission cases need to be considered collectively in establishing JPEC's applicable rate of return. Also see response to Item 6, infra, for further comment.

Witness) Richard Sherrill; Charles Williamson.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

NOTICE AND APPLICATION OF JACKSON)
PURCHASE COOPERATIVE CORPORATION FOR)
PERMISSION TO FLOW THROUGH A WHOLESALE)
RATE INCREASE FILED BEFORE THE KENTUCKY) CASE NO. 9167
PUBLIC SERVICE COMMISSION REGULATORY)
COMMISSION BY BIG RIVERS ELECTRIC)
CORPORATION, DOCKET NO. 9163)

O R D E R

After a review of the application of Jackson Purchase Cooperative Corporation ("Jackson Purchase") to flow through the proposed increase in wholesale rates by Big Rivers Electric Corporation ("Big Rivers"), it has been determined that there may be a potential for absorption of a portion of the increase in power costs.

Commission files and financial data contained in the test-year financial exhibits reflect that the Times Interest Earned Ratio ("TIER") allowed in the Commission's Order in Case No. 8863, dated December 29, 1983, was 2.25X while the TIER earned in the year ended September 30, 1984, was 2.67X. The rate of return allowed was 8.88 percent while the test year actual rate of return was 11.05 percent. The allowed net income was \$1,323,935, while 1983 actual net income, without generation and transmission capital credits, was \$1,919,941.

JACKSON PURCHASE ENERGY CORPORATION
RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
CASE NO. 2004-00319

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Item 5) Refer to the Application, Sherrill Exhibit 1.

a. Provide the detail for CPR unit 364.009 – Rock Anchor.

b. If items other than those contained in the detail for CPR unit 364.009 are included in the calculation for the embedded cost of anchors shown in Exhibit 2, provide a narrative explanation for the inclusion of the items in the calculation. With the explanation, include all calculations necessary to arrive at the \$4,003,244 plant value for anchors.

Response) a. JPEC does not have any Rock Anchors broken out into CPR's. The few that JPEC has installed are included with the other anchors.

b. All items recorded in JPEC's Guys and Anchors CPR were used to arrive at the gross value of anchor plant. The net plant value for anchors should be \$3,024,078 rather than the above \$4,003,244. As shown on the first page of "Sherrill Exhibit 1" (attached to the prepared testimony of Richard Sherrill in the Application), the gross guy/anchor plant value is \$5,213,927. This figure less the estimated value of guys (\$2,189,849) results in \$3,024,078. See Introduction Page 5 of 5.

Witness) Richard Sherrill.

JACKSON PURCHASE ENERGY CORPORATION
RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
CASE NO. 2004-00319

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Item 6) Is it Jackson Purchase's understanding that the depreciation rates that resulted from the Commission's Order in Case No. 2002-00485 were to be implemented for accounting purposes only?

a. If no, is the depreciation expense used in calculating the proposed CATV rates based on the depreciation rates that were implemented in Case No. 2002-00485?

b. If yes, provide Jackson Purchase's recalculated depreciation expense based on the most recent depreciation rates in effect prior to Case No. 2002-00485.

Response) It is JPEC's understanding that the depreciation rates that resulted from the Commission's Order in Case No. 2002-00485 were to be implemented for accounting purposes only and not rate making purposes. JPEC believes its filing reflects this order. Because the carrying charge developed in "Exhibit 2" to the Application includes depreciation calculated using the rates allowed in 2002-00485 it is necessary to adjust the effects of these rates out of the carrying charge calculation. The effect of this adjustment is adjusted out of the carrying charge through calculation of the adjusted rate of return in "Sherrill Exhibit 3" attached to the prepared testimony of Richard Sherrill.

a. See above response.

b. It is cost prohibitive to calculate the exact depreciation expense under rates that were in effect prior to Case No. 2002-00485. (JPEC submits that in order to get a complete picture, rates prior to Case No. 2000-00527 also need to be considered.) Because Case No. 2002-00485 allowed the depreciation of individual assets for general asset purposes, a recalculation would require thousands of manual calculations. However, based on data submitted with each of those two cases (Case No. 2000-00527 and Case No. 2002-00485) it is possible to calculate the approximate effect of those rates for the base year used in each case. JPEC has entered those effects in the calculation of adjusted Rate of Return in "Sherrill Exhibit 3." JPEC believes that the net effects of using depreciation rates allowed for accounting purposes in "Exhibit 2" to the Application and adjusting out the estimated effects in "Sherrill Exhibit 3" essentially converts the depreciation effect to the rates in effect prior to Case Nos. 2000-00527 and 2002-00485.

JACKSON PURCHASE ENERGY CORPORATION
RESPONSE TO FIRST DATA REQUEST OF COMMISSION STAFF
CASE NO. 2004-00319

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Witness) Charles Williamson.