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DEC 19 2007

PUBLIC SERVICE
COMMISSION

December 18, 2007

VIA FEDERAL EXPRESS

MS. BETH O'DONNELL
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BLVD.
FRANKFORT KY 40602

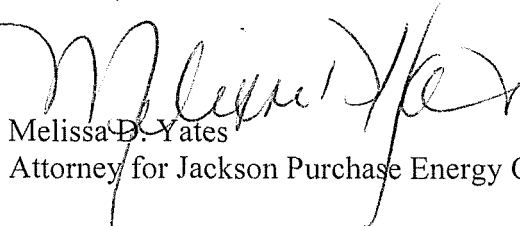
Re: Jackson Purchase Energy Corporation
Kentucky Public Service Commission - Case No. 2007-00116

Dear Ms. O'Donnell:

Please find enclosed an original and six (6) copies of Jackson Purchase Energy Corporation's Response to First Data Request of Commission Staff.

Should you need any further information from me regarding this filing, please do not hesitate to contact me.

Sincerely,



Melissa D. Yates
Attorney for Jackson Purchase Energy Corporation

cc: Dennis G. Howard
Anita Mitchell

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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

DEC 19 2007

IN THE MATTER OF:

PUBLIC SERVICE
COMMISSION

JACKSON PURCHASE ENERGY)
CORPORATION,)
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CASE NO. 2007-00116

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

COMES Jackson Purchase Energy Corporation (hereinafter "JPEC"), through the undersigned counsel, and submits herein its response to the First Data Request of Commission Staff.

1. Provide, in comparative form, a detailed income statement, a statement of cash flows, and a balance sheet for the test year and the 12-month period immediately preceding the test year.

RESPONSE: Please see Volume 3, Exhibit O (documents numbered 000709 – 000718) of the Application for Rate Increase.

Witness: Chuck Williamson

2. Provide Jackson Purchase's rate of return on net investment rate base for the test year and 5 preceding calendar years. Include the data used to calculate each return.

RESPONSE: JPEC does not compute return on investment rate base in the normal course of its business. As a non-profit electric cooperative, it typically measures its return by the coverage ratios specified by its lenders as minimum default criterion. JPEC, being principally a

RUS borrower, relies on Net TIER to evaluate adequate coverage. Although the Net TIER minimum default requirement promulgated by the RUS is 1.25 (18 CFR § 1710.114), JPEC is requesting a 2.00 Net TIER in this case for the reasons cited in the case.

Although Exhibit WKE-2 of Mr. Edwards' testimony shows the Net TIER ratios for the test year and four historical years (see page 1 of 18, Ratio 6), a more responsive answer is illustrated in Exhibit 1, attached hereto. See also Volume 2, Exhibit H-3 of the Application for Rate Increase.

Witness: William K. Edwards

3. Provide Jackson Purchase's times interest earned ratio and debt service coverage ratio, as calculated by the Rural Utilities Service ("RUS"), for the test year and the 5 preceding calendar years. Include the data used to calculate each ratio.

RESPONSE: Please see TIER & DSC Ratios, attached hereto as Exhibit 2. See also Volume 3, Exhibit L (document number 000694) of the Application for Rate Increase.

Witness: Chuck Williamson

4. Provide the most recent Borrower Statistical Profile for Jackson Purchase published by the RUS. What actions, if any, have Jackson Purchase's management, its board of directors, or RUS taken as a result of this profile? For each action listed, explain why it was taken.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 20 (documents numbered 000446 – 000452) of the Application for Rate Increase. Action taken by JPEC's management and approved by the Board of Directors was to file an Application for Rate Increase, for purposes of increasing its Net TIER.

Witness: Kelly Nuckols

5. Provide the most recent Key Ratio Trend Analysis for Jackson Purchase published by the National Rural Utilities Cooperative Finance Corporation. What actions, if any, have Jackson Purchase's management, its board of directors, or RUS taken as a result of the analysis? For each action listed, explain why it was taken.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 21 (documents numbered 000453 – 000475) of the Application for Rate Increase. JPEC is seeking rate relief after over ten years of static or declining rates. Action taken by JPEC's management and approved by the Board of Directors was to file an Application for Rate Increase, for purposes of increasing its Net TIER.

Witness: Kelly Nuckols

6. Provide Kentucky Association of Electric Cooperatives' Operating Expense and Statistical Comparisons for the most recent 2 years available.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 22 (documents numbered 000476 – 000484) of the Application for Rate Increase.

Witness: Chuck Williamson

7. Provide Jackson Purchase's capital structure at the end of each of the periods as shown in Format 7.

RESPONSE: Please see Calculation of Average Test Period Capital Structure Twelve Months Ended December 31, 2006, and Comparative Capital Structures For the Periods as Shown, attached hereto as Exhibit 3.

Witness: Chuck Williamson

8. a. List all outstanding issues of long-term debt as of the end of the latest calendar year and the end of the test period together with the related information as shown in

Format 8a. A separate schedule is to be provided for each time period. Report in Column (k) of Format 8a, Schedule 2, the actual dollar amount of debt cost for the test year. Compute the actual and annualized composite debt cost rates and report them in Column (j) of Format 8a, Schedule 2.

b. Provide an analysis of end-of-year period, short-term debt and a calculation of the average and end-of-period cost rates as shown in Format 8b.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 5 (documents numbered 000237 – 000239) of the Application for Rate Increase.

Witness: Chuck Williamson

9. Provide a trial balance as of the last day of the test year showing account number, subaccount number, account title, subaccount title, and amount. The trial balance shall include all asset, liability, capital, income, and expense accounts used by Jackson Purchase. All income statement accounts should show activity for 12 months. Show the balance in each control account and all underlying subaccounts per company books.

RESPONSE: Please see Volume 3, Exhibit N (documents numbered 000696 – 000704) of Application for Rate Increase.

Witness: Chuck Williamson

10. Provide a schedule, as shown in Format 10, comparing the balances for each balance sheet account or subaccount included in Jackson Purchase's chart of accounts for each month of the test year, to the same month of the preceding year.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 18 (documents numbered 000363 – 000415) of the Application for Rate Increase.

Witness: Chuck Williamson

11. Provide a schedule, as shown in Format 10, comparing each income statement account or subaccount included in Jackson Purchase's chart of accounts for each month of the test year, to the same month of the preceding year. The amounts should reflect the income or expense activity of each month, rather than the cumulative balances as of the end of the particular month.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 19 (documents numbered 000416 – 000445) of the Application for Rate Increase.

Witness: Chuck Williamson

12. Provide the following information for each item of electric property or plant held for future use at the end of the test year:

- a. Description of property.
- b. Location.
- c. Date purchased.
- d. Cost.
- e. Estimate date to be placed in service.
- f. Brief description of intended use.
- g. Current status of each project.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 23 (document number 000485) of the Application for Rate Increase.

Witnesses: Chuck Williamson and Tracy Bensley

13. List all non-utility property, related property taxes, and the accounts where amounts are recorded for the test period. Include a description of the property, the date purchased, and the cost.

RESPONSE: None.

Witness: Kelly Nuckols

14. Provide all studies, including all applicable workpapers, that are the basis of jurisdictional plant allocations and expense account allocations.

RESPONSE: None.

Witness: Kelly Nuckols

15. Provide Jackson Purchase's current bylaws. Indicate any changes to the bylaws since January 1, 1990.

RESPONSE: Please see Volume 3, Exhibit V (documents numbered 000887 – 001035) of the Application for Rate Increase, containing Bylaws and showing changes for years 1990, 1995, 1998, 2001, and 2006.

Witness: Kelly Nuckols

16. Provide Jackson Purchase's equity management plan. Indicate when the current plan was adopted and identify any changes made in the plan since the year utilized as the test year in Jackson Purchase's latest rate case. Provide a 5-year analysis of the amount of capital credits refunded to members under the plan and indicate the amounts related to general retirements and special retirements (i.e., estates of deceased patrons).

RESPONSE: Please see Volume 3, Exhibit Y (document numbered 001040) of the Application for Rate Increase.

Witness: Kelly Nuckols and Chuck Williamson

17. Provide Jackson Purchase's written policies on the compensation of its attorneys, auditors, and all other professional service providers. Include a schedule of fees, per diems, and other compensation in effect during the test year. Include all agreements, contracts, memoranda

of understanding, and any other documentation that explains the nature and type of reimbursement paid for professional services. Indicate if any changes occurred during the test year, the effective date of these changes, and the reason for these changes.

RESPONSE: JPEC has no written policies regarding compensation to attorneys, auditors or other professional service providers. The board of directors bids out the audit contract and considers each bid presented based on a number of criteria. Invoices for professional services are reviewed by the board in the month following receipt. Hourly billing rates for professional service providers utilized by JPEC in 2006 are set out below:

<u>Provider</u>	<u>Hourly Rate</u>
Alan M. Zumstein, CPA (accounting services)	\$100.00 ¹
Denton & Keuler, LLP (legal services)	\$120.00
Electric Service Company, LTD (engineering services)	\$45 - \$50 – Party Chief \$33 - \$40 – Staking Tech. \$24 - \$30 – Aides

Please see Agreement for Contract Services attached hereto as Exhibit 4. See also Volume 2, Exhibit G, Schedule 17 (documents numbered 000355 – 000357) of the Application for Rate Increase.

Witness: Kelly Nuckols and Chuck Williamson

18. Provide Jackson Purchase's policies specifying the compensation of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicate the effective date and the reason for the changes.

¹ Mr. Zumstein's services are bid at a flat rate which includes the annual audit; it has been indicated that the internal rate is \$100 per hour.

RESPONSE: JPEC's Bylaws specify fees paid for serving on the Board of Directors. See Volume 3, Exhibit V (documents numbered 000887 – 001035) of the Application for Rate Increase.

Witness: Kelly Nuckols

19. Provide the date, time, and a general description of the activities at the most recent annual members' meeting. Indicate the number of new board members elected. For the most recent meeting and the 5 previous annual members' meetings, provide the number of members in attendance, the number of members voting for new board members, and total cost of the annual meeting.

RESPONSE: Please see Volume 3, Exhibit R (documents numbered 000750 – 000782) of the Application for Rate Increase.

Witness: Kelly Nuckols

20. Provide the following:

a. A schedule showing, by customer class (e.g., residential, commercial, industrial, etc.), the amount and percent of any proposed increase or decrease in revenue distributed to each class. Provide a detailed explanation of the methodology or basis used to allocate the requested increase or decrease in revenue to each of the respective customer classes.

RESPONSE: Please see Volume 1, Exhibit E (documents numbered 000161 – 000167), and Volume 2, Exhibit H-5 (documents numbered 000634 – 000670) of the Application for Rate Increase.

Witness: Gary Stephens

b. A schedule showing how the increase or decrease in (a) above was further distributed to each rate charge (e.g., customer or facility charge, kWh charge, etc.). Explain in detail the methodology or basis used to allocate the increase or decrease.

RESPONSE: Please see Volume 2, Exhibit H-5 (documents numbered 000634 – 000670) and Volume 3, Exhibit T (documents numbered 000807 – 000861) and Volume 3, Exhibit T-1 (documents numbered 000862 – 000879) of the Application for Rate Increase.

Witness: Gary Stephens

c. If the rate schedule contains a demand charge, describe in detail how the proposed demand charge was determined. Provide all calculations, assumptions, workpapers, methodologies, etc., used in the development of the proposed demand charge.

RESPONSE: Please see Volume 2, Exhibit H-5 (documents numbered 000634 – 000670) and Volume 3, Exhibit T (documents numbered 000807 – 000861) and Volume 3, Exhibit T-1 (documents numbered 000862 – 000879) of the Application for Rate Increase.

Witness: Gary Stephens

d. If the rate schedule contains a monthly customer charge, describe in detail how the proposed customer charge was determined. Provide all calculations, assumptions, workpapers, methodologies, etc., used in the development of the proposed customer charge.

RESPONSE: Please see Volume 2, Exhibit H-5 (documents numbered 000634 – 000670) and Volume 3, Exhibit T (documents numbered 000807 – 000861) and Volume 3, Exhibit T-1 (documents numbered 000862 – 000879) of the Application for Rate Increase.

Witness: Gary Stephens

e. A reconciliation of Fuel Adjustment Clause (“FAC”) revenue and expense for the test year. The net result of this adjustment should be to remove all FAC revenue and expense from test-year revenue and expense.

RESPONSE: JPEC does not have a Fuel Adjustment Clause.

21. For each rate schedule (rate class), provide the following information for the test year:

- a. Number of customers.
- b. Kilowatt-hour sales.
- c. Rate schedule’s percent of Jackson Purchase’s total kWh.
- d. Monthly peak kW demands for the rate schedule.
- e. Total revenue collected.
- f. Rate schedule’s percent of Jackson Purchase’s total revenues.

RESPONSE: Please see Volume 2, Exhibit H-5 (documents numbered 000634 – 000670) and Volume 3, Exhibit T (documents numbered 000807 – 000861) and Volume 3, Exhibit T-1 (documents numbered 000862 – 000879) of the Application for Rate Increase.

Witness: Gary Stephens

22. Describe how the test-year capitalization rate was determined. If differing rates were used for specific expenses (i.e., payroll, transportation clearing accounts, depreciation, etc.), indicate the rate and how it was determined. Indicate all proposed changes to the test-year capitalization rate and how they were determined.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 16 (documents numbered 000350 – 000353) of the Application for Rate Increase for labor related capitalized items.

Depreciation for transportation, stores and certain power operated equipment is charged to transportation and stores clearing accounts.

Transportation costs include labor, labor overhead, depreciation and materials associated with the cost of maintaining JPEC vehicles. Transportation costs are recorded by vehicle and are allocated to specific work orders and accounts based on miles driven for each specific unit. This mileage is reported on employee's time sheets.

Stores expenses included labor, labor overhead, depreciation and materials (not charged to a specific work order) associated with the cost of maintaining inventory. These expenses are allocated based upon the total direct cost of work orders and maintenance uses.

Witness: Chuck Williamson

23. Provide the following:

a. A schedule of salaries and wages for the test year and each of the 3 calendar years preceding the test year as shown in Format 23a. For each time period, provide the amount of overtime pay.

b. A schedule showing the percentage of increase in salaries and wages for both union and non-union employees for the test year and the 5 preceding years.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 6 (documents numbered 000240 – 000260) of the Application for Rate Increase

Witness: Chuck Williamson

24. Provide the following payroll information for each employee:

a. The actual regular hours worked during the test year.

b. The actual overtime hours worked during the test year.

c. The test-year-end rate of each employee and the date of the last increase.

- d. A calculation of the percent of increase granted during the test year.

The information shall identify all the employees as either salaried or hourly, and also as either full-time, part-time, or temporary. Employee numbers or other identifiers may be used instead of employee names. Include an explanation of how the overtime pay rate is determined. All employees terminated during the test year shall be identified (along with the month in which the termination occurred), as well as those employees who replaced terminated employees or were otherwise added to the payroll during the test year. If Jackson Purchase has more than 100 employees, the above information may be provided by employee classification.

RESPONSE: Please see Hourly Employee Earnings and Hours, attached hereto as Exhibit 5. See also Volume 2, Exhibit G, Schedule 6 (documents numbered 000240 – 000260) of the Application for Rate Increase.

Witness: Chuck Williamson

- 25. Provide the following payroll tax information:

- a. The base wages and salaries used to calculate the taxes, with an explanation of how the base wages and salaries were determined.

- b. The tax rates in effect at test-year-end.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 7 (documents numbered 000261 – 000265) of the Application for Rate Increase.

Witness: Chuck Williamson

- 26. Provide the following tax data for the test year.

- a. A schedule of franchise fees paid to cities, towns or municipalities during the test year, including the basis of these fees.

b. An analysis of other operating taxes imposed by Kentucky as shown in Format 26b.

RESPONSE: Actual numbers are available and are therefore provided; please see Volume 2, Exhibit G, Schedule 13 (documents numbered 000326 – 000329) of the Application for Rate Increase.

Witness: Chuck Williamson

27. Provide a statement of electric plant in service, per company books, for the test year. This data shall be presented as shown in Format 27.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 4 (document numbered 000234) of the Application for Rate Increase.

Witness: Chuck Williamson

28. Provide a schedule of all employee benefits available to Jackson Purchase's employees. Include the number of employees at test-year-end covered under each benefit, the test-year-end actual cost of each benefit, the amount of the cost capitalized, the amount of the cost expensed, and the account numbers in which the capitalized or expensed costs were recorded.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 8 (documents numbered 000266 – 000270) of the Application for Rate Increase.

Witness: Kelly Nuckols and Chuck Williamson

29. Provide a schedule reflecting the salaries and other compensation of each executive officer for the test year and 2 preceding calendar years. Include the percentage annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each executive officer, and to whom each

executive officer reports. Also, for employees elected to executive officer status during the test year, provide the salaries, for the test year, for those persons whom they replaced.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 6 (document numbered 000258) of the Application for Rate Increase.

Witness: Kelly Nuckols and Chuck Williamson

30. Provide a detailed analysis of advertising expenditures during the test year. Include a breakdown of Account No. 913, Advertising Expenses, as shown in Format 30, and show any advertising expenditures included in other expense accounts. Specify the purpose and expected benefit of each expenditure.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 12 (documents numbered 000303 – 000325) of the Application for Rate Increase.

Witness: Kelly Nuckols and Chuck Williamson

31. Provide an analysis of Account No. 930, Miscellaneous General Expenses, for the test year. Include a complete breakdown of this account as shown in Format 31. Include all detailed workpapers supporting this analysis. At a minimum, the workpapers shall show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and a brief description of each expenditure. Detailed analysis is not required for amounts of less than \$100 provided the items are grouped by classes as shown in Format 31.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 12 (documents numbered 000303 – 000325) of the Application for Rate Increase.

Witness: Kelly Nuckols and Chuck Williamson

32. Provide an analysis of Account No. 426, Other Income Deductions, for the test period. This analysis shall show a complete breakdown of this account as shown in Format 32,

and further provide all detailed supporting workpapers. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure. Detailed analysis is not required for amounts of less than \$250 provided the items are grouped by classes as shown in Format 32.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 10 (documents numbered 000300 – 000301) of the Application for Rate Increase.

Witness: Chuck Williamson

33. Provide the name and personal mailing address of each member of Jackson Purchase's board of directors. Identify the members who represent the cooperative on the board of directors of Big Rivers Electric Corporation ("Big Rivers"). If during the course of these proceedings any changes occur in board membership update your response to this request.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 14 (documents numbered 000330 – 000348) of the Application for Rate Increase. Note: In September, 2007, Wayne Elliott was elected to a three-year term of the Big Rivers board of directors; replacing John Myers who was a JPEC representative, but not a JPEC board member.

Witness: Kelly Nuckols

34. Provide a detailed analysis of the total compensation paid to each member of the board of directors during the test year, including all fees, fringe benefits, and expenses, with a description of the type of meetings, seminars, etc. attended by each member. Identify any compensation paid to Jackson Purchase's board members for serving on Big Rivers' board of directors. Do any of the listed expenses in this analysis include the costs for a director's spouse? If yes, list expenses for directors' spouses separately.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 14 (documents numbered 000330 – 000348) of the Application for Rate Increase.

Witness: Kelly Nuckols

35. Provide a detailed analysis of expenses incurred during the test year for professional services, as shown in Format 35. Include detailed workpapers supporting this analysis which show the payee, dollar amount, reference (i.e., voucher no., etc.), account charged, hourly rates and time charged to the utility according to each invoice, and a brief description of the service provided. Identify all rate case work by case number.

RESPONSE: Hourly billing rates for professional service providers utilized by JPEC in 2006 are set out below:

<u>Provider</u>	<u>Hourly Rate</u>
Alan M. Zumstein, CPA (accounting services)	\$100.00 ²
Denton & Keuler, LLP (legal services)	\$120.00
Electric Service Company, LTD (engineering services)	\$45 - \$50 – Party Chief \$33 - \$40 – Staking Tech. \$24 - \$30 – Aides

See also Volume 2, Exhibit G, Schedule 17 (documents numbered 000354 – 000361) of the Application for Rate Increase. Please note that Page 5 through 8 (document number 000358) has been corrected and is attached hereto as Exhibit 6.

Witness: Kelly Nuckols and Chuck Williamson

36. Provide the following information concerning the costs for the preparation of this case:

² Mr. Zumstein’s services are bid at a flat rate which includes the annual audit; it has been indicated that the internal rate is \$100 per hour.

a. A detailed schedule of costs incurred to date. Include the date of the transaction, check number or other document reference, the vendor, amount, a description of the services performed, and the account number in which the expenditure was recorded. Indicate any costs incurred for this case during the test year. Include copies of invoices received from the vendors.

b. An itemized estimate of the total cost to be incurred, detailed explanation of how the estimate was determined, and all supporting workpapers and calculations.

c. Monthly updates of the actual costs incurred during the course of this proceeding, in the manner prescribed above.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 11 (document numbered 000302) of the Application for Rate Increase. Expenses relating to the rate case were estimated low. See also Actual Rate Case Expenses (through 11/30/07), attached hereto as Exhibit 7. JPEC will provide a monthly supplement as additional expenses relating to the rate case are incurred.

Witness: Chuck Williamson

37. Provide the estimated dates for draw downs of unadvanced loan funds at test-year-end and the proposed uses of these funds.

RESPONSE: As of December 31, 2006, none, other than short-term lines of credit.

Witness: Chuck Williamson

38. Provide a list of depreciation expenses using Format 38.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 4 (documents numbered 000232 – 000236) of the Application for Rate Increase.

Witness: Chuck Williamson

39. Are the depreciation rates reflected in this filing identical to those most recently approved by the Commission?

a. If yes, identify the case in which they were approved.

RESPONSE: Not applicable.

b. If no, provide the depreciation study that supports the rates reflected in this filing.

RESPONSE: No, however the rates are consistent with the Depreciation Study (see Volume 3, Exhibit P (documents numbered 000719 – 000748) of the Application for Rate Increase. See also prefiled testimony of Thomas E. Kandel contained in Volume 2, Exhibit H (documents numbered 000570 – 000633) of the Application for Rate Increase.

Witness: Chuck Williamson

40. Provide information for plotting the depreciation guidelines curves in accordance with RUS Bulletin 183-1, as shown in Format 40.

RESPONSE: Please see Data for Depreciation Guideline Curve, attached hereto as Exhibit 8.

Witness: Chuck Williamson

41. For each charitable and political contribution (in cash or services), provide the amount, recipient, and specific account charged.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 10 (documents numbered 000300 – 000301) of the Application for Rate Increase.

Witness: Chuck Williamson

42. Describe Jackson Purchase's lobbying activities and provide a schedule showing the name and salary of each lobbyist; all company-paid or reimbursed expenses or allowances;

the account charged for all personnel for whom a principal function is lobbying, on the local, state, or national level; and indicate whether the lobbyist is an employee or an independent contractor. If any amounts are allocated, show a calculation of the factor used to allocate each amount.

RESPONSE: None.

Witness: Kelly Nuckols

43. Provide complete details of the financial reporting and rate-making treatment of Jackson Purchase's pension costs.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 8 (documents numbered 000266 – 000270) of the Application for Rate Increase.

Witness: Chuck Williamson

44. Provide complete details of Jackson Purchase's financial reporting and rate-making treatment of Statement of Financial Accounting Standard ("SFAS") No. 106, including:

- a. The date that Jackson Purchase adopted or plans to adopt SFAS No. 106.
- b. All accounting entries made or to be made at the date of adoption.
- c. All actuarial studies and other documents used to determine the level of

SFAS No. 106 cost recorded or to be recorded by Jackson Purchase.

RESPONSE: Please see Volume 2, Exhibit G, Schedule 9 (documents numbered 000271 – 000299) of the Application for Rate Increase. JPEC adopted SFAS No. 106 on January 1, 2002.

Witness: Chuck Williamson

45. Provide complete details of Jackson Purchase's financial reporting and rate-making treatment of SFAS No. 112, including:

- a. The date that Jackson Purchase adopted SFAS No. 112.
- b. All accounting entries made at the date of adoption.
- c. All actuarial studies and other documents used to determine the level of

SFAS No. 112 cost recorded by Jackson Purchase.

RESPONSE: SFAS No. 112 is not applicable to JPEC.

Witness: Chuck Williamson

46. Provide any information, as soon as it is known, describing any events occurring after the test year that would have a material effect on net operating income, rate base, and cost of capital and is not incorporated in the filed testimony and exhibits.

RESPONSE: None.

Witness: Chuck Williamson

47. Provide all current labor contracts and the most recent contracts previously in effect.

RESPONSE: Please see Labor Contract for years 1997 – 2005 and Labor Contract dated November 3, 2005, collectively attached hereto as Exhibit 9.

Witness: Kelly Nuckols

48. Provide separate schedules for the test year and the year preceding the test year, including the following information, regarding Jackson Purchase's investments in subsidiaries and joint ventures:

- a. Name of subsidiary or joint venture.
- b. Date of initial investment.
- c. Amount and type of investment.

d. Balance sheet and income statement. Where only internal statements are prepared, furnish copies of these.

e. Name of officers of each of the subsidiaries or joint ventures, officer's annual compensation, and portion of compensation charged to the subsidiary or joint venture. Indicate the position that each officer holds with Jackson Purchase and the compensation received from Jackson Purchase.

RESPONSE: None.

Witness: Kelly Nuckols

49. Provide separate schedules showing all dividends or income of any type received by Jackson Purchase from its subsidiaries or joint ventures for the test year and the 3 years proceeding the test year. Indicate how this income is reflected in the reports filed with the Commission and the stockholder reports.

RESPONSE: None.

Witness: Kelly Nuckols

50. Concerning non-regulated activities:

a. Is Jackson Purchase engaged in any non-regulated activities? If yes, provide a detailed description of each non-regulated activity.

RESPONSE: JPEC is engaged in non-regulated activities as described in Exhibit 10, attached hereto.

b. Is Jackson Purchase engaged in any non-regulated activities through an affiliate? If yes, provide the name of each affiliate and the non-regulated activity in which it is engaged.

RESPONSE: No.

c. Identify each service agreement with each affiliate and indicate whether the service agreement is on file with the Commission. Provide a copy of each service agreement not already on file with the Commission.

RESPONSE: Not applicable to JPEC.

d. Has Jackson Purchase loaned any money or property to any affiliate? If yes, describe in detail what was loaned, the terms of the loan, and the name of the affiliate.

RESPONSE: Not applicable to JPEC.

Witness: Kelly Nuckols

51. Provide a schedule of purchased power costs for the test year by vendor, separated into demand and energy components. Include kW and kWh purchased. Indicate any estimates used and explain their use in detail.

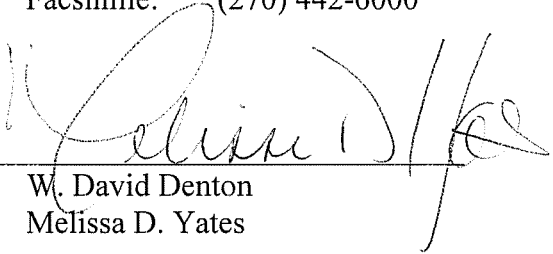
RESPONSE: Please see Volume 2, Exhibit G, Schedule 2 (000228 – 000230) of the Application for Rate Increase.

Witness: Chuck Williamson

Respectfully submitted,

DENTON & KEULER
P. O. BOX 929
PADUCAH KY 42002-0929
Telephone: (270) 443-8253
Facsimile: (270) 442-6000

By: _____


W. David Denton
Melissa D. Yates

ATTORNEYS FOR JPEC

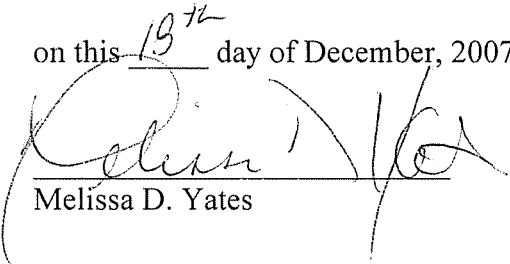
I hereby certify that the foregoing has
been served by mailing, via Federal
Express, a true and correct copy to:

MS BETH O'DONNELL
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BLVD.
FRANKFORT KY 40602

HON ANITA MITCHELL ATTY
PUBLIC SERVICE COMMISSION
215 SOWER BLVD
P O BOX 615
FRANKFORT KY 40602

DENNIS G HOWARD
OFFICE OF THE ATTORNEY GENERAL
1024 CAPITAL CENTER DRIVE
SUITE 200
FRANKFORT KY 40601-8204

on this 19th day of December, 2007.


Melissa D. Yates



J on Purchase Energy Corporation
Income Statements

Line No.		2001	2002	2003	2004	2005	2006
1	Operating Revenue	\$33,736,501	\$35,328,443	\$34,955,713	\$35,538,125	\$37,925,200	\$37,396,373
3	Purchased Power	\$21,788,447	\$22,808,468	\$21,947,159	\$22,455,065	\$23,854,261	\$23,655,944
4	Transmission Expense	\$0	\$0	\$0	\$0	\$0	\$0
5	Distribution Expense - Oper.	\$1,150,816	\$1,270,606	\$1,106,297	\$1,053,090	\$1,358,619	\$1,761,777
6	Distribution Expense - Maint.	\$1,967,486	\$2,070,410	\$2,621,096	\$2,592,477	\$3,003,616	\$3,413,939
7	Consumer Accts Exp	\$1,044,911	\$1,071,864	\$1,075,956	\$1,118,846	\$1,114,604	\$1,088,682
8	Customer Service Expense	\$110,320	\$127,562	\$156,220	\$165,366	\$239,608	\$220,972
9	Sales Expense	\$70,062	\$54,632	\$57,815	\$23,847	\$44,470	\$56,695
10	A&G Expense	\$1,340,573	\$1,362,487	\$1,514,814	\$1,658,527	\$1,786,632	\$1,992,235
11	Total O&M Expenses	\$27,472,615	\$28,766,029	\$28,479,357	\$29,067,218	\$31,401,810	\$32,190,244
12	Depreciation & Amortization	\$3,049,601	\$3,190,542	\$2,968,444	\$3,027,261	\$3,131,797	\$3,235,100
13	Property Taxes	\$0	\$0	\$0	\$0	\$0	\$0
14	Other Taxes	\$44,588	\$43,821	\$43,335	\$42,504	\$40,996	\$41,657
15	Interest on Long-Term Debt	\$1,903,569	\$1,940,605	\$1,883,714	\$1,990,763	\$2,211,585	\$2,660,517
16	Interest Charged Const - CR	\$0	\$0	\$0	\$0	\$0	\$0
17	Interest Expense Other	\$198,404	\$44,567	\$67,286	\$67,393	\$75,330	\$66,910
18	Other Deductions	\$3,923	\$1,000	\$800	\$1,208	\$1,251	\$1,424
19	Total Cost of Electric Service	\$32,672,700	\$33,986,564	\$33,442,936	\$34,196,347	\$36,862,769	\$38,195,852
20	Operating Margins	\$1,063,801	\$1,341,879	\$1,512,777	\$1,341,778	\$1,062,431	(\$799,479)
21	Non-Operating Margins - Int. AFUDC	\$76,139	\$61,745	\$224,908	\$384,493	\$400,839	\$593,283
22	Inc. from Equity Investments	\$0	\$0	\$0	\$0	\$0	\$0
23	Non-Operating Margins - Other	\$4,237	\$4,522	(\$18,345)	(\$39,855)	\$16,186	(\$14,573)
24	G&T Capital Credits	\$0	\$0	\$0	\$0	\$0	\$0
25	Other Cap. Credits & Pat. Div.	\$106,041	\$101,888	\$58,230	\$86,072	\$107,996	\$113,229
26	Extraordinary Items	\$0	(\$329,863)	\$0	\$0	\$0	\$0
27							
28	Net Margins	\$1,250,218	\$1,180,171	\$1,777,570	\$1,772,488	\$1,587,452	(\$107,540)
29	Net TIER	1.66	1.61	1.94	1.89	1.72	0.96

Calculation of Net TIER:

(Net Margins + Interest On LTD)/Interest On LTD
(Line 28 + Line 15) / Line 15

Net Margins	\$1,250,218	\$1,180,171	\$1,777,570	\$1,772,488	\$1,587,452	(\$107,540)
Interest On Long-Term Debt	\$1,903,569	\$1,940,605	\$1,883,714	\$1,990,763	\$2,211,585	\$2,660,517
	\$3,153,787	\$3,120,776	\$3,661,284	\$3,763,251	\$3,799,037	\$2,552,977
Divided By Interest on LTD	\$1,903,569	\$1,940,605	\$1,883,714	\$1,990,763	\$2,211,585	\$2,660,517
	1.66	1.61	1.94	1.89	1.72	0.96



Jackson Purchase Energy Corporation
Case No. 2007-00116

TIER & DSC Ratios

	2006	2005	2004	2003	2002	2001
9 TIER	0.96	1.72	1.89	1.94	1.61	1.66
10 (Net Margins+ Long Term Interest Expense) divided by Long-Term Interest Expense	0.70	1.48	1.67	1.80	1.69	1.56
11 OTIER	1.23	1.91	2.00	2.02	1.99	1.92
12 (Operating Margins + Long Term Interest Expense) divided by Long-Term Interest Expense						
13 DSC						
14 (Depreciation + Long Term Interest Expense + Net Margins) divided by Long-Term Debt Billed (gathered from RUS Form 7)						

17 Operating Revenue	\$ 37,396,373	\$ 37,925,200	\$ 35,538,125	\$ 34,955,713	\$ 35,328,443	\$ 33,736,501
18 Cost of Purchased Power	23,655,944	23,854,261	22,455,065	21,947,159	22,808,468	21,788,447
19 Gross Profit	13,740,429	14,070,939	13,083,060	13,008,554	12,519,975	11,948,054
20 Distribution-Operation	1,761,777	1,358,619	1,053,090	1,106,297	1,270,606	1,150,816
21 Distribution-Maintenance	3,413,939	3,003,616	2,592,477	2,621,096	2,070,410	1,967,486
22 Property Taxes	0	0	0	0	0	0
23 Consumer Account Exp	1,088,682	1,114,604	1,118,846	1,075,956	1,071,864	1,044,911
24 Customer Service Exp	220,972	239,608	165,366	156,220	127,562	110,320
25 Sales Expense	56,695	44,470	23,847	57,815	54,632	70,062
26 G & A Expense	1,992,235	1,786,632	1,658,527	1,514,814	1,362,487	1,340,573
27 Total	8,534,300	7,547,549	6,612,153	6,532,198	5,957,561	5,684,168
29 Depreciation	3,235,100	3,131,797	3,027,261	2,968,444	3,190,542	3,049,601
30 Tax Expense	41,657	40,996	42,504	43,335	43,821	44,588
31 LT Interest	2,660,517	2,211,585	1,990,763	1,883,714	1,940,605	1,903,569
32 Other Interest	66,910	75,330	67,393	67,286	44,567	198,404
33 Other Deductions	1,424	1,251	1,208	800	1,000	3,923
34 Operating Margins	(799,479)	1,062,431	1,341,778	1,512,777	1,341,879	1,063,801
35 Interest	593,283	400,839	384,493	224,908	61,745	76,139
36 Non Operating Margins	(14,573)	16,186	(39,855)	(18,345)	4,522	4,237
37 Other Capital Credits & Div	113,229	107,996	86,072	58,230	101,888	106,041
38 Extraordinary Items	(107,540)	1,587,452	1,772,488	1,777,570	(329,863)	1,250,218
39 Total long-term debt billed	\$ 4,712,551	\$ 3,629,983	\$ 3,397,492	\$ 3,280,612	\$ 3,179,318	\$ 3,225,846



Jackson Purchase Energy Corporation
Case No. 2007-00116

Calculation of Average Test Period Capital Structure
Twelve Months Ended December 31, 2006

Line No.	Item (a)	Total Capital (b)	Long-Term Debt (c)	Short-Term Debt (d)	Memberships (e)	Common Stock (f)	Patronage Capital (g)	Total Common Equity (h)
1.	Balance, Beginning of Test Year	78,111,341	43,542,462	-	225,625	-	34,343,254	-
2.	1st Month	77,962,705	43,358,388	-	224,255	-	34,380,062	-
3.	2nd Month	78,018,231	43,097,903	-	223,275	-	34,697,053	-
4.	3rd Month	83,744,770	48,835,076	-	221,640	-	34,688,054	-
5.	4th Month	83,427,751	48,748,596	-	220,345	-	34,458,810	-
6.	5th Month	83,208,371	48,494,217	-	219,015	-	34,495,139	-
7.	6th Month	83,060,268	48,425,092	-	217,140	-	34,418,036	-
8.	7th Month	83,377,791	48,510,722	-	215,690	-	34,651,379	-
9.	8th Month	83,982,981	48,464,158	-	214,040	-	35,304,783	-
10.	9th Month	83,254,896	48,547,661	-	212,605	-	34,494,630	-
11.	10th Month	83,481,395	48,851,972	-	211,160	-	34,418,263	-
12.	11th Month	83,538,239	48,802,782	-	209,800	-	34,525,657	-
13.	12th Month	83,162,781	48,718,372	-	208,695	-	34,235,714	-
14.	Total (Line 1 through Line 13)	1,068,331,520	616,397,401	-	2,823,285	-	449,110,834	-
15.	Average balance (Line 14/13)	82,179,348	47,415,185	-	217,176	-	34,546,987	-
16.	Average capitalization ratios	100%	58%	0%	0%	0%	42%	0%
17.	End-of-period capitalization ratios	100%	59%	0%	0%	0%	41%	0%

Source of data: Monthly Form 7

Jackson Purchase Energy Corporation
Case No. 2007-00116

Comparative Capital Structures
For the Periods as Shown

Line No.	Type of Capital	10th Year (1996)	9th Year (1997)	8th Year (1998)	7th Year (1999)	6th Year (2000)	5th Year (2001)
1.	Long-Term Debt	31,358,695	32,304,912	31,341,600	30,257,834	35,870,340	39,207,633
2.	Short-Term Debt	-	1,600,000	4,425,000	7,600,000	3,700,000	-
3.	Memberships	296,865	298,725	304,125	307,880	311,425	314,495
4.	Patronage Capital	25,948,034	26,158,032	25,609,589	25,881,018	26,775,354	28,025,571
5.	Other	-	-	-	-	-	-
6.	Total Capital	57,603,594	60,361,669	61,680,314	64,046,732	66,557,119	67,547,699
		100%	100%	100%	100%	100%	100%
		0%	0%	0%	0%	0%	0%
		45%	43%	42%	40%	40%	41%
		1%	3%	0%	0%	6%	0%
		0%	0%	0%	0%	0%	0%
		54%	54%	51%	47%	54%	58%
	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio

Line No.	Type of Capital	4th Year (2002)	3rd Year (2003)	2nd Year (2004)	1st Year (2005)	Test Year (2006)	9/30/2007	Average Test Year
1.	Long-Term Debt	37,972,726	36,529,710	39,514,531	43,542,462	48,718,372	46,978,801	47,415,185
2.	Short-Term Debt	650,000	1,500,000	-	225,625	208,695	197,370	-
3.	Memberships	317,245	273,375	246,170	225,625	208,695	197,370	217,176
4.	Patronage Capital	29,205,743	30,983,313	32,755,802	34,343,254	34,235,714	34,825,374	34,546,987
5.	Other	-	-	-	-	-	-	-
6.	Total Capital	68,145,714	69,286,398	72,516,503	78,111,341	83,162,781	82,001,545	82,179,348
		100%	100%	100%	100%	100%	100%	100%
		0%	0%	0%	0%	0%	0%	0%
		43%	45%	45%	44%	41%	42%	42%
		0%	0%	0%	0%	0%	0%	0%
		1%	2%	0%	0%	0%	0%	0%
		56%	53%	54%	56%	59%	57%	58%
	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio	Amount Ratio

Source of data: Monthly Form 7



AGREEMENT FOR CONTRACT SERVICES

THIS AGREEMENT made and entered into as of the 1ST day of JANUARY 2006, by and between JACKSON PURCHASE ENERGY, herein called JPEC and ELECTRIC SERVICE CO., LTD., a Kentucky Corporation, hereinafter referred to as ESC.

WITNESSETH:

That, in consideration of the premises and the agreements of the parties hereto, ESC hereby acknowledges that it is an independent contractor and agrees to perform certain services for RECO-OP, more particularly described as follows:

Staking distribution power lines in JPEC's service area pursuant to R.U.S. (Rural Utilities Service) specifications. Staking services include securing of right-of-way easements from property owners for the clearing or trimming of right-of-way and the installation of poles, wires, anchors, and other facilities, and preparation of staking sheets and unit tabulations. Final "as built" staking sheets and unit tabulations shall also be prepared if requested by the JPEC.

These services shall be provided under the following terms and conditions:

1. ESC shall furnish all labor, tools, machinery, vehicles, materials, supplies, and equipment of every kind in the performance of these services, unless otherwise indicated herein.

ESC shall do and perform each and every act and thing necessary or appropriate for carrying out and performing the above-described services.

2. ESC shall perform and carry out the services in accordance with the direction and instructions of JPEC's properly designated representative, and in the absence of specific directions, ESC shall perform the services in the manner best suited to the conditions surrounding the performance of the work.

JPEC may also call upon ESC employees to perform staking for new services or others to perform other services that are mutually agreeable on an as-needed basis. These services shall be undertaken in conjunction with the JPEC Design Department and according to JPEC's instructions and staking/engineering practices. However, any employee of ESC shall remain under the direct supervision and control ESC, and JPEC will pay ESC for its services. In no event shall any ESC employee be considered an JPEC employee.

3. ESC shall, as directed by JPEC, procure, prior to performing the above-described services, all necessary permits, consents, authorizations, releases, easements or rights-of-way, and waivers of damages from all property owners involved and from all state, municipal, and other governmental authorities having jurisdiction. ESC shall immediately notify JPEC if it is unable to procure any of the above-described permits, consents, authorization, releases, easements or rights-of-way, and waivers of damages, or is required to pay a charge for any of these. ESC shall not obligate JPEC to make any payments to property owners or any state, municipal, and other governmental agencies without prior written authorization from JPEC.

4. ESC assumes total responsibility for the working conduct of its employees and hereby/guarantees that all services will be performed in a professional and workmanlike manner, according to approved methods and accepted industry standards. ESC shall be considerate of owners' property and exercise care for the safety and well-being of all concerned. Damage to owners' property shall be repaired as soon as practicable at ESC's expense and a damage report shall be provided to JPEC.

5. ESC assumes all risk of injury that its agents, employees, or servants may sustain from work undertaken pursuant to this agreement and covenants to indemnify and hold harmless JPEC against any and all liability including Court costs and attorney's fees.

6. ESC agrees to defend, to pay on behalf of , and indemnify and hold harmless JPEC and its directors, officers, agents, and employees from any and all claims or causes of action, of whatsoever nature or kind, including but not limited to those brought by employees of ESC, or subcontractors/agents engaged by ESC, arising out of or as a result of any act or failure to act, whether or not negligent, in connection with the performance of the services to be performed pursuant to this agreement by ESC, its employees, agents, and subcontractor. ESC agrees to defend and pay all costs in defending these claims, including Court costs and attorney's fees.

7. ESC agrees to maintain insurance in full force and agrees to provide the following minimum insurance to cover the obligations set forth above.

Workers' Compensation & Employers Liability - As required by Kentucky Law.

Public Liability Insurance:

Body Injury or Death - \$1 million each occurrence

Property Damage - \$1 million each occurrence

Accident Aggregate - \$1 million

Automobility Liability Insurance (Owned/Non-owned or leased vehicles):

Bodily Injury or Death - \$1 million per person

\$1 million per occurrence

Property Damage - \$1 million each occurrence

ESC shall provide JPEC a minimum 30-day notice in the event of cancellation or changes in insurance coverages by this Agreement. ESC shall furnish a Certificate of Insurance to JPEC at least on an annual basis evidencing that the above obligations and requirements are provided for by a qualified insurance carrier and designating JPEC as an additional insured on such insurance.

8. ESC shall comply with all federal and state laws and rules and regulations, applying to their employees, subcontractors, or agents.

ESC agrees to complete the performance of the services described hereinabove on an as-needed basis.
JPEC agrees to pay to ESC for the performance of these services a monthly invoiced amount in accordance with the attached "Schedule of Billable Rates." This agreement shall remain in full effect until terminated by either party upon 30 days written notice to the other.

JACKSON PURCHASE ENERGY CORPORATION.

BY: *G. Kelly Marshall*
TITLE: President & CEO
DATE: 12-05-2007

ELECTRIC SERVICE COMPANY, LTD.

BY: *John McKinney*
TITLE: Pres.
DATE: 12/5/05

SCHEDULE OF BILLABLE RATES AS OF JANUARY 2006

<u>CLASSIFICATION</u>	<u>RANGE OF RATES</u>
PARTY CHIEF	\$45.00 to \$50.00 per hour
STAKING TECH.	\$33.00 to \$40.00 per hour
AIDES	\$24.00 to \$30.00 per hour

For all services in connection with the field staking, preparation of staking sheets and other miscellaneous service as required for the project. Owner will be billed at the rate of 2.2 times employee direct wage rate.

These rates constitute full compensation for qualified personnel and include all equipment, taxes, insurance, employee benefits, overhead and profit.

Vehicle travel will be billed \$8.00 an hour or by the mile at \$0.48 per mile, whichever the owner prefers, plus any applicable road tolls: per diem expenses will be billed at actual cost.

Direct expense such as telephone, postage, printing, etc., will be billed at cost. Indirect expense such as outside services, requested and approved by the client, will be billed at invoice cost plus ten percent (10%).

SERVICES OFFERED INCLUDE:

STAKING & LINE DESIGN
SUPERVISION OF CONSTRUCTION
FIELD MAPPING & LINE INVENTORY

LINE PATROL
METER READING

Jackson Purchase Energy Corporation
Case No. 2007-00116
Hourly Employee Earnings and Hours
December 31, 2006

Exhibit 5
Page 1 of 3
Witness: Chuck Williamson

Employee Number	Wage Rate Jan.-Dec. 2004	Wage Rate Jan.-Dec. 2005	Percent Increase	Wage Rate Jan.-Dec. 2006	Percent Increase	Date of Last Increase	Reason for Increase
2-154	16.80	16.80				07-01-04	
4-297	16.07	16.87	5.0%	17.88	6.0%	07-01-06	85% to market rate
4-321				15.87	4.0%	11-17-06	77% to market rate
4-181	17.48	18.18	4.0%	18.91	4.0%	07-01-06	To market rate
2-220	15.31	16.08	5.0%	16.80	4.5%	07-01-06	81% to market rate
6-300	16.52	17.18	4.0%	18.21	6.0%	07-01-06	87% to market rate
2-295	10.00	10.75	7.5%	12.56	4.1%	12-15-06	84% to market rate
4-285	17.12	18.15	6.0%	19.33	6.5%	07-01-06	86% to market rate
4-128	18.32	19.05	4.0%	20.19	6.0%	07-01-06	To market rate
2-202	16.26	17.07	5.0%	17.75	4.0%	07-01-06	86% to market rate
4-319				15.26			
4-267	13.27	14.33	8.0%	15.48	8.0%	07-01-06	85% to market rate
3-306		10.00					
2-018	16.78	17.12	2.0%	17.46	2.0%	07-01-06	
3-307		10.50		10.50		07-01-05	
4-257	15.05	15.80	5.0%	16.83	6.5%	07-01-06	94% to market rate
4-025	25.27	26.28	4.0%	26.28		07-01-05	
3-324				10.25	2.5%	08-01-06	
2-017	17.73	17.73				07-01-04	
2-315		12.07		13.05	8.1%	07-11-06	83% to market rate
3-269	10.62	10.62				07-01-04	
2-192	14.55	14.99	3.0%	15.29	2.0%	07-01-06	
4-296	10.00						
2-313		12.07					
2-313		12.55	4.0%	12.55		12-13-05	
1-218	18.75	19.55	4.3%			07-01-05	83% to market rate
4-246	13.26	13.79	4.0%	13.93 15.11	1.0% 8.5%	07-01-05 08-02-06	Promotion
6-145	19.23	20.15	4.7%	20.90	3.7%	07-01-06	90% to market rate
2-273	12.98	13.89	7.0%	14.58	5.0%	07-01-06	83% to market rate
6-279	15.52	16.25	4.7%	17.25	6.2%	07-01-06	82% to market rate
4-016	18.96	19.72	4.0%	20.71	5.0%	07-01-06	
3-322				10.25 10.90			
					6.3%	08-01-06	Promotion
4-282	16.18	17.15	6.0%	18.18	6.0%	07-01-06	87% to market rate
5-126	19.38	19.77	2.0%	20.56	4.0%	07-01-06	To market rate
2-275	11.18	11.85	6.0%	12.60	6.3%	07-31-06	Promotion
6-022	19.94					01-01-99	Above market
5-214	25.27	26.28	4.0%	27.32		11-03-05	Bargaining Contract
5-320				14.87 16.11 16.60			Bargaining Contract Six month review Bargaining Contract
					8.3% 3.0%	10-10-06 11-03-06	
5-174	25.27	26.28	4.0%	27.32	4.0%	11-03-06	Bargaining Contract
5-234	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract
5-153	25.27	26.28	4.0%	27.32	4.0%	11-03-06	Bargaining Contract

Jackson Purchase Energy Corporation
Case No. 2007-00116
Hourly Employee Earnings and Hours
December 31, 2006

Exhibit 5
Page 2 of 3
Witness: Chuck Williamson

Employee Number	Wage Rate Jan.-Dec. 2004	Wage Rate Jan.-Dec. 2005	Percent Increase	Wage Rate Jan.-Dec. 2006	Percent Increase	Date of Last Increase	Reason for Increase	
5-229	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-304	19.26	20.46	6.2%	23.55	4.4%	06-16-06	Six month review	
		21.07	3.0%	24.26	3.0%	11-03-06	Bargaining Contract	
		22.56	7.1%	25.54	5.3%	12-16-06	Six month review	
5-328				12.40				
				12.77				3.0%
5-301	16.43	20.46	6.2%	23.55	4.4%	01-28-06	Six month review	
		21.90	7.0%	24.79	5.3%	07-28-06	Six month review	
		22.56	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-225	25.27	26.28	4.0%	27.32	4.0%	11-03-06	Bargaining Contract	
5-201	25.27	26.28	4.0%	27.32	4.0%	11-03-06	Bargaining Contract	
5-160	22.87	23.55	3.0%	24.26	3.0%	11-03-06	Bargaining Contract	
5-233	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-289	17.60	20.46	6.2%	22.31		11-03-05	Bargaining Contract	
		21.66	5.9%					
		22.31	3.0%					
5-314		12.04		14.87	9.1%	06-20-06	Six month review	
		12.40		3.0%	15.32	3.0%	11-03-06	Bargaining Contract
		13.63		9.9%	16.60	8.4%	12-20-06	Six month review
5-312		12.04		14.87	9.1%	06-13-06	Six month review	
		12.40		3.0%	15.32	3.0%	11-03-06	Bargaining Contract
		13.63		9.9%	16.60	8.4%	12-13-06	Six month review
5-084	22.39	23.05	3.0%	23.75	3.0%	11-03-06	Bargaining Contract	
4-190	18.05	18.59	3.0%	19.16	3.0%	11-03-06	Bargaining Contract	
5-268	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-308		24.79		25.54	3.0%	11-03-06	Bargaining Contract	
5-199	25.27	26.28	4.0%	25.54	---	11-03-05	Bargaining Contract	
5-258	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-329				12.40				
				12.77				3.0%
5-309		24.79		25.54	3.0%	11-03-06	Bargaining Contract	
5-280	17.60					12-01-03	Bargaining Contract	
5-065	25.27	26.28	4.0%	27.32	4.0%	11-03-06	Bargaining Contract	
5-255	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-302	23.47					11-03-04	Bargaining Contract	
	24.07							
2-136	20.46	21.07	3.0%	21.71	3.0%	11-03-06	Bargaining Contract	
5-112	25.27	26.28	4.0%	27.32	4.0%	11-03-06	Bargaining Contract	
2-203	20.46	21.07	3.0%	21.71	3.0%	11-03-06	Bargaining Contract	
5-292	15.65	18.59	3.0%	21.71	3.0%	11-20-06	Bargaining Contract	
5-064	21.90	21.90				11-03-04	Bargaining Contract	
5-252	20.46	21.07	3.0%	21.71	3.0%	11-03-06	Bargaining Contract	
5-245	24.07	24.79	3.0%	27.32	10.2%	11-03-06	Promotion/Contract	
5-293	15.65	18.59	3.0%	21.71	3.0%	11-20-06	Bargaining Contract	
5-253	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-224	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-219	24.07	24.79	3.0%	25.54	3.0%	11-03-06	Bargaining Contract	
5-305		19.26						

Jackson Purchase Energy Corporation
Case No. 2007-00116
Hourly Employee Earnings and Hours
December 31, 2006

Exhibit 5
 Page 3 of 3
 Witness: Chuck Williamson

Employee Number	Wage Rate Jan.-Dec. 2004	Wage Rate Jan.-Dec. 2005	Percent Increase	Wage Rate Jan.-Dec. 2006	Percent Increase	Date of Last Increase	Reason for Increase
5-226	24.07	24.79	3.0%	27.32	10.2%	11-03-06	Promotion/Contract
5-281	18.78	21.90	7.0%	23.55	4.4%	06-01-06	Six month review
	19.26	22.56	3.0%	24.79	5.3%	11-01-06	Promotion/Contract
	20.46			25.54	3.0%	11-03-06	Bargaining Contract

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Jackson Purchase Energy Corporation
Case No. 2007-00116
December 31, 2006

Professional Services Expenses

The Board of Directors has the responsibility to select an attorney to represent the board and the cooperative to maintain the legal entity. The duties and responsibilities of the attorney are to perform routine services, special services and other services for the cooperative. Services are billed at the normal hourly billing rates for the attorney and his staff.

A copy of the audit agreement is attached.

Jackson Purchase Energy Corporation
Case No. 2007-00116
Professional Services Expenses
December 31, 2006

Line No.	Item (a)	Rate Case (b)	Annual Audit (c)	Other (d)	Total (e)
1	Legal			30,513.52	30,513.52
2	Engineering	-	-	76,966.49	76,966.49
3	Accounting		13,040.00	368.00	13,408.00
4	Other			46.44	46.44
5	Total	-	13,040.00	107,894.45	120,934.45

Jackson Purchase Energy Corporation
Case No. 2007-00116
Professional Services Expenses
December 31, 2006

	<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Hours & Bill Rate</u>	<u>Description</u>
1	Engineering					
2	2/3/2006	150356	ELECTRIC SERVICE CO INC.	5,260.20		Services Rendered
3	2/3/2006	150356	ELECTRIC SERVICE CO INC.	1,196.30		Services Rendered
4	4/21/2006	151172	ELECTRIC SERVICE CO INC.	8,159.15		Work Plan
5	4/21/2006	151172	ELECTRIC SERVICE CO INC.	1,439.85		Work Plan
6	4/21/2006	151172	ELECTRIC SERVICE CO INC.	1,428.00		Work Plan
7	4/21/2006	151172	ELECTRIC SERVICE CO INC.	252.00		Work Plan
8	7/28/2006	152373	ELECTRIC SERVICE CO INC.	124.95		Services Rendered
9	7/28/2006	152373	ELECTRIC SERVICE CO INC.	22.05		Services Rendered
10	7/28/2006	152373	ELECTRIC SERVICE CO INC.	7,673.40		Services Rendered
11	7/28/2006	152373	ELECTRIC SERVICE CO INC.	852.60		Services Rendered
12	7/28/2006	152373	ELECTRIC SERVICE CO INC.	1,596.00		Services Rendered
13	7/28/2006	152373	ELECTRIC SERVICE CO INC.	84.00		Services Rendered
14	9/22/2006	153032	ELECTRIC SERVICE CO INC.	3,001.60		Services Rendered
15	9/22/2006	153032	ELECTRIC SERVICE CO INC.	750.40		Services Rendered
16	9/22/2006	153032	ELECTRIC SERVICE CO INC.	1,411.20		Services Rendered
17	9/22/2006	153032	ELECTRIC SERVICE CO INC.	352.80		Services Rendered
18	9/22/2006	153032	ELECTRIC SERVICE CO INC.	6,888.00		Services Rendered
19	9/22/2006	153032	ELECTRIC SERVICE CO INC.	1,722.00		Services Rendered
20	9/29/2006	153104	ELECTRIC SERVICE CO INC.	7,140.00		Services Rendered and Related Expense
21	9/29/2006	153104	ELECTRIC SERVICE CO INC.	6,384.00		Services Rendered
22	1/19/2007	155251	ELECTRIC SERVICE CO INC.	3,672.00		Services Rendered
23	1/19/2007	155251	ELECTRIC SERVICE CO INC.	918.00		Services Rendered
24	1/19/2007	155251	ELECTRIC SERVICE CO INC.	211.20		Services Rendered
25	1/19/2007	155251	ELECTRIC SERVICE CO INC.	52.80		Services Rendered
26	1/19/2007	155251	ELECTRIC SERVICE CO INC.	8,274.00		Services Rendered
27	1/19/2007	155251	ELECTRIC SERVICE CO INC.	1,470.00		Services Rendered
28						
30						
31	Legal					
32	03/03/06	150630	Denton & Keuler	120.00		Annual letter to auditor
33	03/03/06	150630	Denton & Keuler	450.00		Employee matters
34	03/03/06	150630	Denton & Keuler	210.00		Attend board meeting
35	03/03/06	150630	Denton & Keuler	30.00		Pole attachment issues
36	03/03/06	150630	Denton & Keuler	5.65		January expenses

Jackson Purchase Energy Corporation
Case No. 2007-00116
Professional Services Expenses
December 31, 2006

	<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Hours & Bill Rate</u>	<u>Description</u>
37	05/26/06	151588	Denton & Keuler	1,110.00		Pole attachment issues
38	05/26/06	151588	Denton & Keuler	1,110.00		Annual meeting, bylaws and ballot issues
39	05/26/06	151588	Denton & Keuler	150.00		Attend board meeting
40	05/26/06	151588	Denton & Keuler	2.08		April expenses
41	05/26/06	151588	Denton & Keuler	630.00		Pole attachment issues
42	05/26/06	151588	Denton & Keuler	1,020.00		Personnel & personnel policy issues
43	05/26/06	151588	Denton & Keuler	120.00		Territory issues
44	05/26/06	151588	Denton & Keuler	390.00		Attend board meeting, review documents
45	05/26/06	151588	Denton & Keuler	14.60		March expenses
46	06/30/06	151990	Denton & Keuler	780.00		Customer easement issue
47	06/30/06	151990	Denton & Keuler	330.00		Employee matters
48	06/30/06	151990	Denton & Keuler	390.00		Pole attachment issues
49	06/30/06	151990	Denton & Keuler	300.00		Annual meeting, bylaws and ballot issues
50	06/30/06	151990	Denton & Keuler	420.00		Attend board meeting, review documents
51	07/28/06	152340	Denton & Keuler	1,320.00		Annual meeting, bylaws and ballot issues
52	07/28/06	152340	Denton & Keuler	60.00		Loan filing
53	07/28/06	152340	Denton & Keuler	2,700.00		Pole attachment issues
54	07/28/06	152340	Denton & Keuler	510.00		Attend board meeting & annual meeting
55	07/28/06	152340	Denton & Keuler	450.00		Trademark research
56	07/28/06	152340	Denton & Keuler	120.00		Review of leases
57	07/28/06	152340	Denton & Keuler	118.86		June expenses
58	08/25/06	152684	Denton & Keuler	30.00		Trademark research
59	08/25/06	152684	Denton & Keuler	13,110.00		Pole attachment issues
60	08/25/06	152684	Denton & Keuler	150.00		Attend board meeting, review documents
61	08/25/06	152684	Denton & Keuler	54.66		July expenses
62	09/29/06	153079	Denton & Keuler	3,450.00		Pole attachment issues
63	09/29/06	153079	Denton & Keuler	360.00		Trademark research
64	09/29/06	153079	Denton & Keuler	510.00		Research on bidding requirements
65	09/29/06	153079	Denton & Keuler	400.00		Attend KAEC Training & travel
66	09/29/06	153079	Denton & Keuler	180.00		Attend board meeting, review documents
67	09/29/06	153079	Denton & Keuler	347.56		August expenses
68	10/20/06	153951	Denton & Keuler	450.00		Pole attachment issues
69	10/20/06	153951	Denton & Keuler	150.00		Trademark research
70	10/20/06	153951	Denton & Keuler	90.00		Review of leases
71	10/20/06	153951	Denton & Keuler	240.00		Employee matters

Jackson Purchase Energy Corporation
Case No. 2007-00116
Professional Services Expenses
December 31, 2006

	<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Hours & Bill Rate</u>	<u>Description</u>
72	10/20/06	153951	Denton & Keuler	799.10		September expenses
73	12/22/06	154934	Denton & Keuler	420.00		Pole attachment issues
74	12/22/06	154934	Denton & Keuler	150.00		Research on Certificate of Existence
75	12/22/06	154934	Denton & Keuler	90.00		Collection issues
76	12/22/06	154934	Denton & Keuler	270.00		Review of leases
77	12/22/06	154934	Denton & Keuler	210.00		Attend board meeting, review documents
78	12/22/06	154934	Denton & Keuler	30.00		Employee matters
79	12/22/06	154934	Denton & Keuler	1.00		November expenses
80	01/19/07	155226	Denton & Keuler	90.00		Review of leases
81	01/19/07	155226	Denton & Keuler	150.00		Employee matters
82	01/19/07	155226	Denton & Keuler	30.00		Reliability investigation work
83	01/19/07	155226	Denton & Keuler	30.00		Collection issues
84	01/19/07	155226	Denton & Keuler	30.00		Trademark research
85	01/19/07	155226	Denton & Keuler	120.00		Attend board meeting
86	03/31/07	150912	Denton & Keuler	330.00		Employee matters
87	03/31/07	150912	Denton & Keuler	930.00		Pole attachment issues
88	03/31/07	150912	Denton & Keuler	210.00		Attend board meeting & read minutes
89	03/31/07	150912	Denton & Keuler	90.00		Collection matters
90	11/24/07	154619	Denton & Keuler	150.00		Trademark research
91	11/24/07	154619	Denton & Keuler	30.00		Conflict of interest research
92	11/24/07	154619	Denton & Keuler	270.00		Review of leases
93	11/24/07	154619	Denton & Keuler	330.00		Pole attachment issues
94	01/06/06	149997	NRECA	3.87		24 Hour Accident
95	02/10/06	150390	NRECA	3.87		24 Hour Accident
96	03/10/06	150711	NRECA	3.87		24 Hour Accident
97	04/07/06	150984	NRECA	3.87		24 Hour Accident
98	05/05/06	151341	NRECA	3.87		24 Hour Accident
99	06/09/06	151728	NRECA	3.87		24 Hour Accident
100	07/07/06	152092	NRECA	3.87		24 Hour Accident
101	08/11/06	152496	NRECA	3.87		24 Hour Accident
102	09/08/06	152846	NRECA	3.87		24 Hour Accident
103	10/06/06	153337	NRECA	3.87		24 Hour Accident
104	11/10/06	154470	NRECA	3.87		24 Hour Accident
105	12/08/06	154777	NRECA	3.87		24 Hour Accident

Jackson Purchase Energy Corporation
Case No. 2007-00116
Professional Services Expenses
December 31, 2006

	<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Hours & Bill Rate</u>	<u>Description</u>
107	Accounting and Financial					
108						
109	12/31/06		Accrued Auditing Expense	13,040.00		Annual Audit Fee - Allan Zumstein
110	01/20/06	150190	Kemper CPA Group	368.00		Services applicable to tax & related consulting
111			Grand Total	<u><u>120,934.45</u></u>		
112						
113						



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Jackson Purchase Energy Corporation
Case No. 2007-00116
Actual Rate Case Expenses
Through 11/30/2007

Actual rate case costs:

Attorney	\$ 4,001
Consulting	-
Advertising	-
Supplies and miscellaneous	602
Total	<u>4,603</u>

In-house labor is not included in the above adjustment as the labor would be incurred in other accounts.

Jackson Purchase Energy Corporation
Case No. 2007-00116
Rate Case Actual Expenses
For Period Ending 11/30/2007

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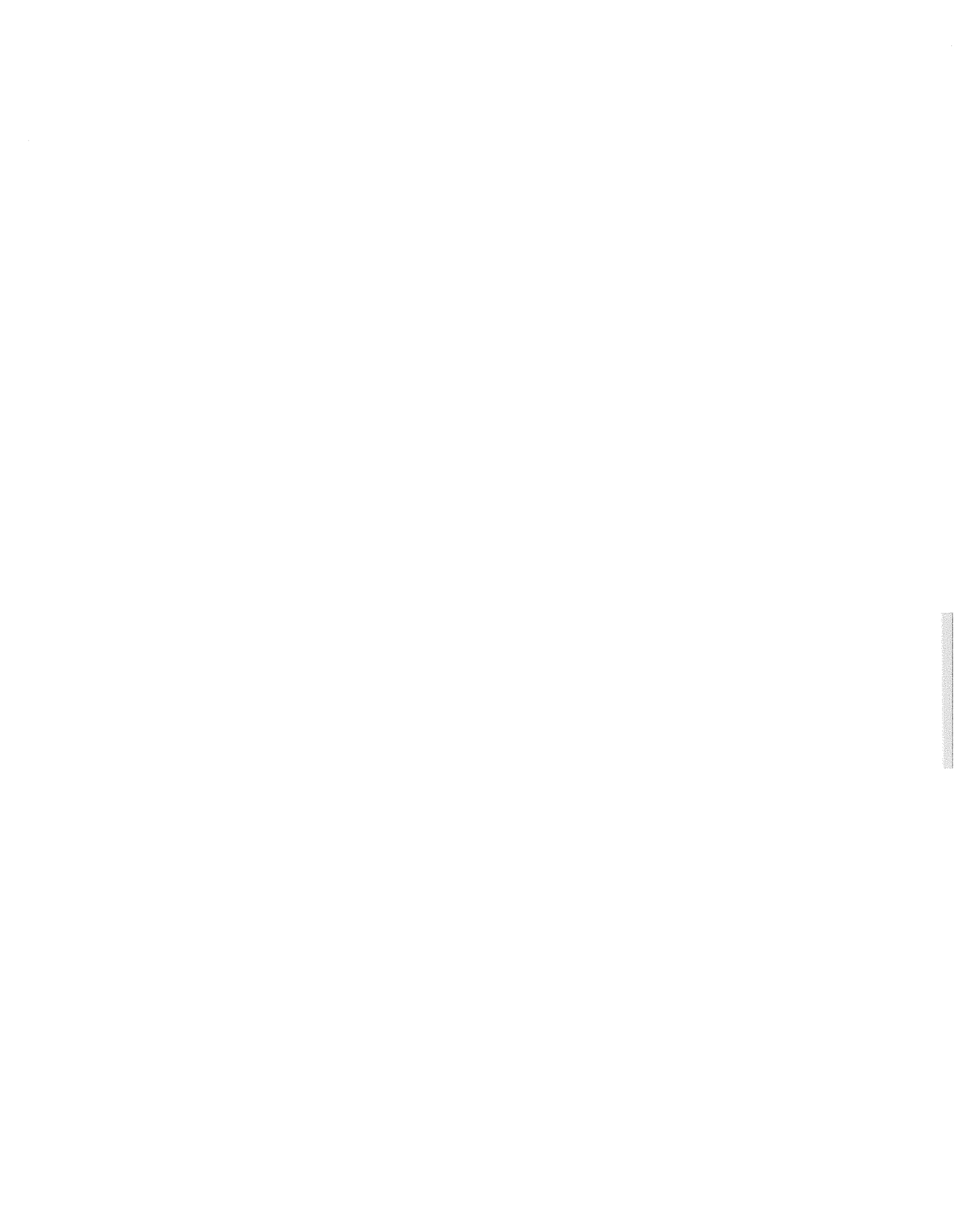
<u>Date</u>	<u>Check Number</u>	<u>Payee</u>	<u>Amount</u>	<u>Description</u>
4/27/2007	156235	Denton & Keuler	\$ 682.50	Legal Services Rendered
5/4/2007	156362	Denton & Keuler	422.50	Legal Services Rendered
10/19/2007	159145	Denton & Keuler	67.50	Legal Services Rendered
11/30/2007	159711	Denton & Keuler	2,828.75	Legal Services Rendered
4/27/2007	156284	Federal Express	21.81	mail
10/26/2007	159374	Federal Express	27.49	mail
5/4/2007	156354	Jackson Purchase Energy/ Petty Cash	13.35	mileage
5/18/2007	156523	Sam's Club	131.29	3" Binders for PSC Filing
4/6/2007	156026	Wilson Office Supply	47.95	Labels
4/6/2007	156026	Wilson Office Supply	251.86	Index Dividers
4/20/2007	156162	Wilson Office Supply	38.15	Ink Cartridge
5/4/2007	156353	Wilson Office Supply	9.53	Labels
5/4/2007	156353	Wilson Office Supply	60.69	Pressed Board Binders
			<u>\$ 4,603.37</u>	



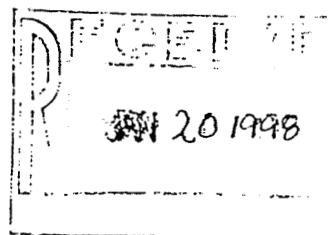
**Jackson Purchase Energy Corporation
Case No. 2007-00116**

**Data for Depreciation Guideline Curve
RUS Bulletin 183-1**

Year Ended	Distribution Plant In Service	Accumulated Provision For Depreciation Distribution Plant	Reserve Ratio	Ratio of Current Distribution Plant to Distribution Plant Ten Years Prior
2006	98,386,830	28,496,721	29.0%	1.65
2005	92,371,766	26,594,999	28.8%	1.65
2004	88,947,096	25,110,494	28.2%	1.70
2003	85,628,382	23,455,818	27.4%	1.82
2002	82,554,395	22,393,049	27.1%	1.88
2001	79,861,079	20,534,080	25.7%	1.95
2000	76,052,962	19,022,608	25.0%	2.01
1999	71,103,007	16,586,729	23.3%	2.01
1998	67,807,010	14,351,272	21.2%	2.00
1997	63,691,550	12,640,124	19.8%	1.96
1996	59,590,779	11,316,419	19.0%	
1995	56,148,458	10,115,359	18.0%	
1994	52,267,187	9,272,042	17.7%	
1993	46,959,763	8,464,759	18.0%	
1992	43,805,868	7,824,394	17.9%	
1991	40,946,691	7,337,016	17.9%	
1990	37,793,134	6,993,086	18.5%	
1989	35,372,487	6,291,489	17.8%	
1988	33,926,094	5,532,602	16.3%	
1987	32,460,953	4,758,579	14.7%	



Approved Final copy



A G R E E M E N T

BETWEEN

JACKSON PURCHASE ELECTRIC CORPORATION

AND

LOCAL UNION 816
INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS

1997 - 2005

This Agreement, made and entered into this 3rd day of November, 1997, by and between JACKSON PURCHASE ELECTRIC COOPERATION (hereinafter called "Jackson Purchase"), having its principal office and place of business in Paducah, Kentucky, and LOCAL UNION NO. 816, of THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS (hereinafter called the "Union").

This contract shall be binding upon successors of Jackson Purchase Electric Corporation as the term "successors" is interpreted under the National Labor Relations Act.

BASIC PRINCIPLES

Jackson Purchase is engaged in the business of supplying electric service and power to the public and for this reason employees covered by this Agreement are charged with special obligations and responsibilities to facilitate fair, orderly and proper adjustment of any disputes which may arise.

ARTICLE I TERM OF CONTRACT

This Agreement shall take effect the 3rd day of November, 1997, and shall remain in full force and effect until, and including the 2nd day of November, 2005, and shall continue in effect from year to year thereafter unless either party notifies the other of its desire to terminate or change this Agreement by giving sixty (60) days written notice prior to an expiration date.

Gender: Whenever a personal pronoun/noun is used in the masculine gender (he, him, his, lineman), it should be deemed to include the feminine (she, her, hers, lineperson) also, unless the context clearly indicates the contrary.

ARTICLE II EMPLOYEES COVERED

This Agreement covers only operating, maintenance and line operation on work done by the employer on a force account basis. It shall not apply to supervisory, sales, engineering, temporary or other employees and common labor used for the clearance on right-of-way and similar work done by members of a self-help plan.

ARTICLE III UNION RECOGNITION

Jackson Purchase recognizes the rights of its employees to bargain collectively through representatives of their own choosing and recognizes the Union as the exclusive representative of the employees covered by this Agreement for the purpose of collectively bargaining in respect to rates of pay, wages, hours of employment, working conditions and other conditions of employment.

ARTICLE IV
RIGHTS OF MANAGEMENT

1. It is understood and agreed that Jackson Purchase shall be the sole judge of the qualifications and competence of all employees and applicants for employment. Jackson Purchase shall have the sole right to select, hire, outline work assignments, transfer to other positions, promote, suspend, discharge or lay off employees. However, Jackson Purchase shall not discriminate against any employee because of his membership in the Union or his Union activity.

2. Supervisors or other representatives of management shall not perform bargaining unit work except to experiment or diagnose problems, train or instruct employees, lend minor assistance, protect property, insure the safety of employees, take inventory, service customers or maintain equipment and other property where a qualified employee is not available, in emergencies, and in those special cases where a specified job is now being performed by a supervisor. For six months, a supervisor may return to the bargaining unit without loss of seniority. All employees of Jackson Purchase who are not members of the Union upon the date of the execution of this Agreement shall not be required to join the Union as a condition of their employment by Jackson Purchase.

ARTICLE V
UNION MEMBERSHIP AND SENIORITY

1. The Union, its officers and members, shall not intimidate or coerce employees into joining the Union. Jackson Purchase shall not discriminate against any employee because of his Union membership in any manner whatsoever.

2. All employees coming within the bargaining unit shall be required to become members of the Union on or after the sixtieth (60th) day following the effective date of this Agreement, or the sixtieth (60th) day following the day of hiring, whichever is later.

3. Any new employee shall be required (as a condition of employment) to make application for membership in the Union sixty (60) days from the date of employment.

4. The Company agrees to withhold monthly union dues upon receipt of authorization signed by the employee. This deduction will be taken from the first pay period of each month.

5. It is the policy of the Cooperative to use its own employees in the performance of maintenance work. No routine maintenance work, which would result in a reduction of employees in the bargaining unit, will be contracted out. Construction work may be contracted out as long as this does not result in a

reduction of employees in the bargaining unit. It is within the sole discretion of Jackson Purchase management to determine what work will be contracted out taking into consideration such factors as economy, time requirement, regulatory requirements as mandated by the Public Service Commission, quantity and efficiency.

Jackson Purchase may employ specialists to supervise work of a special nature.

6. For the purpose of determining seniority, employees employed by Jackson Purchase at the time of this Agreement's execution shall be given credit for the time they have been continuously employed within the jurisdiction of work covered by this Agreement. Seniority for future employees shall begin as of the date of his employment. Seniority shall terminate for any of the following reasons:

- A. Voluntary quitting.
- B. Discharge for cause subject to the grievance procedure outlined in Article VI hereof.
- C. Securing other employment during a leave of absence which may be granted by Jackson Purchase unless mutually agreed upon between Jackson Purchase and the employee.
- D. Failure to report for work upon recall within five working days after notification from Jackson Purchase by certified letter to the last address furnished by the employee.

7. If a reduction in the working force shall become necessary, such layoff will be made in reverse order of seniority of the employees, provided that the remaining employees can efficiently perform the available work immediately and without any training. In rehiring after a layoff, the Cooperative agrees to offer reemployment to the extent additional help is needed to former employees in the occupational classifications involved in the reverse order in which such employees were laid off, (with the exception of temporary employees):

- A. Provided that the period of layoff does not exceed two (2) years; and
- B. That the employees are physically qualified to perform the available work at the time the offer of employment is made.

During periods of layoff, employees will not accumulate seniority.

8. Temporary employees: The company may employ temporary help not to exceed six (6) months duration. These employees will not be guaranteed recall rights following their termination from the temporary assignment. The company will notify the union as to when temporary employees are to be hired, type of work involved, and the expected duration. The company will also inform the Union of the names and Social Security numbers of the temporary employees. If temporary employees work beyond the six (6) months period, or are rehired within ninety (90) days, seniority will be retroactive to the original date of hire.

9. When a vacancy in a classification covered by this Agreement occurs, the Cooperative will post the job for seven (7) days, excluding Saturday and Sunday. Employees desiring to be considered must make a written application to the Personnel Department. The Cooperative will award the job vacancy to the senior employee. The successful bidder shall be given a sixty (60) day probationary period in which to demonstrate his ability to learn the new job. The Union understands the Cooperative has the right to evaluate the performance of the successful bidder. At the end of this trial period, he may be removed by the employer if he does not demonstrate normal progress. If so removed, he shall return to his previous job and shall be paid the rate of pay required by his seniority in that classification.

ARTICLE VI
STRIKES AND LOCKOUTS

1. There shall be no strikes or lockouts during the term of this Agreement because of interpretation or application of the provisions of this Agreement. All such questions or disputes shall be handled in the manner herein provided.

2. Disputes growing out of grievances or interpretation/application of this Agreement's provisions shall be handled by authorized representatives of the Union and Jackson Purchase.

3. Disputes not satisfactorily adjusted in this manner shall be referred to an Arbitration Committee at the request of either party. The Arbitration Committee shall consist of one (1) member selected by Jackson Purchase, and one (1) member selected by the Union, and a third member, a disinterested party, who shall act as Chairman, shall be selected by the other two (2).

A majority vote of the Committee shall decide any questions and shall be final. Disputes referred to the Arbitration Committee shall be settled within one (1) week from the date of notice by either party to the other. The decision of the Committee shall be retroactive to the time the dispute was first presented to the authorized representative of Jackson Purchase.

It is mutually agreed that each party will pay the salary and expense, if any, of their representative on the Committee. The salary and expense, if any, of the Chairman together with such other expenses that may be necessary and ordered by the Chairman, shall be divided equally between the two (2) parties. It is understood that employees covered by this Agreement are to perform regular duty of work during arbitration of grievances.

4. If, after investigation, the employee is found to have been unjustly terminated or suspended, such employee shall be reinstated in accordance with the decision of the Arbitration Committee.

ARTICLE VII
HOURS, WAGES, AND WORKING CONDITIONS

1. The work week shall run from 12:01 a.m., Saturday through 12:00 midnight, Friday. All employees except the on-call crew shall report for duty Monday through Friday. The on-call crew shall work as provided in Article VII, Section 25. At the request of any individual securing prior approval from his supervisor, make-up time, compensated at regular rate of pay, may be granted if work is available on Saturday. Line crews will report to work at 7:00 a.m., at their respective headquarters and return to their respective headquarters at 3:30 p.m., quitting time. However, beginning the second week of June and ending the Saturday before Labor Day, bargaining employees will report to work at 6:00 a.m. and end at 2:30 p.m. The changed work schedule will not apply to the Meter Reader, Meter Tester and Electronic Repairman positions.

Employees shall be entitled to thirty (30) minutes time out for lunch. Employees or crews may take the thirty (30) minute lunch in the manner they choose at the time they desire, including the use of public facilities.

2. When conditions require that an employee work at a distance from his permanent headquarters and remain on said work overnight, Jackson Purchase, at its option, shall either provide transportation, meals and lodging or shall reimburse the employee a reasonable amount for such expenses actually incurred for meals and lodging. If a public carrier is used, Jackson Purchase shall pay the actual ticket cost. When pool/public transportation is unavailable, use of personal vehicle will be reimbursed at the federal mileage rate as reported on January 1 of each year.

3. All employees covered by this Agreement shall receive full-time pay so long as their services are reasonably needed, provided they are ready and in condition to perform their work. Employees laid off because a job is completed or shut down for reasons beyond Jackson Purchase's control shall be paid in full to the date of layoffs.

4. All time worked in excess of the regularly scheduled eight (8) hour day or forty (40) hour week shall be paid for at the rate of one and one-half (1 1/2) times the regular rate of pay. This overtime shall be divided as equally and impartially as possible among the employees of the respective departments. All work on Sunday and holidays will be compensated for at the rate of two (2) times the regular rate of pay.

5. (a) In the event an employee works eight or more unscheduled overtime hours between his normal quitting time and his normal starting time and is not permitted eight (8) hours' continuous rest, the employee may with the approval of the supervisor choose to not work the following normal work day. If, however, the employee elects to work the following normal work day, he shall be compensated for that day at one and one-half (1 1/2) times his regular rate.

(b) After sixteen (16) consecutive hours of work, an employee shall be given the opportunity to rest eight (8) hours if he so desires. In the event of extended outages, no employee shall be expected to work in excess of six (6) hours without a meal break.

(c) For purposes of this Article VII, Section 5, "work" shall mean actual hours worked and not hours paid.

6. The following shall be paid holidays effective November 3, 1997:

New Year's Day, January 1
President's Day, Third Monday in February
Good Friday, Friday before Easter
Memorial Day, Last Monday in May
Independence Day, July 4
Labor Day, First Monday in September
Veterans' Day, November 11
Thanksgiving Day, Fourth Thursday in November
Day after Thanksgiving
Christmas Eve
Christmas Day, December 25

Holidays falling on Saturday will be observed on Friday; those falling on Sunday will be observed on Monday. Jackson Purchase agrees to pay the employee at his regular rate of pay for holidays. Work performed on the above mentioned holidays will be paid at two (2) times the employee's regular rate of pay in addition to the regular holiday pay.

7. Any employee called out for work after his regular quitting time shall receive a minimum of three (3) hours pay at one and one-half (1 1/2) times his regular rate of pay. Should he work

longer than the minimum three (3) hours, he shall receive one and one-half (1 1/2) times his regular rate of pay for actual time worked. If the employee is called out a second time within a one hour period from the original call-out, it will not constitute a second call. One hour must lapse between calls in order to constitute another call-out. If such call out time is on a Sunday or holiday, it shall be compensated for at two (2) times the regular rate of pay. Starting time begins when he receives the call and ends when he returns to his customary reporting place.

In the event an employee is called out as provided herein and said call-out time overlaps the normal work day, the three (3) hours minimum for such call outs will not apply.

8. Jackson Purchase shall furnish transportation to all employees to and from designated station and designated work while on duty.

9. In the event a journeyman is working on energized lines or equipment of the voltages of 600 volts or above, he shall be assisted by a journeyman or apprentice lineman. Third- and fourth-year apprentices may be assigned trouble calls. However, the ratio of journeyman to apprentice will be one to one.

10. The training of apprentices is recognized as being joint responsibility of both Jackson Purchase and the Union. The Union realizes the value of apprentices' training and will cooperate with Jackson Purchase in its safety program, if requested. Apprenticeship training shall be started with qualified groundmen being given preference. Jackson Purchase shall determine the number to be trained and the number of positions or classifications available for training.

11. Jackson Purchase shall furnish adequate protective equipment for employees when working on energized lines and equipment.

Any tools, equipment, protective clothing issued to employees shall be maintained in first class condition by the employee. In the event of failure of the tool, equipment or protective clothing, the defective portion shall be returned to Jackson Purchase for a new issue.

12. Each employee classified as lineman, apprentice (first, second, third or fourth year) or serviceman (or troubleman) shall provide and maintain in first class condition at his own expense the following tools and equipment:

- A. Safety Belt
- B. Climbers
- C. 8" Screw Driver
- D. 9" Wire Cutters
- E. Wire Skinning Knife
- F. 8" Crescent Type Wrench
- G. 12" Crescent Type Wrench

Each employee classified as groundman, shall provide and maintain in first class condition at his own expense the following tools and equipment:

- A. 9" Wire Cutters
- B. 12" Crescent Type Wrench

13. Jackson Purchase will furnish and employees will wear uniform shirts with appropriate identification. The Cooperative understands there may be circumstances when an employee may not be able to wear the furnished uniforms. The Company will also provide one jacket at no cost to the employee and will pay one half (1/2) the cost (not to exceed \$30.00) of one pair of coveralls or overalls each year. Jackson Purchase will also provide two (2) pair of non prescription safety glasses, annually, to be stocked and issued in the warehouse.

14. Bargaining employees will be granted .834 days vacation per month or fraction thereof of employment during the first or partial year employed, occurring before December 31st of the year in which employed. This partial vacation may be taken after three (3) months continuous employment but not later than during the first quarter of the following year. Following the first or partial year, vacation shall be granted on a calendar year basis as follows:

One to Five Years of Service	Two Weeks' Vacation
Six to Ten Years of Service	Three Weeks' Vacation
Over Ten Years of Service	Three Weeks' Vacation plus one day for each year over ten but not to exceed twenty-five days total vacation

One week's vacation may be deferred to the first quarter of the following year. All other vacation time accrued but not taken shall be lost unless the employee has requested vacation but has been denied his schedule because of the workload of Jackson Purchase in which event, a longer postponement shall be granted.

Vacations are to be selected by each employee with the approval of his immediate supervisor and department head.

Jackson Purchase will pay to each employee his vacation pay for each day of vacation, a sum equal to eight (8) hours pay at his regular hourly rate. If requested, vacation pay will be paid at the start of a vacation period of one (1) week or more providing the employee has completed the necessary eligibility period and secured all necessary approvals. If a holiday is observed during an employee's vacation, the holiday will not count as a day's vacation.

15. Employee shall not be required to perform outdoor work during inclement weather, except in case of emergency.

16. (a) January 1, each year, twelve (12) paid sick days will be banked for each employee (one day per month). Unused sick days shall not accumulate from year to year. At the end of each year, unused sick days may be cashed out or deposited into a mutually agreeable fund (subject to IRS guidelines). However, employees separating from employment prior to December 31 will receive the cash value of unused sick days up to the time of separation from employment.

*Changed
1-1-2000
(see attach)*

Example: Employee uses twelve (12) sick days from bank by April 30 and separates from employment on June 3. Employee would owe the company the cash value for seven (7) sick days.

Example: Employee has twelve (12) days in bank and separates from employment on June 3. Employee will receive the cash value for five (5) sick days.

Note: Accumulated sick days earned prior to January 1998, will be cashed out at 75%, not to exceed \$10,000. This amount may be paid directly to the employee or deposited into a mutually agreeable fund (subject to IRS guidelines).

Note: Employees may use up to two (2) days of annual leave or sick leave to supplement the NECA-IBEW short-term disability pay up to a maximum not to exceed the regular earnings for a normal work week.

(b) Sick days may only be used during periods of bona fide illness or injury other than that caused by consumption of alcoholic liquor or drugs of any kind. Employees may be required to produce a medical doctor's certificate as to the existence or continuation of a sickness or disability when more than three (3) consecutive sick days are claimed.

(c) Employees may take a sick day or half day and receive pay for a full or half day sickness or disability. Any employee who takes a sick day without being sick or disabled will be subject to disciplinary action.

(d) Jackson Purchase carries Worker's Compensation insurance as required by state and federal law. Employees eligible for this insurance may use accrued sick leave during the first five working days following a compensatory injury. Employees may use two sick days per full work week as long as they are eligible for compensation and they have not exhausted their accrued sick leave. This provision will not extend more than twenty-six (26) weeks from the date of compensatory injury.

(e) Light-duty work may be assigned to any employee who has been released by his/her doctor to perform light-duty work after an extended illness or injury. However, light-duty work must be available that meets the medical restrictions set forth by the attending physician; the employee must have knowledge or skills necessary to perform the available work and the employee must agree to the conditions set forth in the procedure.

(f) Light-duty work will terminate whenever the employee is released for regular duty or light-duty work is no longer available or the employee cannot successfully complete the assigned work.

(g) Wages for light-duty work will be paid at 75% of the employee's regular gross base wages. If there is no light-duty work available that the employee can safely perform, a position will not be created to accommodate him.

17. In case of death in immediate family of an employee (immediate family including spouse, parents, children, brother, sister, in-laws of the above or any relation or dependent living in the same household with the employee), the employee shall be granted two (2) days' leave with regular pay for funeral arrangements and burial. Should more than two (2) days be required, that employee shall be granted additional time with pay. However, this extra time shall be deducted from accumulated sick leave.

*Changed
2-5-99
(see attached)*

With the prior approval of the department head, one half (1/2) of one (1) day may be granted to attend funerals or act as pallbearers for friends or relatives outside the immediate family.

Funeral pay will not be paid while an employee is on vacation, sick leave, layoff, leave of absence or any holiday falling within the period the employee is absent.

18. All employees who operate heavy equipment as part of their job duties must meet the requirements for certification set by the Department of Transportation. Employees are subject to recertification every two years.

19. No employee covered by this Agreement shall absent himself from duty without securing permission from his immediate supervisor or department head. In case of illness, the employee shall use every effort to notify his immediate supervisor or department head before working hours.

20. All employees covered by this Agreement shall be paid on Friday of each week following one (1) week's preparation time. A week to be from Saturday, 12:01 a.m. to Friday 12:00 midnight. When pay day falls on a holiday, employees will be paid on the preceding day.

21. Effective January 1, 1998, Jackson Purchase will adopt a 30 year and age 62 retirement plan administered by the National Rural Electric Cooperative Association (NRECA). Jackson Purchase will pay the full premium of the NRECA Retirement and Security Plan as required to maintain a 1.6 defined benefit level.

22. Effective January 1, 1996, the Bargaining employees may contribute funds to the 401(k) option of the SelectRE Pension Plan through employee payroll deductions. The amount of allowed contributions will be administered by NRECA under IRS guidelines.

23. Effective January 1, 1995, the employer agrees to pay into the NECA-IBEW Pension Benefit Trust Fund an amount equal to 10% of all gross base wages effective annually on November 15 of each year. Gross base wages means all wages due an employee, excluding any wages paid for overtime hours.

24. (a) It is mutually agreed by the parties hereto that the employer shall contribute to the NECA-IBEW Welfare Trust Fund the required hourly rate, as established by the Fund Trustees, x 160 hours for each employee for the length of this Agreement. Fund participation will be effective January 1, 1998. Upon retirement, Jackson Purchase will continue to provide health insurance coverage for its retirees for a maximum of 10 years or until age 65, whichever comes first.

(b) Contributions to the Fund shall be made monthly on forms provided. Such contributions to the Trust Fund shall be made on or before the fifteenth day of the month for which they are due and shall be paid by check, draft or money order drawn to the order of said NECA-IBEW Welfare Trust Fund, and shall be mailed, together with the prescribed form furnished by said Trust Fund Board in duplicate, listing all employees alphabetically, with correct Social Security numbers, to the office of said NECA-IBEW Welfare Fund.

(c) Employers who fail to remit contributions as provided above shall be subject to having this Agreement terminated upon seventy-two (72) hours notice, in writing, being served by the Union, provided the employer fails to show satisfactory proof that delinquent payments have been paid to the NECA-IBEW Welfare Trust Fund.

(d) The failure of the individual employer to comply with the applicable provisions of the NECA-IBEW Welfare Trust Fund Agreement shall also constitute a breach of this Labor Agreement.

25. Long Term Disability. The Cooperative will provide two thirds (2/3) of the cost of NRECA Long Term Disability Insurance, if the employee elects to contribute the balance of one third (1/3).

26. The Cooperative will institute the on-call plan whereby employees will be designated to be available for emergency calls. These on-call allocations are to be rotated over the employees in the classifications meeting the requirements of emergency work.

The on-call crew shall report for work on Saturday and Monday through Thursday of the workweek and be off on Friday, Saturday and Sunday following their on-call duty. They shall be on-call from Thursday, 3:30 p.m., until the following Thursday, 3:30 p.m. The crew that is designated as the on-call crew shall have a premium rate according to the following formula: forty (40) hours regular rate plus twelve (12) hours regular rate all of which is divided by forty (40) hours shall equal the premium rate. Any hours worked in excess of forty (40) in a week or in excess of eight (8) in a day shall be compensated for at a rate of one and one-half (1 1/2) times the premium rate except that work performed on Sundays or holidays will be two (2) times the premium rate. In the event a holiday occurs during the on-call period, the employee may select a day of the following week to celebrate the holiday. This would also apply to the on-call crews coming on duty Thanksgiving afternoon.

27. It is agreed by the Union that all employees, regardless of their classification, shall assist fellow employees in any work they are capable of doing or may be called on to perform that tends to expedite the business of Jackson Purchase and the particular job to which they have been assigned.

28. Jackson Purchase agrees to the minimum rates of pay as set forth below but may pay higher rates:

CLASSIFICATION:

Journeyman Lineman	11/03/1997	\$19.87
	11/03/1998	\$20.47
	11/03/1999	\$21.07
	11/03/2000	\$21.67

Remaining balance of the contract wage increases shall be subject to the Bureau of Labor cost of living exceeding 5% for these years. Whereas for each additional 1% increase, employees shall receive one half (1/2) of 1% above the base of 5%.

11/03/2001	\$22.27
11/03/2002	\$22.87
11/03/2003	\$23.47
11/03/2004	\$24.07

The Union and Jackson Purchase further agree that the percentage of journeyman lineman's pay for all classifications will be as follows:

<u>OTHER CLASSIFICATIONS</u>	<u>% JOURNEYMAN PAY</u>
Sub-Foreman	105%
Apprentice Lineman	
8th 6 months	95%
7th 6 months	91%
6th 6 months	85%
5th 6 months	80%
4th 6 months	75%
3rd 6 months	70%
2nd 6 months	65%
1st 6 months	60%
Lineman Assistant (12 years or more service)	91%
Groundman	
After 10 years	75%
3 to 10 years	70%
4th 6 months	65%
3rd 6 months	60%
2nd 6 months	55%
1st 6 months	50%
Tree Trimmer	55%
Apprentice Tree Trimmer	50%
Common Laborer	50%
Warehouseman	85%
Assistant Warehouseman	80%

Warehouse Helper

6th 6 months and after	75%
5th 6 months	70%
4th 6 months	65%
3rd 6 months	60%
2nd 6 months	55%
1st 6 months	50%

Meter Reader

5th year and thereafter	85%
4th year	83%
6th 6 months	80%
5th 6 months	77%
4th 6 months	74%
3rd 6 months	71%
2nd 6 months	68%
1st 6 months	65%

Meter Tester

6th 6 months and thereafter	75%
5th 6 months	70%
4th 6 months	65%
3rd 6 months	60%
2nd 6 months	55%
1st 6 months	50%

Electronic Repairman

8th 6 months and thereafter	95%
7th 6 months	90%
6th 6 months	85%
5th 6 months	80%
4th 6 months	75%
3rd 6 months	70%
2nd 6 months	65%
1st 6 months	60%

29. Any employee who is forced to change from one classification to a lower classification will receive the rate of pay in that classification commensurate with the employee's seniority. The lineman assistant classification is reserved for a journeyman lineman who is no longer able to perform a lineman's duty but who can render a valuable service to the Cooperative provided he has twelve (12) years of service with the Cooperative and is qualified to perform a groundman's duties. .

One year as a groundman is a prerequisite to apprentice lineman. Persons working underground facilities who do not climb may be classified as apprentice linemen but will not receive wages

above 7th 6 months' scale until they are qualified to climb and perform normal overhead line work. Should a person performing underground work desire to become qualified to climb, he shall not be able to advance beyond his present scale until he has climbed and performed normal overhead work for a period of one (1) year.

ARTICLE VIII
EMPLOYEE OBLIGATIONS

1. Each employee has certain basic obligations. Each employee shall report to work on time each scheduled day and be at the work station ready to work at the scheduled starting time; be fit for work; perform a fair day's work; follow the instructions of the foreman; adhere to Jackson Purchase's work rules; follow good safety practices; and generally further Jackson Purchase's interest in providing reliable and efficient service to its customers.

2. Each employee is responsible for having his correct address and telephone number on file with Jackson Purchase. Jackson Purchase may rely on the address and telephone number on file in giving any notice required by this Agreement.

ARTICLE IX
Statement of Non Discrimination

Jackson Purchase Electric Corporation is an equal opportunity employer and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age or handicap. Jackson Purchase's commitment to Equal Employment Opportunity assures Affirmative Action will be implemented throughout the Corporation.

ARTICLE X
SIGNATURE PAGE

Agreed this 18th day of Nov., 1997

JACKSON PURCHASE ELECTRIC
COOPERATIVE CORPORATION
PADUCAH, KENTUCKY

LOCAL UNION 816,
INTERNATIONAL BROTHERHOOD
OF ELECTRICAL WORKERS

Gary L. Hovekamp
President
Gary Hovekamp

Brad Gray
President
Brad Gray

Lanita Hayes
Secretary-Treasurer
Lanita Hayes

Gary Seay
Business Manager
Gary Seay

11/18/97
Date

11-18-97
Date

APPROVED
INTERNATIONAL OFFICE - I B E W

JAN 09 1998
J. J. Barry, President
This approval does not make the
International a party to this agreement

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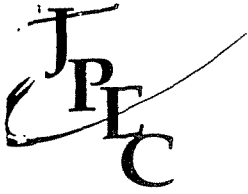
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Jackson Purchase Energy
P.O. Box 4030 • 2900 Irvin Cobb Drive
Paducah, KY 42002-4030
270/442-7321 • 800/633-4044

Your Cooperative Partner by Choice
Visit Our Web Site www.JPEnergy.com

January 7, 2003

Exhibit 9
Page 21 of 41
Witness: Kelly Nuckols

Mr. Gary Seay
IBEW Local 816
4515 Clarks River Road
Paducah, Kentucky 42003

Dear Gary,

**SUBJ: Contract Amendment: Article VII, Section 17
Granting of Funeral Leave**

Jackson Purchase Energy Corporation and IBEW Local 816 have agreed to amend Article VII, Section 17 of the 1997-2005 Contract Agreement which discusses the granting of funeral leave (see enclosure).

Your signature below will acknowledge your receipt and approval of the changes on behalf of the bargaining unit.

Gary Seay
Signature

1-08-03
Date

Please return a copy of this signed agreement to me in the enclosed envelope.

Thank you for your cooperation.

Sincerely,

Izell White

Izell White, VP
Human Resources & Member Relations

pc: G. Kelly Nuckols, CEO
File

Enclosure

:iw



FUNERAL LEAVE

Full-time employees will be granted funeral leave as follows:

- a. **Immediate Family:** Three-days funeral leave at regular pay will be granted for death in an employee's immediate family. Immediate family, for the purposes of this policy, includes spouse, parent, current step-parent, child, grandchild, brother, sister, grandparent, in-law of the employee (i.e. mother/father-in-law, sister/brother-in-law, daughter/son-in-law) or a related dependent living in the employee's household.

For situations requiring more than three days, employees may use accumulated vacation or sick leave.

- b. **Other Relatives:** One-day leave at regular pay will be granted for the death of relatives outside the immediate family which include aunt, uncle, niece, nephew, great-grandparent, or stepchildren not living with employee.
- c. **Friends or Other Family Members Not Listed: Non-negotiating employees** may use sick leave, vacation, compensatory or unpaid time (1-8 hours) to act as pallbearers or attend these funerals with prior approval of their department managers.
- d. **Friends or Other Family Members Not Listed: Negotiating employees** may be granted one-half (1/2) of one (1) day to act as pallbearers or attend these funerals with prior approval of their department managers.

If a death occurs (as stipulated above) while an employee is off work on vacation or on an authorized short-term absence, the vacation or short-term absence will be reclassified to funeral leave as defined in paragraphs a through d above. A short-term absence is any absence of two work weeks or less.

Note: At no time will an employee receive both funeral pay and vacation/sick pay at the same time.


Funeral pay will not be granted while an employee is laid off, observing any scheduled holiday that falls within the period of the employee's absence for bereavement or is off work on a long-term basis for a variety of reasons including sickness or injury (i.e. FMLA, workers' compensation, disability, administrative leave of absence, etc.). A long-term absence is any leave longer than two (2) weeks.

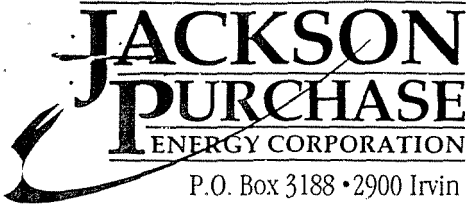
Note: At no time will a holiday be reclassified as funeral leave.

Part-time employees working twenty (20) or more hours per week will be granted one half the paid time-off that a full-time employee receives.

Part-time employees working less than twenty (20) hours per week and temporary employees will not be eligible for paid funeral leave, but may take unpaid leave if approved by the supervisor.

Revised: 1/7/2003


1-08-03



P.O. Box 3188 • 2900 Irvin Cobb Drive • Paducah, KY 42002-3188 • 502/442-7321 • 800/633-4044

February 14, 2000

Mr. Gary Seay
IBEW Local 816
4515 Clarks River Rd.
Paducah, Kentucky 42003

Dear Gary:

Jackson Purchase Energy Corporation and IBEW Local 816 have agreed to amend the 1997-2005 Contract Agreement as follows:

Amendment to Article VII, Section 16 (a)


16. (a) January 1, 2000, eleven (11) paid sick days will be banked for each employee (one day per month). At the end of November, 2000, unused sick day hours (at the employee's current rate of pay) may be cashed out or deposited into the NRECA SelectRE Pension Plan [401(k)] or a combination thereof.

Effective December 1, 2000, and each year (December–November) thereafter, twelve (12) paid sick days will be banked for each employee (one day per month). Unused sick day hours shall not accumulate from year to year. At the end of each year, unused sick day hours (at the employee's current rate of pay) may be cashed out or deposited into the NRECA SelectRE Pension Plan [401(k)] or a combination thereof.

NOTE: Deposits into the NRECA SelectRE Pension Plan are subject to plan limitations and IRS guidelines. Employees separating from employment prior to November 30 will receive the cash value of unused sick day hours at the employee's current rate of pay up to the time of separation from employment (see examples below).

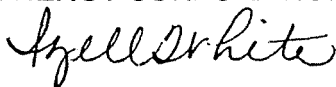
Your signature below will acknowledge your approval of this change on behalf of our bargaining unit and their JPEC-IBEW contract. Please return this signed agreement to us in the enclosed envelope.


Signature


Date

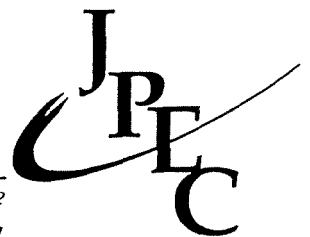
Sincerely,

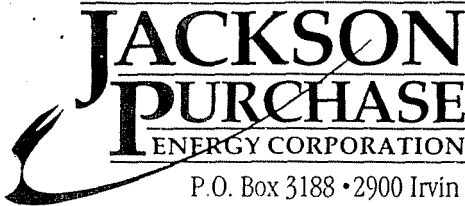
JACKSON PURCHASE
ENERGY CORPORATION



Izell White, VP
Human Resources & Member Relations

IW:sls





P.O. Box 3188 • 2900 Irvin Cobb Drive • Paducah, KY 42002-3188 • 502/442-7321 • 800/633-4044

February 5, 1999

Mr. Gary Seay
IBEW Local 816
4515 Clarks River Rd.
Paducah, Kentucky 42003

Dear Gary:

Jackson Purchase Energy Corporation has increased the number of days for funeral leave for the death of employees' immediate family members from 2 days to 3 days. This increase is intended to benefit all JPEC employees.

Your signature below will acknowledge your approval of this change on behalf of our bargaining unit and their JPEC-IBEW contract. Please return this signed agreement to us in the enclosed envelope.

Thank you for your cooperation.

Sincerely,

JACKSON PURCHASE
ENERGY CORPORATION

A handwritten signature in cursive script that reads "Izell White".

Izell White, Manager
Employee Relations

IW:sls

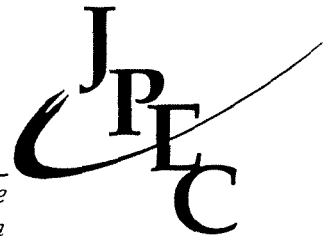
APPROVAL

I approve increasing the number of days allowed for funeral leave for the death of employees' immediate family members (as defined in the JPEC Employee Handbook) from 2 days to 3 days for the JPEC bargaining unit.

A handwritten signature in cursive script that reads "Gary Seay".

Signature

2-5-99
Date





This Agreement, made and entered into this 3rd day of November, 2005, by and between JACKSON PURCHASE ENERGY COOPERATION (hereinafter called "Jackson Purchase"), having its principal office and place of business in Paducah, Kentucky, and LOCAL UNION NO. 816, of THE INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS (hereinafter called the "Union").

This contract shall be binding upon successors of Jackson Purchase Energy Corporation as the term "successors" is interpreted under the National Labor Relations Act.

BASIC PRINCIPLES

Jackson Purchase is engaged in the business of supplying electric service and power to the public and for this reason employees covered by this Agreement are charged with special obligations and responsibilities to facilitate fair, orderly and proper adjustment of any disputes which may arise.

ARTICLE I
TERM OF CONTRACT

This Agreement shall take effect the 3rd day of November, 2005, and shall remain in full force and effect until, and including the 2nd day of November, 2013, and shall continue in effect from year to year thereafter unless either party notifies the other of its desire to terminate or change this Agreement by giving sixty (60) days written notice prior to an expiration date.

Gender: Whenever a personal pronoun/noun is used in the masculine gender (he, him, his, lineman), it should be deemed to include the feminine (she, her, hers, lineperson) also, unless the context clearly indicates the contrary.

ARTICLE II
EMPLOYEES COVERED

This Agreement covers only operating, maintenance and line operation on work done by the employer on a force account basis. It shall not apply to supervisory, sales, engineering, temporary or other employees and common labor used for the clearance on right-of-way and similar work done by members of a self-help plan.

ARTICLE III
UNION RECOGNITION

Jackson Purchase recognizes the rights of its employees to bargain collectively through representatives of their own choosing and

recognizes the Union as the exclusive representative of the employees covered by this Agreement for the purpose of collectively bargaining in respect to rates of pay, wages, hours of employment, working conditions and other conditions of employment.

ARTICLE IV
RIGHTS OF MANAGEMENT

1. It is understood and agreed that Jackson Purchase shall be the sole judge of the qualifications and competence of all employees and applicants for employment. Jackson Purchase shall have the sole right to select, hire, outline work assignments, transfer to other positions, promote, suspend, discharge or lay off employees. However, Jackson Purchase shall not discriminate against any employee because of his membership in the Union or his Union activity.

2. Supervisors or other representatives of management shall not perform bargaining unit work except to experiment or diagnose problems, train or instruct employees, lend minor assistance, protect property, insure the safety of employees, take inventory, service customers or maintain equipment and other property where a qualified employee is not available, in emergencies, and in those special cases where a specified job is now being performed by a supervisor. For six months, a supervisor may return to the bargaining unit without loss of seniority. All employees of Jackson Purchase who are not members of the Union upon the date of the execution of this Agreement shall not be required to join the Union as a condition of their employment by Jackson Purchase.

ARTICLE V
UNION MEMBERSHIP AND SENIORITY

1. The Union, its officers and members, shall not intimidate or coerce employees into joining the Union. Jackson Purchase shall not discriminate against any employee because of his Union membership in any manner whatsoever.

2. All employees coming within the bargaining unit shall be required to become members of the Union on or after the sixtieth (60th) day following the effective date of this Agreement, or the sixtieth (60th) day following the day of hiring, whichever is later.

3. Any new employee shall be required (as a condition of employment) to make application for membership in the Union sixty (60) days from the date of employment.

4. The Company agrees to withhold monthly union dues upon receipt of authorization signed by the employee. This deduction will be taken from the first pay period of each month.

5. It is the policy of the Cooperative to use its own employees in the performance of maintenance work. No routine maintenance work, which would result in a reduction of employees in the bargaining unit,

will be contracted out. Construction work may be contracted out as long as this does not result in a reduction of employees in the bargaining unit. It is within the sole discretion of Jackson Purchase management to determine what work will be contracted out taking into consideration such factors as economy, time requirement, regulatory requirements as mandated by the Public Service Commission, quantity and efficiency.

Jackson Purchase may employ specialists to supervise work of a special nature.

6. For the purpose of determining seniority, employees employed by Jackson Purchase at the time of this Agreement's execution shall be given credit for the time they have been continuously employed within the jurisdiction of work covered by this Agreement. Seniority for future employees shall begin as of the date of his employment. Seniority shall terminate for" any of the following reasons:

- A. Voluntary quitting.
- B. Discharge for cause subject to the grievance procedure outlined in Article VI hereof.
- C. Securing other employment during a leave of absence which may be granted by Jackson Purchase unless mutually agreed upon between Jackson Purchase and the employee.
- D. Failure to report for work upon recall within five working days after notification from Jackson Purchase by certified letter to the last address furnished by the employee.

7. If a reduction in the working force shall become necessary, such layoff will be made in reverse order of seniority of the employees, provided that the remaining employees can efficiently perform the available work immediately and without any training. In rehiring after a layoff, the Cooperative agrees to offer reemployment to the extent additional help is needed to former employees in the occupational classifications involved in the reverse order in which such employees were laid off, (with the exception of temporary employees):

- A. Provided that the period of layoff does not exceed two (2) years; and
- B. That the employees are physically qualified to perform the available work at the time the offer of employment is made.

During periods of layoff, employees will not accumulate seniority.

8. Temporary employees: The Company may employ temporary help not to exceed six (6) months duration. These employees will not be guaranteed recall rights following their termination from the temporary assignment. The company will notify the union as to when temporary employees are to be hired, type of work involved, and the expected duration. The company will

also inform the Union of the names of the temporary employees. If temporary employees work beyond the six (6) months period, or are rehired within ninety (90) days, seniority will be retroactive to the original date of hire.

9. When a vacancy in a classification covered by this Agreement occurs, the Cooperative will post the job for seven (7) days, excluding Saturday and Sunday. Employees desiring to be considered must make a written application to Human Resources. The Cooperative will award the job vacancy to the senior employee. The successful bidder shall be given a sixty (60) day probationary period in which to demonstrate his ability to learn the new job.

The Union understands the Cooperative has the right to evaluate the performance of the successful bidder. At the end of this trial period, he may be removed by the employer if he does not demonstrate normal progress. If so removed, he shall return to his previous job and shall be paid the rate of pay required by his seniority in that classification.

Crew Leader Vacancy: In the filling of vacancies of Crew Leader, JPEC will award the job vacancy to the senior qualified employee. Employee must be a certified Line Technician with ten (10) years experience including apprentice training in a credentialed apprenticeship program. Employee must also have a minimum of five (5) years experience as a certified Line Technician at the Cooperative. Crew Leaders may bid "laterally" on Crew Leader vacancies.

ARTICLE VI

STRIKES AND LOCKOUTS

1 a. There shall be no strikes or lockouts during the term of this Agreement because of interpretation or application of the provisions of this Agreement. All such questions or disputes shall be handled in the manner herein provided.

2. Disputes growing out of grievances or interpretation/application of this Agreement's provisions shall be handled by authorized representatives of the Union and Jackson Purchase.

3. Disputes not satisfactorily adjusted in this manner shall be referred to an Arbitration Committee at the request of either party. The Arbitration Committee shall consist of one (1) member selected by Jackson Purchase, and one (1) member selected by the Union, and a third member, a disinterested party, who shall act as Chairman, shall be selected by the other two (2).

A majority vote of the Committee shall decide any questions and shall be final. Disputes referred to the Arbitration Committee shall be settled within one (1) week from the date of notice by either party to the other. The decision of the Committee shall be retroactive to the time the dispute was first presented to the authorized representative of Jackson Purchase.

It is mutually agreed that each party will pay the salary and expense, if

any, of their representative on the Committee. The salary and expense, if any, of the Chairman together with such other expenses that may be necessary and ordered by the Chairman, shall be divided equally between the two (2) parties. It is understood that employees covered by this Agreement are to perform regular duty of work during arbitration of grievances.

4. If, after investigation, the employee is found to have been unjustly terminated or suspended, such employee shall be reinstated in accordance with the decision of the Arbitration Committee.

ARTICLE VII

HOURS, WAGES, AND WORKING CONDITIONS

1a. The work week shall run from 12:01 a.m., Saturday through 12:00 midnight, Friday. All employees except the on-call crew shall report for duty Monday through Friday. The on-call crew shall work as provided in Article VII, Section 26. At the request of any individual securing prior approval from his supervisor, make-up time, compensated at regular rate of pay, may be granted if work is available on Saturday. Line crews will report to work at 7:00 a.m., at their respective headquarters and return to their respective headquarters at 3:30 p.m., quitting time. However, beginning the second week of June and ending the Saturday before Labor Day, bargaining employees will report to work at 6:00 a.m. and end at 2:30 p.m. The changed work schedule will not apply to the Meter Reader, Meter Technician and Electronic Technician positions.

1b. Flex schedule - The Company may schedule a 4-day 10-hour schedule on a voluntary basis at straight time pay. One shift would work Monday-Thursday and one shift Tuesday-Friday. It's agreed this schedule be for a minimum 2-month period.

Both parties to this agreement mutually agree to re-open the contract November 3, 2007 to further evaluate the need for a second shift.

1c. Lunch Period - Employees shall be entitled to thirty (30) minutes time out for lunch. Employees or crews may take the thirty (30) minute lunch in the manner they choose at the time they desire, including the use of public facilities.

2a. When conditions require that an employee work at a distance from his permanent headquarters and remain on said work overnight, Jackson Purchase, at its option, shall either provide transportation, meals and lodging or shall reimburse the employee a reasonable amount for such expenses actually incurred for meals and lodging. If a public carrier is used, Jackson Purchase shall pay the actual ticket cost. When pool/public transportation is unavailable, use of personal vehicle will be reimbursed at the current IRS rate.

2b. When employees covered under this agreement are called to work out-of-town storm damage, all hours worked Monday-Saturday (if reimbursable by FEMA or other government agency) will be compensated at time and one-

half (1 ½) the regular rate of pay. All hours worked Sundays and holidays will be compensated at two (2) times the regular rate of pay in addition to the regular holiday pay required by this agreement. Out-of-town work will be defined as work that requires the employee to stay away from home.

3. All employees covered by this Agreement shall receive full-time pay so long as their services are reasonably needed, provided they are ready and in condition to perform their work. Employees laid off because a job is completed or shut down for reasons beyond Jackson Purchase's control shall be paid in full to the date of layoffs.

4. All time worked in excess of the regularly scheduled eight (8) hour day or forty (40) hour week shall be paid for at the rate of one and one-half (1 1/2) times the regular rate of pay. This overtime shall be divided as equally and impartially as possible among the employees of the respective departments. All work on Sunday and holidays will be compensated for at the rate of two (2) times the regular rate of pay.

5. (a) In the event an employee works eight or more unscheduled overtime hours between his normal quitting time and his normal starting time and is not permitted eight (8) hours' continuous rest, the employee may with the approval of the supervisor choose to not work the following normal work day. If, however, the employee elects to work the following normal work day, he shall be compensated for that day at one and one-half (1 1/2) times his regular rate.

(b) After sixteen (16) consecutive hours of work, an employee shall be given the opportunity to rest eight (8) hours if he so desires. In the event of extended outages, no employee shall be expected to work in excess of six (6) hours without a meal break.

(c) For purposes of this Article VII, Section 5, "work" shall mean actual hours worked and not hours paid.

6. The following shall be paid holidays effective November 3, 2005:

New Year's Day, January 1
Good Friday, Friday before Easter
Memorial Day, Last Monday in May
Independence Day, July 4
Labor Day, First Monday in September
Veterans' Day, November 11
Thanksgiving Day, Fourth Thursday in November
Day after Thanksgiving
Christmas Eve
Christmas Day, December 25
Floating Holiday

Holidays falling on Saturday will be observed on Friday; those falling on Sunday will be observed on Monday. Jackson Purchase agrees to pay the employee at his regular rate of pay for holidays. Work performed on the above mentioned holidays will be paid at two (2) times the employee's regular rate of pay in addition to the regular holiday pay.

7. Any employee called out for work after his regular quitting time shall receive a minimum of three (3) hours pay at one and one-half (1 1/2) times his regular rate of pay. Should he work longer than the minimum three (3) hours, he shall receive one and one-half (1 1/2) times his regular rate of pay for actual time worked. If the employee is called out a second time within a one hour period from the original call-out, it will not constitute a second call. A new call-out will start 20 minutes after employee has been released by dispatch or when the employee arrives home; whichever is first. One hour must lapse from initial call in order to constitute another call-out. If such call out time is on a Sunday or holiday, it shall be compensated for at two (2) times the regular rate of pay. Starting time begins when he receives the call and ends when he returns to his customary reporting place.

Emergency call out: the union will encourage the employees to respond to emergency call-outs. The company will provide the Union Steward of updates of call-outs and responses.

In the event an employee is called out as provided herein and said call-out time overlaps the normal work day, the three (3) hours minimum for such call outs will not apply.

8. Jackson Purchase shall furnish transportation to all employees to and from designated station and designated work while on duty.

9. In the event a Line Technician and/or Crew Leader is working on energized lines or equipment of the voltages of 600 volts or above, he/they shall be assisted by a Line Technician or Apprentice Line Technician. Third- and fourth-year apprentices may be assigned trouble calls. However, the ratio of Line Technician to Apprentice Line Technician will be one to one.

10. The training of apprentices is recognized as being joint responsibility of both Jackson Purchase and the Union. The Union realizes the value of apprentices' training and will cooperate with Jackson Purchase in its safety program, if requested. Apprenticeship training shall be started with qualified Crew Assistants being given preference. Jackson Purchase shall determine the number to be trained and the number of positions or classifications available for training.

A scholarship loan agreement will be applicable for all employees hired after November 3, 2005.

11. Jackson Purchase shall furnish adequate protective equipment for employees when working on energized lines and equipment.

Any tools, equipment, protective clothing issued to employees shall be maintained in first class condition by the employee. In the event of failure of the tool, equipment or protective clothing, the defective portion shall be returned to Jackson Purchase for a new issue.

12. Each employee classified as Line Technician, Apprentice Line Technician (first, second, third or fourth year) or serviceman (or troubleman) shall provide and maintain in first class condition at his

own expense the following tools and equipment:

- A. Safety Belt
- B. Climbers
- C. 8" Screw Driver
- D. 9" Wire Cutters
- E. Wire Skinning Knife
- F. 8" Crescent-Type Wrench
- G. 12" Crescent-Type Wrench

Each employee classified as Crew Assistant, shall provide and maintain in first class condition at his own expense the following tools and equipment:

- A. 9" Wire Cutters
- B. 12" Crescent Type Wrench

13. Jackson Purchase will furnish and employees will wear uniform shirts with appropriate identification. The Cooperative understands there may be circumstances when an employee may not be able to wear the furnished uniforms. The Company will also provide one jacket at no cost to the employee and will pay one half (1/2) the cost (not to exceed \$30.00) of one pair of coveralls or overalls each year. Jackson Purchase will also provide two (2) pair of non prescription safety glasses, annually, to be stocked and issued in the warehouse.

14a. Bargaining unit employees hired after November 3, 2005 will be granted .834 days vacation for each full month remaining in the year he/she completes working 1,000 hours. January 1 following the completion of the partial year's vacation, the employee shall be granted 10 days' vacation. Thereafter, vacation will be granted on January 1 each year as follows:

Up to 5 years of service -	10 days vacation
6 to 10 years of service -	15 days vacation
After 10 years of service -	15 days plus one day for each year over 10, not to exceed 25 days vacation

(b) No later than December 15, 2006, and each December thereafter, employees may sell back, or if eligible, roll one-half (1/2) of accrued vacation leave into the NRECA 401(k) Pension Plan up to a maximum of two (2) weeks (subject to IRS limits).

(c) One week's vacation may be deferred to the first quarter of the following year. All other vacation time accrued but not taken shall be lost unless the employee has requested vacation but has been denied his schedule because of the workload of Jackson Purchase in which event, a longer postponement shall be granted.

Vacations are to be selected by each employee with the approval of his immediate supervisor and department head.

Jackson Purchase will pay to each employee his vacation pay for each day of vacation, a sum equal to eight (8) hours pay at his regular hourly rate. If requested, vacation pay will be paid at the start of a vacation period of one (1) week or more providing the employee has completed the necessary eligibility period and secured all necessary approvals. If a holiday is observed during an employee's vacation, the holiday will not count as a day's vacation.

(d) Employees may donate accumulated vacation hours to aid employees who have exhausted all their accumulated sick leave and vacation leave and are unable to work due to a serious medical situation or personal hardship situation. Management will be responsible for the administration of the policy for donating vacation leave.

15. Employee shall not be required to perform outdoor work during inclement weather, except in case of emergency.

16(a) December 1, each year, twelve (12) paid sick days will be banked for each employee (one day per month). November 30, each year, unused sick days may be cashed out or deposited into a mutually agreeable fund (subject to IRS guidelines).

(b) Employees may also voluntarily elect to bank sick leave up to a maximum of 4 weeks. No accumulated sick leave may be cashed out until the employee separates from employment. Employees separating from employment prior to December 1 will receive the cash value of unused sick days up to the time of separation from employment.

(c) New employees hired after November 3, 2005 will be eligible for sick leave after working 1,000 hours. Management will consider time off with no pay for emergency situations on a case-by-case basis.

Example: Employee uses twelve (12) sick days from bank by April 30 and separates from employment on June 3. Employee would owe the company the cash value for seven (7) sick days.

Example: Employee has twelve (12) days in bank and separates from employment on June 3. Employee will receive the cash value for five (5) sick days.

Note: Employees may use up to two (2) days of annual leave or sick leave to supplement the NECA-IBEW short-term disability pay up to a maximum not to exceed the regular earnings for a normal work week.

(d) Sick days may only be used during periods of bona fide illness or injury other than that caused by consumption of alcoholic liquor or drugs of any kind. Employees may be required to produce a medical doctor's certificate as to the existence or continuation of a sickness or disability when more than three (3) consecutive sick days are claimed.

(e) Employees may take a sick day or half day and receive pay for a full or half day sickness or disability. Any employee who takes a sick day without being sick or disabled will be subject to disciplinary action.

(f) Jackson Purchase carries Worker's Compensation insurance as required by state and federal law. Employees eligible for this insurance may use accrued sick leave during the first five working days following a compensatory injury. Employees may use two sick days per full work week as long as they are eligible for compensation and they have not exhausted their accrued sick leave. This provision will not extend more than twenty-six (26) weeks from the date of compensatory injury.

(g) Light-duty work may be assigned to any employee who has been released by his/her doctor to perform light-duty work after an extended illness or injury. However, light-duty work must be available that meets the medical restrictions set forth by the attending physician; the employee must have knowledge or skills necessary to perform the available work and the employee must agree to the conditions set forth in the procedure.

(h) Light-duty work will terminate whenever the employee is released for regular duty or light-duty work is no longer available or the employee cannot successfully complete the assigned work.

(i) Wages for light-duty work will be paid at 75% of the employee's regular gross base wages. If there is no light-duty work available that the employee can safely perform, a position will not be created to accommodate him.

17. Three-days funeral leave at regular pay will be granted for death in an employee's immediate family. Immediate family, for the purposes of this policy includes: spouse, parent, current step-parent, child, current step-child, grandchild, brother, sister, grandparent, in-law of the employee (i.e. mother/father-in-law, sister/brother-in-law, daughter/son-in-law) or a related dependent living in the employee's household. For situations requiring more than three days, employees may use accumulated vacation or sick leave.

One-day leave at regular pay will be granted for the death of relatives outside the immediate family which include: aunt, uncle, niece, nephew, great-grandparent, or stepchildren not living with employee.

With the prior approval of the department head, one half (1/2) of one (1) day may be granted to attend funerals or act as pallbearers for friends or relatives outside the immediate family.

Funeral pay will not be paid while an employee is on vacation, sick leave, layoff, leave of absence or any holiday falling within the period the employee is absent.

18. All employees who operate heavy equipment as part of their job duties must meet the requirements for certification set by the Department of Transportation. Employees are subject to recertification every two years.

19. No employee covered by this Agreement shall absent himself from duty without securing permission from his immediate supervisor or department head. In case of illness, the employee shall use every effort to notify his immediate supervisor or department head before working hours.

20. All employees covered by this Agreement shall be paid on Friday of each week following one (1) week's preparation time. A week to be from Saturday, 12:01 a.m. to Friday 12:00 midnight. When pay day falls on a holiday, employees will be paid on the preceding day. Effective January 1, 2006, direct deposit will be mandatory for all employees.

21. January 1, 1998, Jackson Purchase will adopted a 30 year and age 62 retirement plan administered by the National Rural Electric Cooperative Association (NRECA). Jackson Purchase will pay the full premium of the NRECA Retirement and Security Plan as required to maintain a 1.6 defined benefit level. This defined benefit plan is for employees hired prior to November 3, 2005 only.

Jackson Purchase will contribute 10% of base wages into the NRECA defined contribution plan (401(k) plan) for employees hired after November 3, 2005. Employees may make tax-deferred contributions to the NRECA 401(k) plan up to the limit established by the IRS, annually. Contributions will only be made when the employee satisfies the established eligibility period.

22. Bargaining unit employees may contribute to the 401(k) Pension Plan through employee payroll deductions. The amount of allowed contributions will be administered by NRECA under IRS guidelines.

23. The employer agrees to pay into the NECA-IBEW Pension Benefit Trust Fund an amount equal to 10% of all gross base wages effective annually on November 15 of each year. Gross base wages means all wages due an employee, excluding any wages paid for overtime hours.

24. (a) It is mutually agreed by the parties hereto that the employer shall contribute to the NECA-IBEW Welfare Trust Fund the required hourly rate, as established by the Fund Trustees, for the length of this Agreement. Currently, the rate is \$5.15 per hour x 160 hours for each employee. Fund participation was effective January 1, 1998.

(b) For future increases in medical insurance premiums, employees will co-pay on an 80/20 basis (company 80% and employees 20% of additional increase) with a fifty-cent (.50) maximum employee contribution in years 2005-2009 and seventy-five cent (.75) maximum employee contribution in years 2009-2013.

(c) Upon retirement, Jackson Purchase will continue to provide health insurance coverage for its retirees for a maximum of 10 years or until age 65, whichever comes first. This retiree benefit will continue throughout the entire period for which the retiree is eligible.

(d) The failure of the individual employer to comply with the applicable provisions of the NECA-IBEW Welfare Trust Fund Agreement shall also constitute a breach of this Labor Agreement.

(e) Cafeteria Plan: The Company agrees to establish a Cafeteria Plan (Section 125) within IRS Guidelines for employee required contribution.

25. Long Term Disability. The Cooperative will provide two thirds (2/3) of the cost of NRECA Long Term Disability Insurance, if the employee elects to contribute the balance of one third (1/3).

26. Stand By: The Cooperative will institute the on-call plan whereby employees will be designated to be available for emergency calls. These on-call allocations are to be rotated over the employees in the classifications meeting the requirements of emergency work. The on-call crew will not be guaranteed scheduled overtime.

The on-call crew shall report for work on Saturday and Monday through Thursday of the workweek and be off on Friday, Saturday and Sunday following their on-call duty. They shall be on-call from Thursday, 3:30 p.m., until the following Thursday, 3:30 p.m. The crew that is designated as the on-call crew shall have a premium rate according to the following formula: forty (40) hours regular rate plus twelve (12) hours regular rate all of which is divided by forty (40) hours shall equal the premium rate. Any hours worked in excess of forty (40) in a week or in excess of eight (8) in a day shall be compensated for at a rate of one and one-half (1 1/2) times the premium rate except that work performed on Sundays or holidays will be two (2) times the premium rate. In the event a holiday occurs during the on-call period, the employee may select a day of the following week to celebrate the holiday. This would also apply to the on-call crews coming on duty Thanksgiving afternoon.

27. It is agreed by the Union that all employees, regardless of their classification, shall assist fellow employees in any work they are capable of doing or may be called on to perform that tends to expedite the business of Jackson Purchase and the particular job to which they have been assigned. No Line Technician will receive Crew Leader pay when not working as a Crew Leader.

28. Jackson Purchase agrees to the minimum rates of pay as set forth below but may pay higher rates:

CLASSIFICATION:

	2005	2006	2007	2008	2009	2010	2011	2012
Line Technician	24.79	25.54	26.30	27.09	27.97	28.88	29.82	30.79
%INCREASE	3.0%	3.0%	3.0%	3.0%	3.25%	3.25%	3.25%	3.25%
Crew Leader	26.28	27.32	28.41	29.53	30.77	31.77	32.80	33.87
%of Line Tech. Wages	106%	107%	108%	109%	110%	110%	110%	110%

The Union and Jackson Purchase further agree that the percentage of line technician's pay for all classifications will be as follows:

<u>OTHER CLASSIFICATIONS</u>	<u>% LINE TECHNICIAN PAY</u>
Apprentice Line Technician	
8th 6 months	95%
7th 6 months	91%
6th 6 months	85%
5th 6 months	80%
4th 6 months	75%

3rd 6 months	70%
2nd 6 months	65%
1st 6 months	60%
Line Technician Assistant (12 years or more service)	91%
Crew Assistant	
After 10 years	75%
3 to 10 years	70%
4th 6 months	65%
3rd 6 months	60%
2nd 6 months	55%
1st 6 months	50%
Materials Handler	85%
Assistant Materials Handler	80%
Warehouse Helper	
6th 6 months and after	75%
5th 6 months	70%
4th 6 months	65%
3rd 6 months	60%
2nd 6 months	55%
1st 6 months	50%
Meter Reader	
5th year and thereafter	85%
4th year	83%
6th 6 months	80%
5th 6 months	77%
4th 6 months	74%
3rd 6 months	71%
2nd 6 months	68%
1st 6 months	65%
Meter Technician	
6th 6 months and thereafter	75%
5th 6 months	70%
4th 6 months	65%
3rd 6 months	60%
2nd 6 months	55%
1st 6 months	50%
Electronic Technician	
8th 6 months and thereafter	95%
7th 6 months	90%
6th 6 months	85%
5th 6 months	80%
4th 6 months	75%
3rd 6 months	70%

2nd 6 months	65%
1st 6 months	60%

29. Any employee who is forced to change from one classification to a lower classification will receive the rate of pay in that classification commensurate with the employee's seniority. The Line Technician Assistant classification is reserved for a Line Technician who is no longer able to perform a Line Technician's duty but who can render a valuable service to the Cooperative provided he has twelve (12) years of service with the Cooperative and is qualified to perform a Crew Assistant's duties.

One year as a Crew Assistant is a prerequisite to Apprentice Line Technician. Persons working underground facilities who do not climb may be classified as Apprentice Line Technician but will not receive wages above 7th 6 months' scale until they are qualified to climb and perform normal overhead line work. Should a person performing underground work desire to become qualified to climb, he shall not be able to advance beyond his present scale until he has climbed and performed normal overhead work for a period of one (1) year.

30. The Company and Bargaining Unit agree that if there is a realized savings that can be distributed among the employees, (as determined by Management) the Bargaining Unit will work within an established committee to ensure equal distribution to all employees.

ARTICLE VIII
EMPLOYEE OBLIGATIONS

1. Each employee has certain basic obligations. Each employee shall report to work on time each scheduled day and be at the work station ready to work at the scheduled starting time; be fit for work; perform a fair day's work; follow the instructions of the Crew Leader; adhere to Jackson Purchase's work rules; follow good safety practices; and generally further Jackson Purchase's interest in providing reliable and efficient service to its customers.

2. Each employee is responsible for having his correct address and telephone number on file with Jackson Purchase. Jackson Purchase may rely on the address and telephone number on file in giving any notice required by this Agreement.

ARTICLE IX
STATEMENT OF NON DISCRIMINATION

Jackson Purchase Energy Corporation is an equal opportunity employer and will not discriminate against any employee or applicant for employment because of race, creed, color, national origin, sex, age or handicap. Jackson Purchase's commitment to Equal Employment Opportunity assures Affirmative Action will be implemented throughout the Corporation.

ARTICLE X

SIGNATURE PAGE

Signed this 10th day of July 2006

JACKSON PURCHASE ENERGY
CORPORATION, PADUCAH KENTUCKY

LOCAL UNION 816,
INTERNATIONAL BROTHERHOOD
OF ELECTRICAL WORKERS

Kelly Nuckols 7-10-2006
CEO DATE

Gary Seay 7-10-06
BUSINESS MANAGER DATE

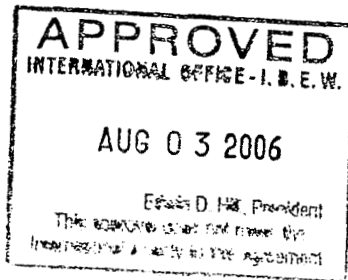


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Jackson Purchase Energy Corporation
Case No. 2007-00116
Non-Regulated Activities
December 31, 2006

Jackson Purchase is engaged only in the de-minimus co branding of credit card and long distance commissions. Neither programs are active.

Gross Income during 2006 test year	Amount
Credit Card Royalties	\$ 2,201.30
Long Distance Commissions	<u>3,833.41</u>
	<u>\$ 6,034.71</u>