

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ADJUSTMENT OF RATES OF)
JACKSON PURCHASE ENERGY) CASE NO. 2007-00116
COOPERATIVE)

SECOND DATA REQUEST OF COMMISSISON STAFF TO
JACKSON PURCHASE ENERGY COOPERATIVE

Jackson Purchase Energy Cooperative (“Jackson Purchase”), pursuant to 807 KAR 5:001, is to file with the Commission the original and 7 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before February 19, 2008. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

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

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

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

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

1. Jackson Purchase submitted its application for an increase in rates on December 5, 2007 wherein it proposed a test year ending December 31, 2006. Explain in detail why Jackson Purchase did not propose a test year that was more current than the proposed test year, which was 11 months old at the time the application was received.

2. Refer to Paragraph 12(a) of Jackson Purchase's Application. Provide copies of Jackson Purchase's Financial Policy and Equity Management Policy.

3. In Paragraph 12(b) of the Application, Jackson Purchase states it has been duly notified by the Rural Utilities Service ("RUS") and the National Rural Utilities Cooperative Finance Corporation ("CFC") that it did not meet its minimum default mortgage requirements.

a. Provide copies of the correspondence from RUS and CFC notifying Jackson Purchase that it did not meet its mortgage requirements.

b. Provide copies of correspondence sent by Jackson Purchase to RUS and CFC in response to the notice.

4. Paragraph 12(c) of the Application refers to its Times Interest Earned Ratios ("TIER") for the test year. Provide Jackson Purchase's income statements and TIERS for the 12-month period ending December 31, 2007 as soon as it is available.

5. Following Paragraph 39 of Jackson Purchase's application, the following statement appears, "Wherefore, Jackson Purchase requests that the Public Service Commission of Kentucky approve the requested increase as expeditiously as possible by authorizing Jackson Purchase to make the requested rates effective immediately through the issuance of an order." By this statement is Jackson Purchase requesting the Commission to schedule a hearing to determine whether the proposed rates or a portion thereof should become effective during the suspension period as provided in KRS 278.190?

6. Provide a schedule comparing the proposed depreciation rates with Jackson Purchase's current depreciation rates and the depreciation rates established by RUS.

7. Refer to Exhibit G, Schedule 5, of the Application. Provide the current interest rates on the long-term debt as of January 31, 2008.

8. Refer to Exhibit G, Schedule 6, of the Application.

a. Provide a copy of the "COMPensate Plan" prepared by the National Rural Electric Cooperatives Association for calendar years 2005, 2006 and 2007 when it becomes available.

b. Are wage and salary adjustments for the executive officers included in the COMPensate Plan?

9. Refer to Exhibit G, Schedule 8, page 2 of 5, of the Application. Does Jackson Purchase's contribution of 100 percent of medical insurance extend to family coverage? Explain the response.

10. Refer to Exhibit G, Schedule 9, of the Application. Provide a copy of the 2007 Post Retirement Benefits Valuation when it becomes available.

11. Refer to Exhibit G, Schedule 12, of the Application.

a. Refer to page 2 and 17 of 23. Explain why Jackson Purchase removed the 2006 membership dues to the Kentucky Association of Electric Cooperatives on page 2 but did not remove the membership dues on page 17.

b. Refer to pages 3 through 7 of 23. For all advertising identified as safety or conservation, explain why each expense item should be included for rate-making purposes pursuant to 807 KAR 5:016, Section 4.

c. Provide samples of the advertisements included as safety or conservation. For radio and television advertisements, the text will be sufficient.

d. Explain the purpose and nature of the expenses referred to as "Networking" in the Distribution Description that appears throughout this schedule. Explain why the expenses should be included for rate-making purposes.

e. Refer to pages 11 through 14 of 23. For the following expense items, explain why each item should be included for rate-making purposes.

(1) J & S Vending – coffee supplies.

(2) Positive Promotions, Inc. – light let safety light.

(3) Jackson Purchase Energy – donuts for employee meeting.

f. Refer to page 15 of 23, line 34. Explain why Jackson Purchase removed the deposit for the annual meeting.

g. Refer to page 16 through 18 of 23. For the following expense items, explain why each item should be included for rate-making purposes.

- (1) Rural Cooperatives Credit Union – annual fee.
- (2) Hultman Signs & Screen Pt. Inc. – 3x3 banner - logo.
- (3) Hultman signs & Screen Pt. Inc. – shirts.
- (4) Sam’s Club – membership.
- (5) Lee Wayne Corporation – pens.
- (6) Visa – lunch with Jeff Voight, etc.

h. Refer to pages 17 and 19 of 23. Explain the purpose and nature of the Teller Committee Pay expense. Explain why the expense should be included for rate-making purposes.

i. Refer to page 19 of 23. Explain why the expenses for “shirts for annual meeting” should be included for rate-making purposes.

12. Refer to Exhibit F, Schedule 14, of the Application.

a. Refer to pages 8 through 19. Some directors attended a “Board Workshop.” Provide a detailed description of what Jackson Purchase’s Board Workshops entail. Include an explanation of why they are held so frequently.

b. Did Jackson Purchase normalize the regular board meeting fee for directors? Would Jackson Purchase agree that the regular board meeting fee should reflect the attendance of the full board at all meetings? Explain the response.

c. Refer to page 19 of 19. Provide copies of the meeting agenda for the "Our World Beyond Electricity Seminar." Explain why the expense should be included for rate-making purposes.

13. Refer to Exhibit H, Direct Testimony of G. Kelly Nuckols, page 3 of 8, of the Application. Mr. Nuckols states that Jackson Purchase's TIER has decreased consistently from 2003 through 2006. Explain the factors that caused Jackson Purchase's TIER to fall so dramatically from a 1.72 in 2005 to a .96 in 2006.

14. Refer to Exhibit L of the Application.

a. Provide the rate base and capitalization as of test-year end. Provide the determination of all components.

b. Explain why average rate base and average capitalization were used in this exhibit.

c. Was Jackson Purchase aware that in a historic test year, the Commission utilizes test-year-end rate base and capitalization? Explain the response.

15. Refer to Exhibit M of the Application. Provide the monthly amounts included in the 13-month averages.

16. Refer to Exhibit P, page 2 of 29, of the Application. Provide a copy of any written approvals from RUS for the proposed depreciation rates.

17. Refer to Exhibit Y of the Application.

a. Explain why Jackson Purchase does not have a formal Equity Management Plan.

b. Explain why Jackson Purchase has never paid capital credits.

18. Refer to Exhibit 6, pages 3 through 6, of Jackson Purchase's response to the Staff's initial data request. For each line item, identify the expense as recurring or non-recurring. For each non-recurring item, explain why it should be included for rate-making purposes.

19. Refer to Exhibit 7 of Jackson Purchase's response to the Staff's initial data request. Provide invoices or other supporting documentation for the actual rate case expenses included.

20. Did Jackson Purchase normalize the PSC assessment? Would Jackson Purchase agree that the normalization should reflect the current PSC assessment rate? Explain the response.

21. Refer to Exhibit G, Schedule 3, of the Application. Based upon the 13 months beginning December 1, 2005 and ending December 31, 2006, provide an end-of-test-year-customer adjustment schedule in the format appended hereto as Appendix A.

22. Refer to the Application, Exhibit H-2, pages 10-12 of the Direct Testimony of Charles G. Williamson. Jackson Purchase proposes to replace its budget billing program with a levelized billing program.

a. For the most recent available month, provide the number of customers presently participating in the budget billing program and the total number of customers eligible for the budget billing program.

b. Of those customers participating in the current budget billing program, how many customers allow Jackson Purchase to debit their bank accounts for payment?

c. Has Jackson Purchase polled its members regarding their preference between the existing program and the proposed levelized billing program?

(1) If yes, provide the results of the poll.

(2) If no, explain why Jackson Purchase did not poll its membership on this issue.

23. Refer to the Application, Exhibit H-4, page 13 of the Direct Testimony of Thomas E. Kandel. The difference between the current and the proposed depreciation rate for Account 371 – Installations on customer premises is considerably greater than the differences in the other accounts. Is Jackson Purchase aware of any particular reason for the disparity?

24. Refer to the Application, Exhibit H-6, pages 3-5 of the Direct Testimony of Tracey A. Bensley. Jackson Purchase proposes to change its Rules and Regulations to require a member to install a conduit system for use in installing Jackson Purchase's conductor when an underground facility is installed.

a. Has Jackson Purchase obtained estimates from contractors for performing this service if contracted by one of its members?

b. If the answer to 24(a) is no, explain how Jackson Purchase knows that the cost will be similar or less than the underground differential cost charged by Jackson Purchase.

c. If Jackson Purchase, upon its inspection determines that the conduit is not installed to its requirements, could the member be subject to considerably higher costs when correcting the problem? Explain the response.

d. Is Jackson Purchase satisfied that there is an adequate number of contractors qualified to do the conduit installations? Explain the response.

25. Refer to Exhibit K of the Application. Revenue for each billing component for each revenue class (and each type of light in the outdoor lighting schedule) must be ascertainable from the exhibit. Provide a revenue analysis schedule including a billing analysis for Jackson Purchase for the test year ended December 31, 2006. Include all applicable billing determinates. The schedule should be done in the format appended hereto as Appendix B and provided in both hard copy and on a cd in electronic form in Microsoft® Excel 1997 through 2003 versions.

26. Refer to page 80 of Jackson Purchase's January 10, 2008 Supplemental Filing. Jackson Purchase's non-recurring fees are all shown as new charges. The non-recurring charges shown appear to match the charges that are included in Jackson Purchase's tariff that is currently in effect. Does Jackson Purchase propose any new changes to its non-recurring charges?

27. Refer to Exhibit H, Gary C. Stephens Testimony ("Stephens Testimony"), of the Application. Provide a copy of the cost-of-service study worksheets and attachments on a cd in electronic form in Excel with the formulas intact.

28. Refer to Stephens Testimony. Explain whether or not Mr. Stephens has reviewed the cost of service study in Jackson Purchases' last rate case. If Mr. Stephens performed the last cost of service study, explain any changes in the methodology used in the study.

29. Refer to Stephens Testimony at pages 7 and 8 of 19 and Attachments 2 and 3.

a. Explain what parts of the distribution system are allocated with the Primary Demand Allocation Factor.

b. Explain what parts of the distribution system are allocated with the Secondary Demand Allocation Factor.

c. Explain the estimation procedure for the average monthly coincident peak demand and for the non-coincident peak demand for each rate classification, including how the data were derived.

d. Explain whether the non-coincident peak demand data used in Attachment 2 is the same data used in Attachment 3.

e. Explain why the coincident and non-coincident peak demands were averaged together.

f. Explain how the monthly coincident demand for each rate classification was adjusted for losses and the loss adjustment used.

g. Explain why the Outdoor Lighting rate class only has entries for January, March and December.

h. How do the Primary and Secondary Demand Allocation Factors compare to a Peak and Average Allocation factor? Provide a side-by-side comparison and explain why the 12 CP method is more appropriate than the Peak and Average method.

30. Refer to Stephens Testimony at Attachment 6 and Exhibit T, page 4 of 55, of the Application.

a. Provide pages 7 and 10 of 11.

b. Explain how the numbers found in Exhibit T in the Total Company column lines 7 – 9 are tied back to Attachment 6.

c. Explain how Accounts 360, 362, and 369 through 373 are treated and provide additional worksheets demonstrating how the costs were split out as being customer related.

d. In Attachment 6, the minimum system was used to functionalize and then allocate costs to the various rate groups. Explain how these results compare to costs obtained using the zero intercept method.

31. Refer to Stephens Testimony at Attachment 6, pages 2 and 3 of 11.

a. For the 365 subaccounts, explain which are not being installed currently.

b. Explain why #6 DPX was chosen as the conductor to be used in the minimum system calculation.

32. Refer to Stephens Testimony at Attachment 6, page 4 of 11.

a. Explain why the 3/4 inch conduit was not used in the calculation.

b. Explain the differences in purpose and usage in the conduit in Accounts 366 and 369.

33. Refer to Stephens Testimony, Exhibit T, page 1 of 55, of the Application.

a. Explain what production plant Jackson Purchase operates.

b. Does the 12 CP allocation method mentioned in the notation refer to the Primary Demand Allocation Factor in Exhibit H-5, pages 7 and 8 of 19, and Attachment 2?

34. Refer to Stephens Testimony, page 7 of 19, and Exhibit T, page 2 of 55, lines 2 and 7. Provide a copy of the workpapers and further explanation for how the numbers of customers were weighted.

35. Refer to Stephens Testimony Exhibit T, page 3 of 55, lines 29 and 32. Explain how the Wages and Salaries for the Distribution and General categories allocator was derived and where the calculations are in the Exhibit.

36. Refer to Exhibit H, Thomas E. Kandel Testimony ("Kandel Testimony"), TEK-3 page 1 of 29, of the Application. The letter references time recording practices that incorrectly allocate labor between construction and retirement activities. In 2002, the practice had a significant impact on depreciation reserves. For the current depreciation study, Jackson Purchase personnel had reverted to the incorrect time reporting practices despite being instructed to report its time correctly. Explain the impact on the results of the current depreciation study from Jackson Purchase's incorrect time practices.

37. Refer to Kandel Testimony TEK-3 Exhibit A, page 23 of 29, of the Application.

- a. Provide the workpapers supporting the Exhibit.
- b. If not included above, provide an explanation of S and J analysis methods.
- c. If not included above, provide the Iowa curves and corresponding life tables that serve as the basis for the study.
- d. If not included above, explain what the Conformance Index is, how it is calculated, and how it is used in the analysis.

e. If not included above, explain what the Retirement Experience Index is, how it is calculated, and how it is used in the analysis.

A handwritten signature in black ink, appearing to read 'Beth O'Donnell', is written over a horizontal line. The signature is stylized with several loops and a long horizontal stroke extending to the right.

Beth O'Donnell
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED February 5, 2008

cc: All Parties

Case No. 2007-00116

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00116 DATED FEBRUARY 5, 2008

End of Test Year Customer Adjustment

Month	Residential	Commercial Single Phase	Commercial Three Phase	C & I Less Than 3000 KW	Large C&I Existing
December 2005					
January 2006					
February					
March					
April					
June					
July					
August					
September					
October					
November					
December 2006					
Average					
Increase					
Total revenue					
Kwh usage					
Average per kwh					
Total billings					
Average monthly kwh use					
Increase in customers, times average use, times average rate, times 12 months, equals additional revenues					
Increase in revenues					
Increase in consumers, times average use, times average cost per kwh purchases, times 12 months, equals additional power cost					
Increase in power cost					
Net increase					
Adjustment					
Base power cost					
Kwh purchased					
Cost per kwh purchased					

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2007-00116 DATED FEBRUARY 5, 2008

REVENUE ANALYSIS

Rate Schedule	KWH Usage	Test Year Revenue	Percent Of Total	Proposed Revenue	Percent Of Total	Increase Amount	Increase Percent
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(Insert each rate class)

Total from base rates

Discount adjustment

Total revenue from books

Increase

REVENUE ANALYSIS FOR EACH RATE SCHEDULE

Billing Determinants	Billing Determinants	Actual Rate	Proposed Rates	Revenues	Revenues
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Customer Charge

Demand Charge

Energy charge per kWh

Billing adjustment/Minimums

Total from base rates

Discount Adjustment

Total revenues

Amount

Percent