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PUBLIC SERVICE  
COMMISSION

February 15, 2008

Elizabeth O'Donnell  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd.  
P. O. Box 615  
Frankfort, KY 40602

**RE: Case No. 2007-00333**  
**Attorney General's Supplemental Data Request**

Dear Ms. O'Donnell:

Please find enclosed the original and ten (10) copies of the responses to the Attorney General's Order "Supplemental Requests for Information" posted on February 1, 2008.

If you have any questions, please do not hesitate to call.

Sincerely,

A handwritten signature in black ink, appearing to read "Don Schaefer", is written over a light blue horizontal line.

Donald Schaefer, P.E.  
President & CEO

Enclosure

c: Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive  
Frankfort, Kentucky 40601



**RESPONSE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

**DECREASE IN REVENUE**

- Q. With regard to the responses to PSC-2-11(a and (b), please provide the following information:
- (a) The response to part (a) does not include an explanation as to why the revenues declined by \$647,000. Please provide this explanation. In addition, provide a worksheet showing how this revenue decline can be derived from the indicated change in kWh usage of (6,364,954).
- R. Please see response to PSC-3-3.

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

**WHOLESALE POWER COST INCREASES**

- Q. The response to part (b) does not include an explanation as to why the the cost of power increased by \$1.7 million. Please provide this explanation. In addition, provide a worksheet showing how the cost of power increased by \$1.7 million based on a kWh usage decrease of 10,149,841. In addition, provide a narrative explanation for this curious phenomenon.
- R Attached as page 2 of this response is a schedule listing the breakout of the wholesale power costs for the test year and for the year preceding the test year.

The primary increase in wholesale power costs is the increase in the adjustment clauses. Listed below is the increase in the adjustment clauses for these two time periods.

	<u>Test Year</u>	<u>Preceding Year</u>
Environmental Surcharge	4,912,634	2,981,349
Fuel Adjustment Clause	6,134,259	7,472,398
Total	<u>11,046,893</u>	<u>10,453,747</u>

Increase of test year adjustment clause costs 593,146

Additional areas where costs increased were in Schedule E demand costs and in energy costs which were \$436,465 and \$713,346 respectively.

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Test Year	Sch B/C	Schedule E	Schedule B/C all kWh	On-Peak	Off-Peak	Green Power	Total kWh	Metering Point	Substation Charges			Fuel Adjustment	Environmental Surcharge	Total
									2373	2855	4605			
MARCH 2006	59,226	978,898	\$148,133	\$1,226,452	\$1,201,435	\$437	\$2,576,457	\$3,375	\$7,119	\$59,955	\$13,815	\$585,288	\$374,823	\$4,658,956
APRIL	60,305	699,497	\$143,401	\$904,778	\$845,055	\$397	\$1,893,631	\$3,375	\$7,119	\$59,955	\$13,815	\$382,935	\$283,317	\$3,403,949
MAY	60,102	780,543	\$152,561	\$1,156,455	\$704,861	\$339	\$2,016,274	\$3,375	\$7,119	\$59,955	\$13,815	\$462,449	\$302,888	\$3,706,520
JUNE	60,736	842,644	\$160,346	\$1,357,412	\$672,038	\$359	\$2,190,155	\$3,375	\$7,119	\$59,955	\$13,815	\$534,424	\$359,680	\$4,071,903
JULY	61,163	888,345	\$159,558	\$1,679,881	\$805,930	\$515	\$2,645,884	\$3,375	\$7,119	\$59,955	\$13,815	\$395,451	\$418,871	\$4,493,978
AUGUST	60,351	905,425	\$174,466	\$1,682,076	\$835,977	\$363	\$2,692,912	\$3,375	\$7,119	\$59,955	\$13,815	\$499,628	\$549,793	\$4,792,373
SEPTEMBER	63,780	573,168	\$159,585	\$1,097,774	\$640,973	\$451	\$1,898,783	\$3,375	\$7,119	\$57,100	\$18,420	\$464,391	\$385,404	\$3,471,540
OCTOBER	62,114	827,506	\$160,557	\$1,034,479	\$977,968	\$423	\$2,173,427	\$3,375	\$7,119	\$54,245	\$23,025	\$483,946	\$410,060	\$4,044,817
NOVEMBER	62,763	979,926	\$151,049	\$1,201,220	\$1,123,285	\$423	\$2,475,977	\$3,375	\$7,119	\$54,245	\$23,025	\$208,823	\$378,814	\$4,194,067
DECEMBER	65,219	1,285,418	\$149,776	\$1,443,952	\$1,368,091	\$423	\$2,962,242	\$3,375	\$7,119	\$54,245	\$23,025	\$502,245	\$466,222	\$5,389,110
JANUARY 2007	63,936	1,329,707	\$159,575	\$1,552,262	\$1,494,390	\$430	\$3,206,657	\$3,375	\$7,119	\$54,245	\$23,025	\$728,117	\$451,675	\$5,867,856
FEBRUARY	63,733	1,268,854	\$147,581	\$1,608,748	\$1,604,735	\$413	\$3,361,477	\$3,375	\$7,119	\$54,245	\$23,025	\$886,562	\$531,087	\$6,199,477
<b>TOTAL</b>	<b>743,428</b>	<b>11,359,931</b>	<b>\$1,866,618</b>	<b>\$15,947,489</b>	<b>\$12,274,738</b>	<b>\$5,031</b>	<b>\$30,093,876</b>	<b>\$40,500</b>	<b>\$85,428</b>	<b>\$688,055</b>	<b>\$216,435</b>	<b>\$6,134,259</b>	<b>\$4,912,634</b>	<b>\$54,274,546</b>

Year preceeding test year	Sch B/C	Schedule E	Schedule B/C all kWh	On-Peak	Off-Peak	Green Power	Total kWh	Metering Point	Substation Charges			Fuel Adjustment	Environmental Surcharge	Total
									2373	2855	4605			
MARCH 2005	61,317	1,038,581	\$132,463	\$1,133,924	\$1,072,520	\$152	\$2,339,059	\$3,375	\$7,119	\$59,955	\$13,815	\$711,473	\$374,823	\$4,234,694
APRIL	60,147	757,892	\$129,753	\$809,686	\$737,151	\$147	\$1,676,737	\$3,375	\$7,119	\$59,955	\$13,815	\$499,562	\$302,888	\$3,078,602
MAY	61,536	615,283	\$136,544	\$975,235	\$585,885	\$147	\$1,697,811	\$3,375	\$7,119	\$59,955	\$13,815	\$481,504	\$302,888	\$2,940,398
JUNE	64,347	801,097	\$170,019	\$1,455,070	\$707,665	\$240	\$2,332,994	\$3,375	\$7,119	\$59,955	\$13,815	\$122,519	\$0	\$3,405,221
JULY	73,580	903,289	\$192,359	\$1,639,402	\$808,095	\$271	\$2,640,127	\$3,375	\$7,119	\$59,955	\$13,815	\$412,734	\$237,363	\$4,351,357
AUGUST	74,027	869,479	\$201,634	\$1,691,489	\$817,211	\$271	\$2,710,605	\$3,375	\$7,119	\$59,955	\$13,815	\$469,153	\$239,814	\$4,447,342
SEPTEMBER	71,846	715,552	\$190,177	\$1,365,881	\$661,026	\$254	\$2,217,338	\$3,375	\$7,119	\$59,955	\$13,815	\$784,055	\$432,979	\$4,306,034
OCTOBER	69,789	776,736	\$182,354	\$979,352	\$914,756	\$306	\$2,076,768	\$3,375	\$7,119	\$59,955	\$13,815	\$608,710	\$397,746	\$3,984,013
NOVEMBER	70,779	1,014,175	\$175,785	\$1,169,751	\$1,095,349	\$306	\$2,441,191	\$3,375	\$7,119	\$59,955	\$13,815	\$651,465	\$406,980	\$4,668,854
DECEMBER	74,432	1,223,976	\$169,255	\$1,685,831	\$1,637,368	\$406	\$3,492,860	\$3,375	\$7,119	\$59,955	\$13,815	\$773,792	\$607,821	\$6,257,145
JANUARY 2006	63,539	1,040,668	\$157,725	\$1,384,532	\$1,324,793	\$356	\$2,867,406	\$3,375	\$7,119	\$59,955	\$13,815	\$1,237,344	\$298,516	\$5,591,737
FEBRUARY	61,334	1,166,738	\$140,588	\$1,398,374	\$1,358,235	\$437	\$2,887,634	\$3,375	\$7,119	\$59,955	\$13,815	\$720,087	\$390,130	\$5,310,187
<b>TOTAL</b>	<b>806,673</b>	<b>10,923,466</b>	<b>\$1,978,656</b>	<b>\$15,678,527</b>	<b>\$11,720,054</b>	<b>\$3,293</b>	<b>\$29,380,530</b>	<b>\$40,500</b>	<b>\$85,428</b>	<b>\$719,460</b>	<b>\$165,780</b>	<b>\$7,472,398</b>	<b>\$2,981,349</b>	<b>\$52,575,584</b>

TOTAL CHANGE (63,245) 436,465 (112,036) 268,962 554,684 1,738 713,346 0 0 (31,405) 50,655 (1,338,139) 1,931,285 1,698,962

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 Page 2 of 2  
 J. Adkins

**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

**PURCHASED POWER COSTS**

- Q. If not included as part of the response to part (b), provide (1) the kWh usage underlying the test year cost of power of \$54,274,546 and the resulting average cost of power per kWh; (2) the kWh usage underlying the cost of power of \$52,575,584 for the year prior to the test year and the resulting average cost of per kWh; and (3) an explanation of the reasons for the change in the power cost per kWh.
- R The cost of power, the quantity of power purchased and the average cost of power per kWh for the test year and the preceding year is provided.

	<u>Cost of Power</u>	<u>kWh Purchased</u>	<u>Average Cost/kWh</u>
Test Year	\$ 54,274,546	981,660,697	0.0552885
Year Preceding Test Year	\$ 52,575,584	991,810,538	0.0530097

Two reasons exist for the increase in average power costs from the year preceding the test year to the test year. One reason is an increase in the wholesale power costs that are passed on to the distribution coop through adjustment clauses. The second reason for the increase has been a decrease in the load factor on purchased power which will lead to an increase in average cost per kWh.



**RESPONSE TO ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

**2007 FINANCIAL STATEMENTS**

- Q. With regard to PSC-2-10, please provide the following information:
- a. Provide the Statement of Operations results for the 12 month period ended 12/31/07 in the same detailed format as in the response to AG-1-10.
  - b. Provide the Statement of Operations results for the 12 month period ended 9/30/2007 in the same detailed format as in the response to AG-1-10. {Note: if the response to part (a) above is available and is provided to the AG response to part (a), please disregard this part (b) request.}
- R. Please see the response to PSC-3-1.





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- Q. 3. Exhibit X, page 8 shows that \$26,307 worth of Scholarship expenses in account 910.10 are included in the test year expenses. Please explain why it would be appropriate to include such expenses for ratemaking purposes.
- R. 3. These should have been removed.



Witness: Jim Adkins

**Jackson Energy Cooperative**  
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4. Exhibit X, page 8 shows that the test year includes \$30,282 for expenses associated with Community Events in account 910.15. Please provide a detailed breakout of these Community Events expenses and explain why it would be appropriate to include such expenses for ratemaking purposes.

**Response**

The breakdown of account 910.15 is as follows:

Payroll & benefits	\$11,960
Transportation	\$600
Invoices, etc.	\$15,593
Items less than \$100	<u>\$2,129</u>
Total	<u><u>\$30,282</u></u>

The invoices, etc items are listed in AG-1-13, pages 5 - 7.

After review of the invoices, etc. and the items less than \$100 it is Jackson Energy's opinion that these expenses are for promotional items and should be removed for rate making purposes.



**RESPONSE TO THE ATTORNEY GENERAL'S SUPPLEMENTAL DATA REQUEST**

**TEST YEAR EXPENSES**

- Q. Exhibit X, page 7 shows that the test year includes \$16,534 for EKP cost sharing marketing expenses in account 908.93. Please explain what these expenses represent. If these expenses are related to the EKP Partner Plus Program, why shouldn't they be removed from the test year expenses given that the PPP has been eliminated.
- R In EKPC's Partner Plus Program there was an allocation to reimburse for labor cost with certain types of Marketing and Conservation efforts. Since it is a fact that the cost for this labor continues at JECC even with the elimination of the Partner's Plus Program justifies the \$16,534.



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- Q. 6. The response to AG-1-13, page 4 of 13 shows that account 909 includes \$1,450 for gifts & donations. Please explain why it would be appropriate to include such expenses for ratemaking purposes.
  
- R. 6. These should have been removed.





Witness: Jim Adkins

**Jackson Energy Cooperative**  
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7. Please explain the nature and purpose fo all 910 expenses shown in the response to AG-1-13 that are denoted "Directories."

**Response**

The items referred to as "Directories" are for listing of Jackson Energy in the yellow pages of the telephone directories.



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- Q. 8. With regard to response to AG-1-15, please explain why JECC believes it is appropriate to include \$5,500 worth of firework expenses for ratemaking purposes in this case and explain how this expense is required to provide safe, adequate and reliable electric service to the members.
- R. 8. The fireworks are the entertainment for the annual meeting. The Commission has allowed annual meeting entertainment to be included for ratemaking purposes.



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9. Please explain the justification for including the following expenses in account 921 (shown in the response to AG-1-13, pages 8 through 15) for ratemaking purposes in this case:
- a. Jackson County Cancer Fund meeting fees totaling \$660
  - b. Jackson Energy Propane Plus water expenses totaling \$4,933
  - c. JSRI gifts and donations of \$1,323
  - d. Cornerstone Christian School meeting fees of \$100
  - e. Bond Holiness Church meeting fees of \$1,430
  - f. Midway College meeting fees of \$975
  - g. Indiana Statewide Association meeting fees of \$450

**Response**

The explanation to the above question is as follows:

- a. Jackson County Cancer Fund meeting fees totaling \$660  
Catered meals for training meetings
- b. Jackson Energy Propane Plus water expenses totaling \$4,933  
Drinking water in offices
- c. JSRI gifts and donations of \$1,323  
Donation - Should be removed for ratemaking purposes.
- d. Cornerstone Christian School meeting fees of \$100  
Catered meal for training meeting
- e. Bond Holiness Church meeting fees of \$1,430  
Building rent and catered meals for yearly employee benefits and update meeting
- f. Midway College meeting fees of \$975  
Training reimbursement
- g. Indiana Statewide Association meeting fees of \$450  
Fees for Tri-State Accounting meeting



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10. If there are any dues included in the total amount of \$164,657 that represent dues for more than one annual period, please so indicate.

**Response**  
None





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Q. 11. With regard to the response to PSC-2-14, please provide the following information:

a. The amount of PSC assessments included in the test year, including the account number and title in which these assessments are recorded.

R. a. Assessment of \$89,597, in account 408.71, Regulatory assessment.

Q. b. What are the "assessable revenues" for the test year and provide the actual test year PSC assessment ratio of these revenues. Show calculations.

R. b.	Assessable revenues	54,532,649
	Assessment	89,597
	Ratio	0.001643



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- Q. 12. With regard to the response to PSC-2-28, please provide the following information:
- Q. a. When was the Focused Management Audit conducted and when was the associated cost of \$57,444 booked in Account 923? Also, explain whether or not this expense is included in the test year or outside of the test year.
- R. a. January 2002 through October 2002. Same time period.
- Q. b. How many times during the last 20 years did JECC have a Focused Management Audit?
- R. b. One



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- Q. 13. Re. response to AG-1-23: given that the \$3,557 expense represents interest that JECC had to pay as a result of a late payment of a power bill to EKPC, whyu shouldn't this expense be disallwed for ratemaking purposes, both as a non-recurring charge and as a charge that should be disallowed because it essentially represents a panalty that could have been avoided if the power bill had been paid on time?
- R. 13. First, this is not a penalty for a late payment of the power bill. EKPC allowed Jackson Energy to pay the power bill late, with interest. Since Jackson Energy would have been required to advance funds from CFC to pay the power bill, EKPC allowed Jackson Energy to use the same interest rate as CFC's short term rate.

This, in effect, was short term borrowing for Jackson Energy without going through CFC at the same interest rate.



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- Q. 14. As shown in the response to AG-1-18, the adjusted test year payroll was based on 101 hourly employees. The response also shows that the actual number of hourly employees as of the end of the test year, 2/28/07 was 100. Which employee number was reflected in the pro forma payroll calculations on Exhibit 1, pages 3,4 and 5 that was not included in the 2/28/07 end-of-test year number of employees of 100? In addition, provide the pro forma wage amount and payroll tax amount associated with this one employee that is included for ratemaking purposes in this case.
- R. 14. There were actually 101 employees. When counting the number of employee at 2/28/07, there was some confusion concerning employee number 20. Employee number 20 retired during the year, then was rehired on March 1, 2007. As that employee was not counted, it was removed from the 101, and should not have been included in the original employee count. As such, there should be 101 hourly employees at 2/28/07.





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- Q. 15. In response to PSC-1-38, page 3, JECC is showing that it calculated normalized depreciation expenses of \$7,058,793 (prior to transportation clearing adjustment) based on applying the rates in the "Proposed Rate" column to the 2/28/07 balances. In this regard, please provide the following information:
- Q. a. Confirm the above stated facts. If you do not agree, explain your disagreement.
- R. a. Yes.
- Q. b. The depreciation rates for distribution plant in the "Proposed Rate" column that were used to calculate the proposed normalized depreciation expenses of \$7,058,793 in the response to PSC-1-38, page 3 are not the proposed depreciation rates that are shown in the response to AG-1-29(c) and PSC-2-13(b). Please explain this discrepancy.
- R. b. The rates listed on PSC-2-13(b) and AG-1-29(c) are the rates before the net salvage allowance was included in the rate. This schedule was imported from another file, and the incorrect column was exported to this response. The correct rates would be the rates listed in PSC-1-38 for the "Proposed Rates". These rates are reflected in PSC-1-38, page 8 of 9.
- Q. c. Confirm that if the proposed rates for distribution plant that are shown in the responses to AG-1-29(c) and PSC-1-38(b) had been used in the calculations on page 3 of the response to PSC-1-38, the total normalized depreciation expenses for distribution and general plant would be \$6,258,346 rather than \$7,058,793. Please confirm this. If you do not agree, explain your disagreement.
- R. c. The calculation is correct, however, the rates are not the correct rates. The rates in PSC-2-18 do not include the net salvage component.
- Q. d. In the same format and detail as shown in the response to PSC-2-18, page 4, provide the revised depreciation expense and transportation clearing calculations based on the total pro forma normalized depreciation expense amount of \$6,258,346 described in the question in part (c) above.
- R. d. PSC-2-18 does not have a page 4. In addition, providing a schedule with rates that were incorrectly included would not provide useful information.