

DORSEY, KING, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)
FRANK N. KING, JR.
STEPHEN D. GRAY
WILLIAM B. NORMENT, JR.
J. CHRISTOPHER HOPGOOD
S. MADISON GRAY

TELEPHONE
(270) 826-3965
TELEFAX
(270) 826-6672
www.dkgnlaw.com

March 27, 2008

FEDEX

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

RECEIVED

MAR 28 2008

PUBLIC SERVICE
COMMISSION

Re: Case No. 2008-00010

Dear Ms. O'Donnell:

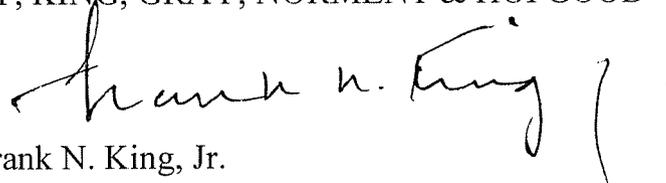
Enclosed herewith please find the original and six (6) copies of Response of Jackson Purchase Energy Corporation to First Data Request of Commission Staff for filing in this case. I hereby certify that a copy of this letter and the Response have been served on those listed on the attached service list.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By



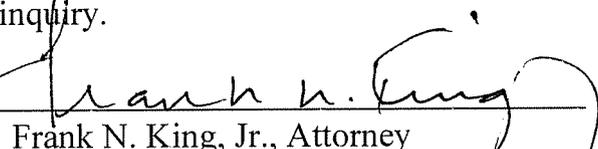
Frank N. King, Jr.

FNKJr/cds

COPY/w/encls.: Service List

CERTIFICATION

The undersigned hereby certifies that he is the preparer or the person supervising the preparation of this response on behalf of Jackson Purchase Energy Corporation and that each response is true and accurate to the best of my knowledge, information and belief formed after reasonable inquiry.



Frank N. King, Jr., Attorney

STATE OF KENTUCKY

COUNTY OF HENDERSON

The foregoing was signed, acknowledged and sworn to before me by
FRANK N. KING, JR. this 27th day of March, 2008.

My commission expires September 29, 2009.



Notary Public, State of Kentucky at Large

(seal)

Case No 2008-00010
SERVICE LIST

Hon. James M. Miller
Hon. Tyson Kamuf
Sullivan, Mountjoy, Stainback & Miller
Post Office Box 727
Owensboro, KY 42302
Attorneys for Big Rivers Electric
Corporation

Hon. Doug Beresford
Hon. Geof Hobday
Hogan & Hartson
555 Thirteenth Street, NW
Washington, DC 20004
Attorneys for Big Rivers Electric
Corporation

Hon. Kendrick Riggs
Stoll, Keenon Ogden PLLC
500 West Jefferson Street
Louisville, KY 40202
Attorney for E.ON U.S., LLC,
West Kentucky Energy Corp. and
LG&E Energy Marketing, Inc.

Hon. Allyson Sturgen
220 West Main Street
Louisville, KY 40202
Attorney for E.ON U.S., LLC

Hon. Michael L. Kurtz
Boehm, Kurtz & Lowry
36 East Seventh Street – Suite 2110
Cincinnati, OH 45202
Attorney for Kentucky Industrial Utility
Customers

Hon. David Brown
Stites & Harbison, PLLC
1800 Aegon Center
400 West Market Street
Louisville, KY 40202
Attorney for Alcan Primary Products
Corporation and Century Aluminum of
Kentucky General Partnership

Hon. John N. Hughes
124 West Todd Street
Frankfort, KY 40601
Attorney for Henderson Municipal
Power & Light

Hon. Dennis Howard
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive-Suite 200
Frankfort, KY 40601-8204

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 1:** In the application in Case No. 2007-00455, Big Rivers Electric
2 Corporation ("Big Rivers") contends that its proposed Rebate Adjustment
3 mechanism, the proposed Member Rate Stability Mechanism, and the
4 proposed Unwind Surcredit can be implemented through the procedure
5 contained in KRS 278.455(1). Jackson's application cites several statutes and
6 administrative regulations that it believes authorize the requested approvals.
7 However, no mention is made of KRS 278.455 as authority for the requested
8 approvals and no analysis has been submitted demonstrating compliance with
9 the requirements of 807 KAR 5:007.

10 a. Explain in detail why it appears Jackson has not relied on KRS
11 278.455 and 807 KAR 5:007 as the authority for approval of its proposed
12 Rebate Adjustment Rider, the proposed Member Rate Stability Mechanism
13 Rider, and the proposed Unwind Surcredit Rider.

14 b. Does Jackson believe that KRS 278.455 and 807 KAR 5:007 are
15 not applicable to the current application? Explain the response.

16

17 **RESPONSE:**

18 (a) Jackson has relied on the cited authorities and all other applicable law which
19 would include KRS 278.455 and 807 KAR 5:007. See Exhibit JDG-8 for an
20 analysis demonstrating compliance with the requirements of 807 KAR 5:007.

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 (b) No, Jackson believes they are applicable. The US, Rebate Adjustment, and
2 MRSM result in revenue reductions that do not change existing rate designs and
3 are to be applied directly to direct serve customers in proportion to the
4 corresponding amounts to be credited by Big Rivers and proportionately to each
5 non-direct serve class and tariff on a kWh sales basis. This treatment is the same
6 as is used for Kenergy's Schedule WDAR, Meade County's Wholesale Power
7 Cost Adjustment and Jackson Purchase Energy's Cost Reduction Adjustment. The
8 latter two were authorized by the Commission pursuant to KRS 278.455 in Case
9 No. 2000-413 and Case No. 2000-415, respectively.

10

11

12 **WITNESS:** Jack D. Gaines

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 2:** Refer to the Application, pages 3 and 4. Jackson has requested
2 authority to show the five Big Rivers' tariff riders in one of three ways on
3 customers' bills. Jackson contends that this authority would allow it to
4 "exercise discretion in choosing the option to insure the intended zero net
5 effect of the five (5) corresponding retail tariff riders until their net effect is no
6 longer zero and to simplify as much as reasonably possible the form and the
7 content of the customers' bills."

8 a. Currently, does Jackson reflect all applicable rates, charges,
9 credits, and riders as individual line items on its customers' bills? If no,
10 describe the exceptions to this level of detail.

11 b. If the response to part (a) is yes, explain why Jackson should
12 have the option of treating the five Big Rivers' tariff riders differently on
13 customers' bills than it treats other rates, charges, credits, and riders.

14 c. Assume for purposes of this question that the Commission
15 requires Jackson to disclose the five Big Rivers' tariff riders separately on
16 customers' bills. Would there be any need for the proposed Unwind Rider -
17 Composite Factor ("URCF")? Explain the response.

18
19 **RESPONSE:**

20
21 (a) Yes.

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 (b) URCF would only apply so long as the net of the five corresponding Big
2 Rivers tariff riders is zero. Jackson's application is requesting the option to treat
3 these five riders differently by not showing them on the customer bills if they are
4 not needed while the corresponding net of the Big Rivers riders is zero. If
5 permitted, this is what Jackson plans to do.

6
7 (c) URCF was developed to meet two objectives. First, Jackson wants to ensure a
8 zero retail bill impact from application of the FAC, ES, US, Rebate Adjustment
9 and MRSM so long as the combined effect of the corresponding Big Rivers tariff
10 riders is zero on the wholesale bill. Second, URCF can help to simplify the retail
11 bill. Although the retail rate riders without Schedule URCF are designed to pass
12 through the net effect of the Big Rivers tariff riders and are expected, as shown by
13 the example calculations provided as Exhibit JDG-8, to achieve net monthly
14 factors of zero until the expiration of the MRSM, there is a concern that the
15 imprecision of retail billing primarily related to billing adjustments that occur
16 from time to time may cause a net monthly factor that is not zero even while zero
17 is the net charged by Big Rivers. If that happens, URCF would permit Jackson to
18 charge a zero factor in lieu of the five factors that may not net to zero.

19
20 **WITNESS:** Jack D. Gaines and G. Kelly Nuckols

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 3:** Refer to the Application, page 5. Jackson stated that it will need
2 to make "non-substantive changes to some of its existing tariff schedules that
3 are not mentioned herein, depending on the terms of the Commission's final
4 order in this case." Jackson indicated that it would submit a request for
5 approval of those changes at the convenience of the Commission and as
6 directed.

7 a. Provide a schedule listing all changes to existing tariff schedules
8 anticipated by Jackson that have not been submitted as part of the current
9 application. In addition, include a description of the nature of the change and
10 why Jackson anticipates the change will be needed.

11 b. Explain in detail why the anticipated changes to Jackson's current
12 tariff schedules were not proposed or disclosed as part of the current
13 application.

14

15 **RESPONSE:**

16

17 (a) Jackson does not anticipate any specific tariff changes but is prepared to do so
18 if ordered by the Commission or required as a result of the Commission's order.

19

20 (b) See response to Item 3(a).

21

22 **WITNESS:** Jack D. Gaines

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 4:** Refer to Exhibit 1 of the Application, the proposed Fuel
2 Adjustment Clause ("FAC").

3 a. Compare Jackson's proposed FAC with the FAC it previously
4 had in effect until 1998, identifying all differences and explaining why the
5 currently proposed FAC is the preferred version.

6 b. Would Jackson's proposed FAC be subject to the periodic
7 reviews prescribed in 807 KAR 5:056? Explain the response.

8

9 **RESPONSE:**

10

11 (a) There are no practical or implementation differences between the Jackson
12 proposed FAC and the FAC used until 1998. The proposed tariff is a separate
13 tariff with more thorough and detailed definitions but the mechanics and the
14 application are the same.

15

16 (b) Yes, to the extent applicable.

17

18 **WITNESS:** Jack D. Gaines

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 5:** Refer to Exhibit 2 of the Application, the proposed
2 Environmental Surcharge ("ES Rider").

3 a. Compare Jackson's proposed ES Rider with the ES Rider it
4 previously had in effect until 1998, identifying all differences and explaining
5 why the currently proposed ES Rider is the preferred version.

6 b. Would Jackson's proposed ES Rider be subject to the periodic
7 reviews prescribed in KRS 278.183? Explain the response.

8

9 **RESPONSE:**

10 (a) There are no practical or implementation differences between the Jackson
11 proposed ES and the ES used until 1998. The proposed tariff has more thorough
12 and detailed definitions but the application is the same.

13

14 (b) Yes, to the extent applicable.

15

16 **WITNESS:** Jack D. Gaines

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 6:** Does Jackson have any special contracts under which the rates
2 are subject to change or adjustment only as stipulated in the contract? If yes,
3 list the contracts.

4

5 **RESPONSE:**

6

7 Jackson has no special contracts.

8

9 **WITNESS:** G. Kelly Nuckols

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 7:** Exhibits 3 through 5 of the Application contain Jackson's
2 proposed riders for the following Big Rivers' tariff riders: the Unwind
3 Surcredit Adjustment Clause, the Rebate Adjustment, and the Member Rate
4 Stability Mechanism. For each of Jackson's proposed riders,

5 a. Will the formula produce a rate change that does not change the
6 rate design currently in effect for Jackson? Explain the response.

7 b. Will the formula result in a revenue change that has been
8 allocated to each customer class and within each tariff on a proportional basis?
9 Explain the response.

10 c. If the response to either part (a) or part (b) is yes, provide an
11 analysis supporting the positive response.

12

13 **RESPONSE:**

14 (a) Yes, the US, Rebate Adjustment and MRSMS rate changes do not change the
15 existing rate design. Every charge in the base rates remains the same.

16

17 (b) The revenue effects of the US, the Rebate Adjustment, and the MRSMS are to
18 be directly assigned to direct serve customers in direct proportion to the
19 corresponding amounts to be credited by Big Rivers and proportionately to each
20 non-direct serve class and tariff on a kWh sales basis.

21

22 (c) See Exhibit JDG-8 filed with the application.

23

24 **WITNESS:** Jack D. Gaines

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 8:** Refer to Exhibit 6 of the Application, the proposed URCF. The
2 only purpose of the proposed URCF appears to be as an alternative to
3 disclosing the five Big Rivers' tariff riders separately on customers' bills.

4 a. Does Jackson agree with this description of the purpose for the
5 URCF? Explain the response.

6 b. Is Jackson aware of this Commission approving a tariff rider
7 similar to the proposed URCF? If yes, identify the utility and the specific
8 tariff.

9

10 **RESPONSE:**

11 (a) No. URCF was developed to meet two objectives. First, Jackson wants to
12 ensure a zero retail bill impact from application of the FAC, ES, US, Rebate
13 Adjustment and MRSM so long as the combined effect of the corresponding Big
14 Rivers tariff riders is zero on the wholesale bill. Second, URCF can help to
15 simplify the retail bill while the net effect of the Big Rivers wholesale riders is
16 zero.

17

18 (b) No.

19

20 **WITNESS:** Jack D. Gaines

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 9:** Refer to Exhibit 8A of the Application, the proposed Small
2 Power production or Cogeneration Greater Than 100 kW – Member Sells
3 Power and Energy to Big Rivers. Provide a narrative that describes how the
4 provisions of the proposed tariff comply with each applicable section of 807
5 KAR 5:054. Note any exceptions and provide the reason(s) for each exception.

6

7 **RESPONSE:**

8

9 Jackson's proposed tariff Schedule SPC-B – Small Power and Cogeneration (Over
10 100 kW) is designed to be consistent with Schedule 44 proposed by Kenergy in
11 Case No. 2008-00009. The record in that case establishes that Schedule 44 filed by
12 Kenergy complies with 807 KAR 5:054. Therefore, the identical Schedule SPC-B
13 proposed by Jackson should also be in compliance.

14

15 Notwithstanding the foregoing, Jackson's proposed Schedule – SPC-B is available
16 to any customer of Jackson having a total generator design capacity over 100 KW
17 who qualifies as a cogenerator or small power producer pursuant to Regulation
18 807 KAR 5:054 of the Kentucky Public Service Commission. Like Kenergy's
19 currently effective Schedule 44 approved in Case No. 2000-00395 and Kenergy's
20 proposed Schedule 44, proposed Schedule SPC-B provides that all power sold by
21 a QF will be sold to Big Rivers. The purchase rate set forth in Schedule SPC-B is
22 the Big Rivers formula that allows the Commission and Big Rivers to determine
23 Big Rivers' appropriate avoided costs pursuant to section 5 of 807 KAR 5:054.
24 Schedule SPC-B provides that an interconnection agreement involving Jackson,
25 Big Rivers, and the QF customer must be executed. Schedule SPC-B provides that
26 such interconnection will be made consistent with section 6(6) of 807 KAR 5:054.
27 Among other things, Schedule SPC-B provides that the qualifying facility; (i) must
28 provide good quality electric power within a reasonable range of voltage,
29 frequency, flicker, harmonic currents, and power factor, (ii) provide reasonable
30 protection for Big Rivers' and Jackson's systems, (iii) design, construct, install,
31 own, operate, and maintain the Qualifying Facility in accordance with all
32 applicable codes, laws, regulations, and generally accepted utility practices, and

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 (v) reimburse Big Rivers and Jackson for all costs incurred as a result of
2 interconnecting with the QF, including operation, maintenance, administration,
3 and billing. In addition, Schedule SPC-B provides that during system emergencies,
4 Big Rivers may discontinue purchases or the QF may be required to provide
5 energy or capacity in accordance with section 6 of 807 KAR 5:054.

6

7 **WITNESS:** G. Kelly Nuckols and Jack D. Gaines

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **ITEM 10:** Refer to Exhibit 9 of the Application, the proposed Small Power
2 and Cogeneration Greater Than 100 kW - Member Buys Power and Energy
3 from Jackson tariff.

4 a. Explain the purpose of this tariff and why Jackson believes it is
5 necessary to establish this tariff.

6 b. Provide a narrative that describes how the provisions of the
7 proposed tariff comply with each applicable section of 807 KAR 5:054. Note
8 any exceptions and provide the reason(s) for each exception.

9

10 **RESPONSE:**

11 Jackson does not have an existing tariff to pass through the cost associated with
12 purchasing power under Rate Schedule 9 - BIG RIVERS COGENERATION
13 AND SMALL POWER PRODUCTION PURCHASE TARIFF – OVER 100 KW
14 filed by Big Rivers in Case No. 2007-00455.

15

16 Jackson's proposed Schedule SPC-C is available to any customer of Jackson
17 having a total generator design capacity over 100 KW who qualifies as a
18 cogenerator or small power producer (QF) pursuant to Regulation 807 KAR 5:054
19 of the Kentucky Public Service Commission. Schedule SPC-C is designed to pass
20 through Jackson's cost to purchase power from Big Rivers for resale to a QF when
21 such power is purchased by Jackson under Big Rivers' Rate Schedule 9. Big
22 Rivers' Rate Schedule 9 sets forth the terms and conditions, and rates applicable
23 for services required by section 7(7) of 807 KAR 5:054. Those services are:
24 supplementary power, back-up power, maintenance power, and interruptible
25 power. Schedule SPC-C flows through Jackson's costs from Big Rivers for the
26 specified services. Schedule SPC-C provides that a retail adder will be determined
27 by special contract on a case by case basis.

28

RESPONSE OF JPEC TO FIRST
DATA REQUEST OF COMMISSION STAFF
PSC CASE NO. 2008-00010

1 **WITNESS:** G. Kelly Nuckols and Jack D. Gaines