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JUN 28 2010

PUBLIC SERVICE
COMMISSION

June 25, 2010

VIA FEDERAL EXPRESS

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BLVD.
FRANKFORT KY 40602

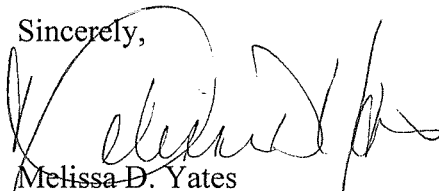
**Re: Responses of Jackson Purchase Energy Corporation to
the First Data Request of Commission Staff**

Dear Mr. DeRouen:

Please find enclosed an original and ten (10) copies of Jackson Purchase Energy Corporation's Responses to First Data Request of Commission Staff. Also enclosed is an extra copy for purposes of file stamping. Please return the copy in the envelope provided.

If you should have any questions, please do not hesitate to contact me at the number listed above.

Sincerely,



Melissa D. Yates
Attorney for Jackson Purchase Energy Corporation

Enclosures

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JUN 28 2010

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF JACKSON PURCHASE)
ENERGY FOR AUTHORIZATION TO) Case No. 2010-00229
REFINANCE FROM COBANK AND EXECUTE)
NECESSARY NOTES)

**JPEC'S RESPONSES TO
FIRST DATA REQUEST OF COMMISSION STAFF**

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

1. Refer to Exhibit 1, Page 3, second to last sentence. The sentence states that the estimated cost is \$5,000 and is included in the loan analysis under Tab 2 (shown in the column Patronage Refund). However, under tab 2, the amount listed for "Legal Cost/Pat. Refund" is \$15,000. What constitutes the difference?

Response: Exhibit 1, Page 3 references an incorrect number. When CoBank initially prepared the loan documentation, they had included only \$5,000 of legal expenses. However, based on previous refinance expenses, JPEC determined that it would be more accurate to utilize an estimate of \$15,000. Therefore, CoBank prepared new loan documentation including that \$15,000 figure. The \$5,000 figure referenced in Exhibit 1, Page 3, was an oversight on CoBank's part and should reflect the \$15,000 figure referenced throughout the remainder of the documentation.

Witness: Chuck Williamson, Vice President - Finance & Accounting for JPEC.

2. Refer to Exhibit 1, Tab 3, page 2. The bottom left of the page lists Estimated Legal Fees of \$15,000. What constitutes the makeup of the \$15,000?

Response: JPEC estimated \$5,000 in legal expenses for CoBank's attorneys and \$10,000 for payment of its own attorneys. The fees associated with JPEC's own attorneys are higher given that JPEC's attorneys are responsible for seeking Commission approval and for all actions necessary to actually close the loan, including providing title opinions, making sure all loan documentation and approvals are properly executed, and recording all necessary instruments.

Witness: Chuck Williamson, Vice President - Finance & Accounting for JPEC.

3. In the original application, Item 8 states that JPEC seeks to borrow \$3,353,647. However, Exhibit 3, Tab 1, page 2, as well as Exhibit 3, Tab 2, page 3, column 3 lists the principal balance as \$ 3,344,255. Explain the difference.

Response: On June 30, 2010, the balance will be \$3,344,255. The difference in these numbers reflects the balance after the June payment.

4. Explain why the two borrowings described in Items 6 and 8 (the \$5.9 million and the \$3.4 million) have different terms – 16 vs. 19 years and 4.69 percent vs. 4.9 percent, respectively.

Response: The terms of the loans duplicate the RUS monthly principal payments.

Witness: Chuck Williamson, Vice President - Finance & Accounting for JPEC.

5. Why isn't JPEC refinancing all the RUS notes in one loan rather than two?

Response: The interest rate has been locked in for the \$5.9 million amount. Regarding the \$3.4 million portion, at the time of the application, JPEC had determined that the rate had to

be 4.9% or below in order to justify the refinance. As of June 24, 2010, JPEC locked in a rate of 4.9% for the \$3.4 million.

Witness: Chuck Williamson, Vice President - Finance & Accounting for JPEC.

6. Item 8 says the fixed interest rate shall not exceed 4.9 percent, and Item 9 says JPEC will not close on the loan if the interest rate is not less than 4.9 percent. What is the target interest rate? Will JPEC still close on the loan if the interest rate is 4.9 percent?

Response: At the time of the application, JPEC had determined that the rate had to be 4.9% or below in order to justify the refinance. As of June 24, 2010, JPEC locked in a rate of 4.9% for the \$3.4 million.

Witness: Chuck Williamson, Vice President - Finance & Accounting for JPEC.

7. Refer to Exhibit 3, Tab 1, page 2, last sentence. The sentence states that CoBank would document this transaction using outside counsel to be paid by Jackson Purchase. What is the amount of the legal fees?

Response: Based on previous experience, JPEC has estimated this fee to be as high as \$5,000. However, the exact amount of the legal fees is unknown to JPEC at this time. See also JPEC Response to number two above.

Witness: Chuck Williamson, Vice President - Financing & Accounting for JPEC.

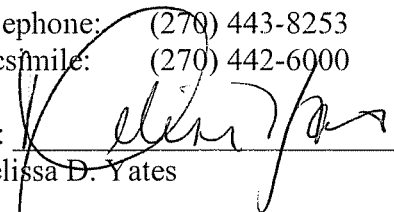
8. Tab 4 of both Exhibits 1 and 3 describes the refinancing process permitted under the RUS Mortgage. Has JPEC started this process with CoBank?

Response: Yes. JPEC has received tentative approval of the loans from CoBank.

Witness: Chuck Williamson, Vice President - Financing & Accounting for JPEC.

Respectfully submitted,

DENTON & KEULER
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Facsimile: (270) 442-6000

By: 
Melissa D. Yates

ATTORNEYS FOR JPEC

CASE NO. 2010-000229

VERIFICATION

The undersigned, **G. KELLY NUCKOLS**, hereby verifies that the information set forth in Response of Jackson Purchase Energy Corporation to the First Data Request of Commission Staff in the above case is true and correct to the best of his information and belief.



G. Kelly Nuckols

STATE OF KENTUCKY

COUNTY OF MCCRACKEN

The foregoing was signed, acknowledged and sworn to before me by **G. KELLY NUCKOLS**, this 25 day of June, 2010.

My commission expires 3/25/13

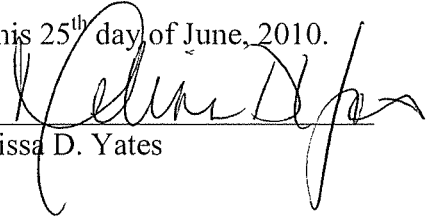

Notary Public, State of Kentucky at Large

(seal)

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

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BLVD.
FRANKFORT KY 40602

on this 25th day of June, 2010.

By: 
Melissa D. Yates