COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF JACKSON ENERGY | ) | |
| COOPERATIVE CORPORATION FOR AN | ) | CASE NO. |
| ADJUSTMENT OF RATES | ) | 2000-373 |

SECOND DATA REQUEST OF COMMISSION STAFF TO
JACKSON ENERGY COOPERATIVE CORPORATION

Jackson Energy Cooperative Corporation ("Jackson Energy") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before January 3, 2001. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the Application, part 12(e). Jackson Energy is proposing that the provisions of the settlement agreement reached in its last general rate case concerning the refunding to members of capital credits earned in excess of a 2.0 Times Interest Earned Ratio ("TIER") be eliminated.

a. Describe Jackson Energy's philosophy concerning the retirement of capital credits to members.

b. Provide the current percentage of equity for Jackson Energy and the level of equity it considers to be optimal. Include all calculations and assumptions used to determine these percentages.

c. Explain how the discontinuance of the capital credit retirement provisions of the settlement agreement will impact the achievement of the equity objectives of Jackson Energy.

2. Refer to the Application, Exhibit B.

a. Explain the criteria for participation in Rate Schedule 50 and for Rate Schedule 60 on page 24 of 46.

b. Refer to page 42 of 46. Rates for Outdoor Lighting are included in Schedule OL-MV. Jackson Energy proposes to delete this schedule from its tariffs. Explain why the rates for this schedule do not appear as presently existing rates in Exhibit E, pages 3 and 4 of 6.

3. Refer to the Application, Exhibit G.

a. Rate Schedule 09 – Residential Farm and Non-Farm Service, Rate Schedule 19 – Commercial Small Power and 3 phase, and Rate Schedule 59 – Schools, Churches, and Community Halls, all reflect proposed increases in revenue as shown in Exhibit G, page 1 of 2. Explain why new tariffs reflecting the proposed rates for these rate schedules are not included in Exhibit B as proposed tariffs.

b. Schedule 48 – Large Power Rate-5,000 MW and Above is not included in Exhibit G, but a tariff for Schedule 48 is included in Exhibit B, pages 21 through 23 of 46. Explain whether this is because no customers take service under this schedule or if there is some other reason for it not being included in Exhibit G.

4. Refer to the Application, Exhibit H. Each witness's testimony notes that Jackson Energy is requesting a 2.0 TIER.

a. Explain how the 2.0 TIER was determined to be appropriate for Jackson Energy. Include any analysis or studies performed as part of that determination.

b. Explain how the requested TIER will allow Jackson Energy to achieve its equity management goals.

5. Refer to the Application, Exhibit K.

a. Page 1 of 4 shows for the test year that Jackson Energy's rate base exceeds its capitalization, while the adjusted test year shows the opposite situation. Explain why the adjustments proposed to the test year result in a reversal of the relationship between Jackson Energy's rate base and capitalization.

b. Page 4 of 4 shows that Jackson Energy's margins and TIER dropped significantly between 1995 and 1996. Explain the reason(s) for this drop in margin and TIER.

6. Refer to the Application, Exhibit L, page 1 of 4, and Exhibit W, page 9 of 16. On Exhibit L, the Materials account balance for February 1999 is shown as $705,108. However, on Exhibit W, page 9 of 16, this amount does not appear anywhere in the balances listed for this account. Explain how the balance of $705,108 was determined. If this balance is not correct for February 1999, indicate the correct amount.

7. Refer to the Application, Exhibit N, page 12 of 14. For both the secured Economic Development Loans due the Rural Utilities Service ("RUS") and the unsecured Residential Marketing Loan Program due East Kentucky Power Cooperative, Inc. ("East Kentucky"), provide the following information:

a. The date the loan was initiated.

b. All terms and conditions for the loan, including the interest rate in effect at the time the loan was established and the most current interest rate.

c. A copy of the loan document.

d. A description of how the proceeds from the loan have been or are being utilized by Jackson Energy.

e. The principal payment, interest accrued, and interest paid during the test year.

f. An explanation of why the East Kentucky loan is not subject to Commission approval under KRS 278.300.

8. Refer to the Application, Exhibit P, Jackson Energy's 1999 Annual Report to its members ("1999 Members' Report").

a. Throughout the 1999 Members' Report, Jackson Energy is identified as a Touchstone Energy® Cooperative ("Touchstone"). Provide the following information concerning Jackson Energy's association with Touchstone:

1) Indicate when Jackson Energy became a member of Touchstone.

2) Describe the financial commitments Jackson Energy made to Touchstone when it became a member.

3) For the test year, list all amounts paid to Touchstone and the purpose of each payment.

4) Describe the function of Touchstone and how membership with Touchstone specifically benefits Jackson Energy and its membership.

5) Explain why any payments to Touchstone should be included for rate-making purposes.

b. Within the 1999 Members' Report are references to an Internet Website for Jackson Energy. Provide the following information concerning this Website:

1) The date Jackson Energy started the Website.

2) The initial start-up cost of the Website and a description of the accounting for these costs.

3) The annual on-going costs of maintaining the Website and a description of the accounting for the on-going costs.

c. Provide a hard copy of each page included on Jackson Energy's Website. This copy should reflect information on the Website within the last 30 days.

d. A comparison of the 1999 Members' Report with the report issued for 1998 indicates that the General Manager of Jackson Energy has changed. Describe the reason(s) for this change. Identify all costs incurred or paid during the test year associated with this change, including any severance or retirement benefits paid to the former General Manager.

9. Refer to the Application, Exhibit P.

a. Page 1 of 3 shows an adjustment that reduces test year electric plant under construction, without a corresponding increase in electric plant. Explain this adjustment, including all supporting calculations and assumptions used to determine the amount of the adjustment.

b. During the test year, has Jackson Energy made adjustments to its electric plant and accumulated depreciation resulting from the early retirement of plant? If yes, provide a description of each early retirement, all supporting calculations and assumptions used to determine the amounts, and the accounting entries recorded by Jackson Energy reflecting the early retirement.

c. Page 3 of 3 shows a summary of the adjustments proposed by Jackson Energy. Explain why the institutional advertising identified in Exhibit 11 was not shown as an adjustment on this summary.

10. Refer to the Application, Exhibit T, page 2 of 3. Provide a narrative explanation, along with workpapers and other supporting documents, for the normalization adjustment to Other Electric Revenue of $56,162 reported on line 11.

11. Refer to the Application, Exhibits U and V.

a. Provide copies of any analysis performed by Jackson Energy comparing its operating budget with its actual operating results for the test year.

b. If no analysis has been done, describe how Jackson Energy uses its operating budget to evaluate actual financial results.

c. Provide the reason(s) why Jackson Energy's actual utility operating margins were approximately $2,000,000 below the operating budget expectations for the test year.

12. Refer to the Application, Exhibit W. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between February 28, 1999 and February 29, 2000.

a. Account No. 365 – Overhead Conduct & Devices, page 1 of 16.

b. Account No. 367 – Underground Cond. & Devices, page 1 of 16.

c. Account No. 391.01 – Computer Equipment, page 2 of 16.

d. Account No. 392.01 – Transportation – Other, page 2 of 16.

e. Account No. 107.10 – CWIP – Contractor, page 3 of 16.

f. Account No. 107.20 – Work in Progress, page 3 of 16.

g. Account No. 108.60 – Reserve – Distribution Plant, page 3 of 16.

h. Account No. 108.71 – Reserve – Office Equipment, page 3 of 16.

i. Account No. 108.72 – Reserve – Transportation, page 3 of 16.

j. Account No. 131.10 – Cash – General Funds, page 5 of 16.

k. Account No. 136 – Temporary Investments, page 6 of 16.

l. Account No. 143.01 – Pole Rentals, page 7 of 16.

m. Account No. 143.41 – Contributions in Aid, page 7 of 16.

n. Account No. 154.00 – Materials & Supplies, page 9 of 16.

o. Account No. 163.00 – Stores, page 9 of 16.

p. Account No. 232.10 – Accounts Payable – General, page 12 of 16.

q. Account No. 242.32 – Accrued Vacations, page 15 of 16.

13. Refer to the Application, Exhibit W, page 2 of 16, Account Nos. 390.10 through 390.14. For each of these accounts:

a. Provide a description of the building project.

b. Provide the status of each building project as of February 29, 2000 and as of the date of this response.

c. Explain why the building project has been recorded as a completed part of electric plant, rather than construction work in progress.

14. Refer to the Application, Exhibit W. For each of the accounts listed below, explain the purpose of the account and how Jackson Energy utilized the account during the test year.

a. Account No. 143.07 – Travel Advances, page 7 of 16.

b. Account No. 143.08 – FEMA Funds, page 7 of 16.

c. Account No. 143.20 – Employee Computer, page 7 of 16.

d. Account No. 143.53 – Employees, page 8 of 16.

e. Account No. 232.60 – Partial Memberships, page 13 of 16.

f. Account No. 232.80 – Others, page 13 of 16.

g. Account No. 242.30 – Acc. Sick Leave – Frozen, page 15 of 16.

15. Refer to the Application, Exhibit X. For each of the income statement accounts listed below, describe the reason(s) for the change in the account balance between February 28, 1999 and February 29, 2000.

a. Account No. 442.20 – Large Commercial, page 1 of 8.

b. Account No. 451.00 – Miscellaneous Services, page 1 of 8.

c. Account No. 580.00 – Operations – Supervision, page 1 of 8.

d. Account No. 583.00 – Overhead Line Expense, page 1 of 8.

e. Account No. 593.01 – Maintenance of lines, page 2 of 8.

f. Account No. 593.02 – Maintenance of lines, page 2 of 8.

g. Account No. 902.00 – Meter Reading, page 3 of 8.

h. Account No. 904.00 – Uncollectible Accounts, page 3 of 8.

i. Account No. 926.00 – Employee Benefits, page 4 of 8.

16. Refer to the Application, Exhibit Y, page 3 of 8. Explain why Account No. 165.26 – Transformers, and Account No. 171.00 – Interest, have been classified as Prepayments on the Trial Balance.

17. Refer to the Application, Exhibit Z, pages 2 and 3 of 3.

a. Provide copies of all versions of Board Policy No. 101 in effect during the test year prior to February 11, 2000.

b. Provide copies of Board Policy Nos. 225 and 510. If either board policy changed during the test year, provide copies of all versions in effect during the test year.

c. Provide justification for the board policy that the Chairman and Secretary/Treasurer should be paid an additional day's per diem each month for time involved in carrying out official duties.

d. Explain why the Commission should include this extra per diem for rate-making purposes in Jackson Energy's case.

18. Refer to the Application, Exhibit 1. Provide a description of Jackson Energy's policies and procedures concerning the following job actions. Include copies of any written policies and procedures.

a. Determination of overall increase in wage rate.

b. Job transfers and promotions.

c. Yearly and six-month reviews.

19. Refer to the Application, Exhibit 1, pages 2 through 6 of 14.

a. Explain how the regular hours worked were determined for the salaried employees.

b. Explain the policy of payment for overtime hours for salaried employees.

c. For both salaried and hourly employees, explain in detail why the regular hours worked during the test year exceeded the normal 2,080 hours for most of Jackson Energy's employees.

d. For both salaried and hourly employees, do the hours shown as "regular" reflect accumulated leave time paid during the test year? If yes, explain why these additional hours were included in the calculations to determine the wage and salary adjustment.

e. For hourly employees, explain why the regular hours worked exceed 2,080 and why the hours above 2,080 should not be classified as overtime hours.

f. For retired employee No. 101, explain why this employee was paid for 4,123.5 hours during the test year.

20. Refer to the Application, Exhibit 1, pages 7 through 10 of 14.

a. Using the information shown on pages 7 through 9 of 14, prepare a schedule showing for each salaried and hourly employee the percentage increase for each salary and wage rate change during the test year. Percentages should be rounded to the nearest tenth of a percent.

b. Using the information shown on pages 7 through 9 of 14, and focusing on those employees that received only one salary or wage rate change during the test year, prepare the following analysis. Compare the increase awarded as shown in this exhibit to either the 3.0 percent overall increase effective January 1, 1999 or the 3.5 percent overall increase effective January 1, 2000. If the increase does not match the appropriate overall increase authorized, provide an explanation as to why the increase was different.

c. Explain why hourly employee No. 63 did not receive any wage increases during the test year.

21. Refer to the Application, Exhibit 1, page 11 of 14. Provide the actual overtime hours worked for the calendar years 1997 through 1999. In any period where the number of hours changed by 10 percent or more, explain the changes in the hours of overtime worked.

22. Refer to the Application, Exhibit 1, pages 13 and 14 of 14.

a. Provide a description of each employee benefit listed on page 13 of 14.

b. Are any of Jackson Energy's employee benefit costs a function of the total salaries and wages paid to its employees? If yes, explain why Jackson Energy did not propose an adjustment to these costs corresponding to the salary and wage normalization.

c. Explain why Jackson Energy did not propose to normalize its medical insurance cost.

d. Explain why employee life insurance is not included with the benefits shown on page 13 of 14.

e. Explain why the capitalization percentages shown on page 14 of 14 for salaries and wages and workers' compensation are not the same as the rate for other labor-related costs. Also explain why none of the capitalization rates shown on page 14 of 14, lines 11 through 42, match the 42 percent capitalization rate shown on page 1 of 14 in this exhibit.

23. Indicate when Jackson Energy last conducted or had an outside party perform a comprehensive study of its salaries, wages, and benefit package. Provide copies of that study.

24. Refer to the Application, Exhibit 2, pages 2 through 6 of 6.

a. Provide copies of Jackson Energy's policy concerning the provision of life insurance coverage to employees and providing life insurance coverage over $50,000 per employee.

b. For each employee with the life insurance coverage in excess of $50,000, provide the test year total life insurance premium and the life insurance premium required to provide the first $50,000 of coverage.

c. Provide copies of Jackson Energy's policy concerning the provision of a cooperative vehicle to certain employees.

d. Does the life insurance adjustment shown on pages 2 through 6 of 6 reflect a calculation using the Internal Revenue Service basis? If not, explain how the adjustment was calculated.

e. Provide the calculation of the amounts shown as vehicle compensation for each employee affected.

f. Explain why life insurance and vehicle compensation amounts are shown on page 6 of 6 for retired employees. Also explain why these amounts should be reflected in the proposed adjustments to the payroll taxes.

25. Refer to the Application, Exhibit 3, pages 1 through 4 of 9.

a. Prepare an analysis that compares Jackson Energy's proposed depreciation rates with the corresponding depreciation rate ranges approved by the RUS.

b. Explain in detail why the normalized depreciation charged to the clearing accounts is significantly lower than the test year depreciation charged to the clearing accounts.

c. Page 3 of 9 shows the depreciation reserve ratio for Jackson Energy. Provide the reserve ratio recommended by the RUS depreciation guidelines. If Jackson Energy's reserve ratios are significantly different from those recommended by the RUS, provide a narrative describing the contributing factors to this difference.

d. Provide the depreciation reserve ratios for Jackson Energy for the years 1990 through 1994.

e. Page 4 of 9 is a schedule that shows the changes in electric plant. Explain the negative additions to Account No. 392.01, Transportation – Other.

26. Jackson Energy's 1997 Annual Report filed with the Commission shows that it wrote off $14,535,593 of distribution utility plant, with a corresponding write off to accumulated depreciation of $14,280,160. The 1997 Annual Report states that this

adjustment was necessary so that the accounting records would reflect the actual plant in the field.

a. Provide a detailed description of the circumstances surrounding this write off of utility plant and accumulated depreciation. Include a discussion of the factors that caused the accounting records to be overstated.

b. Provide all the accounting entries made by Jackson Energy concerning this write off. Include all calculations, assumptions, and other documentation that support the determination of the amounts written off. In addition, provide copies of any studies prepared by Jackson Energy or an independent source used to determine that this specific dollar amount of plant does not exist.

c. Provide excerpts from the independent auditor’s report for that year disclosing and discussing this write off.

d. Provide copies of all correspondence with the RUS concerning the write off.

e. Explain in detail why this write off was not treated as an extraordinary item for financial reporting purposes.

f. Other than the references in the 1997 Annual Report, did Jackson Energy contact or notify the Commission of its intent to record this write off? If yes, provide copies of all correspondence with the Commission on this subject. If no, explain why Jackson Energy did not contact the Commission.

g. Provide details of any additional write offs that have occurred over the past 10 years or any additional adjustments planned.

27. The Annual Reports filed with the Commission for 1997, 1998, and 1999 reference other credit adjustments to Jackson Energy's accumulated depreciation account.

a. Explain in detail the credit adjustment titled "Write-Off Trailer Fees and Prepayments" as shown for 1997, 1998, and 1999. For each of these years, provide the calculations, assumptions, and other documentation used to determine the amount of the adjustment.

b. Explain in detail the credit adjustment titled "Write-Off General Plant" as shown for 1997 and 1998. For each of these years, provide the calculations, assumptions, and other documentation used to determine the amount of adjustment.

c. Explain in detail the credit adjustment titled "Other Adjustments" as shown for 1998 and 1999. For each of these years, provide the calculations, assumptions, and other documentation used to determine the amount of the adjustment.

28. Refer to the Service Life and Salvage Study ("1999 Depreciation Study") prepared by Gannett Fleming Valuation and Rate Consultants, Inc. ("Gannett Fleming") and submitted by Jackson Energy in this case.

a. When was Jackson Energy's previous depreciation study performed?

b. Describe the factors that prompted Jackson Energy to undertake the 1999 Depreciation Study.

c. Explain the process that resulted in the selection of Gannett Fleming to perform the 1999 Depreciation Study.

d. Describe Gannett Fleming's experience in performing depreciation studies for electric cooperative corporations.

e. Provide the total cost of the 1999 Depreciation Study. Indicate the portion of the total cost that is reflected in the test year, and identify the accounts impacted by the 1999 Depreciation Study costs.

f. Has Jackson Energy sought and received the approval of the RUS to implement the proposed depreciation rates recommended by the 1999 Depreciation Study? If yes, indicate when approval was received. If no, explain why approval has not been sought.

g. Provide copies of all correspondence with RUS concerning the 1999 Depreciation Study.

h. The 1999 Depreciation Study appears to make no reference to the 1997 distribution plant and accumulated depreciation write offs. Describe the impact the 1997 write offs had on the 1999 Depreciation Study.

29. Refer to the 1999 Depreciation Study, page III-7, Schedule 2.

a. Describe what other depreciation methodologies were considered besides remaining life for Jackson Energy.

b. How would the values shown on Schedule 2, columns 5 and 6, change if a methodology other than remaining life had been used? Explain the response.

c. Would Jackson Energy agree that if the proposed depreciation accrual rates were used, new construction would be depreciated prior to being retired from service?

1) If no, explain why this would not be true.

2) If yes, explain how Jackson Energy would avoid this problem.

30. Refer to the Application, Exhibit 3, pages 6 and 7 of 9. This is a schedule from the 1999 Depreciation Study.

a. For each of the accounts listed below, the sum of the Booked Accumulated Depreciation and the Future Accruals exceeds the Original Cost at December 31, 1999. Explain in detail why the Commission should accept depreciation rates that result in the over-depreciation of these accounts.

1) Account No. 364 – Poles, Towers & Fixtures.

2) Account No. 365 – Overhead Conductors & Devices.

3) Account No. 367 – Underground Conductors & Devices.

4) Account No. 369 – Services.

5) Account No. 371 – Installations on Consumers Premises.

6) Account No. 373 – Street Lighting & Signal Systems.

7) Account No. 390 – Structures & Improvements – Jackson County – Transformer Storage Building.

8) Account No. 390 – Structures & Improvements – Jackson County – Wood Shed at Warehouse.

b. According to this schedule, the Book Accumulated Depreciation for Account No. 390 – Structures & Improvements – Jackson County – Garage and Building B already exceeds the Original Cost at December 31, 1999. These accounts are fully depreciated. Explain in detail why the 1999 Depreciation Study proposes to continue depreciating these two accounts.

c. For each of the accounts listed below, the sum of the Booked Accumulated Depreciation and the Future Accruals does not equal the Original Cost at December 31, 1999. Explain why this situation occurs.

1) Account No. 390 – Structures & Improvements – Jackson County – Main Office.

2) Account No. 392.1 – Transportation Equipment – Cars.

3) Account No. 392.2 – Transportation Equipment – Light Trucks.

4) Account No. 392.3 – Transportation Equipment – Heavy Trucks.

31. Refer to the Application, Exhibit 6.

a. Jackson Energy has proposed to adjust its directors' expenses to remove per diem payments and certain miscellaneous expenses associated with the general manager search. Explain why Jackson Energy did not remove the mileage reimbursements associated with the general manager search.

b. Indicate whether Jackson Energy believes the mileage reimbursements associated with the general manager search should be included for rate-making purposes.

c. To the extent possible, describe the nature of the directors' expense identified as "Depositions for Lewis trial." Explain why any expenses associated with this item should be included for rate-making purposes.

d. Explain why Jackson Energy believes expenses associated with the Congressional Breakfast should be included for rate-making purposes.

e. Explain why the expenses associated with the Nominating Committee should be included for rate-making purposes.

f. According to Exhibit Z, page 1 of 3, Jim Hays resigned from the board of directors on April 9, 1999 and William Watkins resigned on February 12, 1999. Explain in detail why Mr. Hays and Mr. Watkins continued to receive regular board meeting per diems, magazines, and health insurance after the dates of their resignations. Also explain why Jackson Energy believes these expenses, except for the health insurance, should be included for rate-making purposes.

32. Refer to the Application, Exhibit 7, page 2 of 2. Provide an updated version of this schedule, showing information as of November 30, 2000.

33. Refer to the Application, Exhibit 9, page 3 of 3. Describe the purpose of the advertising listed as “EC loans” and provide copies of the advertisements.

34. Refer to the Application, Exhibit 11.

a. Page 2 of 8 shows information concerning institutional advertising. Explain why Jackson Energy believes that the employee labor, overheads, and mileage incurred in conjunction with institutional advertising should be included for rate-making purposes.

b. Page 4 of 8 shows information concerning the annual meeting expenses.

1) Explain why directors’ per diem and mileage expenses have been recorded as an annual meeting expense, instead of directors’ expenses.

2) Describe the role and function of the directors at the cooperative annual meeting. Is a regular board meeting held in conjunction with the annual meeting?

3) Is the Jim Hays that appears on line 29 of this schedule the director who resigned earlier in the year?

c. Page 7 of 8 presents expenses associated with employee publications. Describe the employee publications related to expenses recorded in Account No. 930.26. Include sample copies of these publications.

d. Page 8 of 8 presents expenses associated with business development. Describe the activities related to expenses recorded in Account No. 930.28.

35. Refer to the Application, Exhibit 12. An increase of $36,782 in revenue from CATV Pole attachment charges appears on line 26. Explain where this revenue appears on Jackson Energy's Income Statement, as shown in Exhibit T.

36. Refer to the Application, Exhibit 14.

a. Provide the derivation of the normalized revenue adjustment of $172,316 shown on page 1 of 2, line 15. Include all necessary workpapers and other supporting documents.

b. Page 2 of 2 of Exhibit 14 does not appear to be related to the revenue adjustment shown on page 1 of 2. Explain why the fuel adjustment analysis included on page 2 of 2 is included in this exhibit.

37. Refer to the Application, Exhibit 17. For each change to the Bylaws that occurred in 2000, provide a schedule showing the Bylaw language before and after the amendment.

38. Refer to the Application, Exhibit 19.

a. What is the average duration of a Jackson Energy monthly board meeting?

b. Explain why the legal retainer paid by Jackson Energy doesn't include the performance of other legal work in addition to attending board meetings.

c. Explain why Jackson Energy believes expenses for sending its attorney to legal seminars should be included for rate-making purposes.

d. Refer to page 3 of 4 in Exhibit 19. For each item listed below, describe the nature of the case and the legal work involved. Also explain why the expenses associated with each item reflect recurring expenses for Jackson Energy and constitute a reasonable, on-going level of legal expense for Jackson Energy.

1) Taylor case.

2) Stave case.

3) PSC Safety.

4) JSP, Inc.

e. Refer to page 4 of 4 in Exhibit 19. Explain why legal expenses associated with the manager search and the removal of gas tanks in 1989 should be considered recurring expenses and reflect reasonable, on-going expenses for Jackson Energy, and included for rate-making purposes.

39. Refer to the Application, Exhibit 22.

a. Page 4 of 4 of this exhibit indicates that Board Policy No. B200 was revised on March 10, 2000. Provide copies of this board policy that were in effect during the test year. Also, explain the rationale for any changes implemented on March 10, 2000.

b. Provide a copy of Jackson Energy's long range financial plan that was developed during the test year as well as the current version of the plan.

c. Jackson Energy has requested that the provisions of the settlement agreement reached in its last general rate case concerning the refunding to members of capital credits earned in excess of a 2.0 TIER be eliminated. Does Jackson Energy intend to follow the provisions in Board Policy No. B200 relating to capital credit retirements if the Commission approves this proposal? Explain the response.

d. Describe Jackson Energy's current capital credit rotation program. Identify any changes made during the test year, noting each change and the reason for the change.

e. Indicate when the policy performance review was conducted during the test year and the most recent review. Describe the results of each review, provide copies of any reports or analysis performed in conjunction with those reviews, and discuss any changes made as a result of those reviews.

40. Refer to the Application, Exhibit 23.

a. Exhibit 21 of the Application shows that the post-retirement benefits test year cost was $345,600. Does this cost reflect the annual accrual of post-retirement benefits as prescribed by Statement of Financial Accounting Standard ("SFAS") No. 106? Explain the response.

b. Indicate how much of the test year cost of $345,600 reflects post-retirement benefits for Jackson Energy's directors and attorney. Include the calculations and assumptions used to determine the amounts associated with the directors and attorney.

c. Jackson Energy has provided a copy of its basic valuation results for 1994, the year SFAS No. 106 was adopted.

1) Has Jackson Energy periodically recalculated its basic valuation results, to reflect changing assumptions and conditions relating to its post-retirement benefits?

2) Indicate when the last recalculation was prepared. Provide a copy of the results. Provide the annual accrual recommended by those results, with the amounts for the directors and attorney shown separately.

3) If a recalculation has not been performed since February 1999, prepare an updated basic valuation results for Jackson Energy using the format shown on pages 3 through 6 of 6 in Exhibit 23. The updated results should reflect conditions and assumptions as of February 29, 2000. If conditions or assumptions have significantly changed since February 29, 2000, provide a second update using the most current conditions and assumptions. For both updates, indicate what the required annual accrual should be and compare that amount to the test year actual accrual. Show the total annual accrual and a separate amount for the directors and attorney.

41. Refer to the response to the First Data Request of Commission Staff to Jackson Energy dated August 22, 2000 ("1st Staff Request"), Item 12. Does Jackson Energy classify its cooperative farm as utility or non-utility property in its accounting

records? Explain the response. If the farm is classified as non-utility property, provide the information originally requested in Item 12.

42. Refer to the response to the 1st Staff Request, Item 15. Jackson Energy was requested to identify any changes made in its equity management plan since the year utilized as the test year in its last rate case. The information supplied in Exhibit 22 of the Application did not address this request. Provide the originally requested information.

43. Refer to the response to the 1st Staff Request, Item 34(a). Jackson Energy was requested to provide a detailed schedule of the costs incurred to date for the preparation of this case. The schedule was to 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. Jackson Energy was also to indicate any costs incurred for this case during the test year. Jackson Energy was to include copies of invoices received from the vendors. In its response, Jackson Energy provided only the account number. Provide the information originally requested. The response should reflect the costs incurred as of the date of the response to this request, with monthly updates beginning for periods after the response date to this request.

44. Refer to the response to the 1st Staff Request, Item 35. Does Jackson Energy have any loan requests pending before the RUS or its supplemental lender? If yes, provide the amount of the requested loan, when the request was submitted to the lender, when approval is expected, and identify the corresponding work plan for the loan request.

45. Refer to the response to the 1st Staff Request, Item 46. Provide the following information concerning Jackson Energy Services Corp. ("Services Corp.") and Jackson Service Plus, Inc. ("Service Plus"):

a. A detailed description of the goods and/or services provided by each subsidiary.

b. The location of the offices and operating facilities for each subsidiary.

c. The accounting entries made in the records of Jackson Energy when each subsidiary was established. Identify the accounting methodology used to record each investment.

d. The sources of funding for the initial investment in each subsidiary.

e. The amount of any additional funding provided by Jackson Energy to each subsidiary, the date the funding was provided, the form of the funding, the source of the funding, and the accounting entries made in the records of Jackson Energy recording the transaction.

f. The terms and conditions of the note receivable between Jackson Energy and Services Corp.

g. The balance sheet and income statement for Services Corp. for 1998.

h. The balance sheet and income statement for Service Plus for 1997 and 1998.

i. The number of employees of each subsidiary, as of test-year end and November 30, 2000. If the subsidiary does not have employees of its own, describe in detail how the subsidiary is staffed.

j. The officer titles for each individual identified in the response to Item 46(e).

46. Refer to the response to the 1st Staff Request, Item 46, page 4 and 5 of 5. Provide a detailed description of Jackson Energy's association or affiliation with Jackson Thermogas, LLC ("Thermogas"). In addition, provide the following information concerning Thermogas:

a. A detailed description of the goods and/or services provided.

b. The location of the offices of Thermogas.

c. The date Thermogas was established.

d. The accounting entries made in the records of either Jackson Energy or Services Corp. when Thermogas was established. Identify the accounting methodology used to record the investment. Also indicate the type of investment.

e. The sources of funding for the initial investment.

f. The amount of any additional funding provided by either Jackson Energy or Services Corp. to Thermogas, the date the funding was provided, the form of the funding, the source of the funding, and the accounting entries made in the records of either Jackson Energy or Services Corp. recording the transaction.

g. The balance sheet and income statement for Thermogas for each calendar year since its establishment.

h. The number of Thermogas employees, as of test-year end and November 30, 2000. If Thermogas does not have employees of its own, describe in detail how it is staffed.

i. The name of the officers and officer titles of Thermogas, the officer's annual compensation, and the portion of compensation charged to Thermogas. Indicate the position each officer holds with Jackson Energy and the compensation received from Jackson Energy.

47. Provide an organization chart showing the relationship between Jackson Energy, Services Corp., Service Plus, and Thermogas as of test-year end and as of November 30, 2000.

48. Has Jackson Energy directly or indirectly guaranteed or assumed any obligations, liabilities, or evidences of indebtedness for Services Corp., Service Plus, or Thermogas? If yes, describe in detail the guarantee or assumption made by Jackson Energy. In addition, explain why the guarantee or assumption is not subject to Commission approval under the provisions of KRS 278.300.

49. In Administrative Case No. 326,[1] the Commission expressed its concerns about rural electric cooperative corporations becoming involved with non-utility operations. The Commission said:

> One of the primary concerns is the potential which will exist for cross-subsidization of nonutility operations by the regulated RECC. Cross-subsidization can occur through

[1] Administrative Case No. 326, An Investigation Into the Diversification of Rural Electric Cooperative Corporations Into the Satellite-Delivered Television Programming Services, final Order dated March 18, 1991.

misallocation of common or joint costs, or through improper accounting treatments.[2]

a. Provide a detailed description of the procedures employed by Jackson Energy concerning the allocation of costs to its subsidiaries.

b. If Jackson Energy has not been allocating any costs to the subsidiaries, explain in detail why it believes this approach is appropriate, both for financial accounting and rate-making purposes.

50. Does Jackson Energy provide scholarships to children of its members? If yes, provide the amount of the scholarships awarded and paid during the test year and the account number where this expenditure is recorded. Also explain why this expense should be included for rate-making purposes.

51. Does Jackson Energy offer its members bill payment by bank draft, bill payment by credit card or offer credit card programs? If yes to any of these, provide the following information for each service:

a. The month and year the service was first offered.

b. The initial start-up costs to Jackson Energy and the on-going annual cost.

c. The accounting entries utilized to record the initial and on-going costs.

d. Any cost/benefit or feasibility analysis Jackson Energy performed when determining whether to offer the service. If such analyses were not performed, explain how Jackson Energy concluded that the service should be offered to members.

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[2] Id., Appendix A at 1.

e. The number of members using the service, as of test-year end and November 30, 2000. In addition, state these numbers as a percentage of the total membership of Jackson Energy.

f. The terms and conditions of the service, both to the member and Jackson Energy, if applicable.

g. Describe in detail any rebate programs offered in conjunction with the credit cards.

52. Do Jackson Energy or its subsidiaries offer financing for heating and/or home improvements? If yes, provide the following information for each financing program:

a. Describe in detail how the program operates. Include a discussion of any program requirements or restrictions. Provide examples of any information required of the member seeking the financing.

b. Describe all terms and conditions of the financing provided under the program. Include copies of any forms prepared for or required by lending institutions.

c. Does Jackson Energy guarantee either directly or indirectly the financing provided under the program? If yes, explain why such a guarantee by Jackson Energy would not require Commission approval under KRS 278.300.

W. H. Bowker for

Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
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DATED December 5, 2000

cc: All Parties