

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION FOR AUTHORITY FOR JACKSON)	
ENERGY COOPERATIVE CORPORATION TO)	CASE NO.
GUARANTEE A LINE OF CREDIT FOR JACKSON)	2001-188
SERVICE PLUS, INC. WITH NATIONAL)	
COOPERATIVE SERVICES CORPORATION)	

FIRST 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 six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before September 7, 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. Provide a chart showing the relationships between Jackson Energy, Jackson Service Plus, Inc. (“Service Plus”), Jackson Energy Services (“JE Services”), and Jackson Propane Plus (“Propane Plus”) as of August 1, 2001.

2. Concerning the line of credit between Service Plus and the National Cooperative Services Corporation (“NCSC”), provide the following information:

a. Describe the reason(s) why Service Plus sought and secured the NCSC letter of credit.

b. Identify the assets of Service Plus which are being used as the security on the line of credit.

c. Prepare a schedule showing all borrowings and repayments on the line of credit since it was established through August 1, 2001. The schedule should show the date of the borrowing or repayment, the amount, the interest rate in effect at the time of borrowing, a description of how the borrowed amount was used, and the source of funds to make repayments.

d. Indicate the interest rate option currently in effect for the line of credit.

e. State the interest rate on the line of credit borrowings as of August 1, 2001.

f. Indicate the level of debt service coverage achieved by Service Plus as of August 1, 2001.

3. In its application, Jackson Energy has indicated that most of the funds borrowed under the NCSC line of credit by Service Plus have in turn been loaned to JE Services to fund JE Services’ propane venture. The application also states that JE Services owes Service Plus \$855,000 plus accrued interest.

a. Prepare a schedule detailing all loans and other borrowings by JE Services from Service Plus. The schedule should include the date of the transaction,

the amount originally borrowed, the interest rate, the outstanding balance of the loan or borrowing as of August 1, 2001, and a description of all terms or conditions of the loan or borrowing.

b. Identify or describe the sources of the funds that Service Plus has loaned to JE Services, other than the NCSC line of credit.

c. If most of Service Plus's borrowing under the NCSC line of credit has been loaned to JE Services, explain in detail why JE Services did not seek and secure its own line of credit.

4. Concerning Jackson Energy's expressed intent of purchasing additional shares of stock in JE Services,

a. How much more stock does Jackson Energy plan on purchasing in JE Services? Express this amount as number of shares and the total value of the additional investment.

b. Indicate how much Jackson Energy has invested in JE Services through August 1, 2001. Include the gross amounts invested and the share of losses recorded in association with the investment in JE Services.

c. Explain how Jackson Energy would finance this purchase of additional shares of stock in JE Services.

d. Has East Kentucky Power Cooperative, Inc. agreed to make an additional investment in JE Services and purchase shares of stock? Explain the response.

e. If the additional shares were purchased, would Jackson Energy still have a 75 percent ownership of JE Services? Explain the response.

5. In its application, Jackson Energy states that JE Services would use the proceeds from the sale of additional shares of its stock to repay its debt to Service Plus, and Service Plus would repay its debt under the NCSC line of credit. In the application it is stated that JE Services owes Service Plus \$855,000 plus accrued interest. Does JE Services anticipate generating enough funds to repay the entire debt owed to Service Plus? Explain the response.

6. Given the planned use for the proceeds from the sale of additional stock in JE Services,

a. Isn't Jackson Energy in essence repaying the NCSC line of credit? Explain the response.

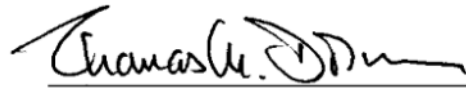
b. Is the effect of this transaction Jackson Energy's acknowledgment that, because JE Services cannot repay Service Plus, Service Plus will have to default on the NCSC line of credit and Jackson Energy will be required to pay off the NCSC obligation due to its guarantee? Explain the response.

7. Jackson Energy is seeking approval of its guarantee of Service Plus's NCSC line of credit. Jackson Energy also is contemplating the purchase of additional shares of stock in JE Services to provide funds for JE Services to repay the debt it owes Service Plus.

a. Explain in detail why these actions do not reflect the subsidization of non-regulated affiliate businesses by the regulated utility.

b. Explain in detail what steps Jackson Energy has taken to protect its members from the risk of default on the line of credit guarantee.

c. Explain in detail what steps Jackson Energy has taken to protect the financial condition of the regulated utility in light of the financial difficulties currently faced by JE Services and Propane Plus.



Thomas M. Dorman
Executive Director
Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40602

DATED 8/23/01

cc: All Parties