

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	)	

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 six copies of the following information, with a copy to all parties of record. The information requested herein is due on or before December 21, 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 response to the Commission Staff's 1<sup>st</sup> Data Request dated August 23, 2001, Item 3(a). As of November 1, 2001, provide the amount of accrued interest Jackson Energy Services ("JE Services") owes Jackson Service Plus, Inc.

("Service Plus"). Include all workpapers, assumptions, and calculations used to determine the amount of accrued interest.

2. Refer to the response to the Commission Staff's 1<sup>st</sup> Data Request dated August 23, 2001, Item 4.

a. In the response to Item 4(a), Jackson Energy states that it and East Kentucky Power Cooperative, Inc. ("East Kentucky") will need to purchase additional shares of stock in JE Services to cover interest that has accrued since this proceeding has been pending. As of November 1, 2001, how many shares of stock do Jackson Energy and East Kentucky plan on purchasing in JE Services?

b. Based on its financial condition as of November 1, 2001, does Jackson Energy have the cash available to invest at least \$1,185,000 in the stock of JE Services?

c. Explain in detail how Jackson Energy will finance its ongoing, regulated operations if it makes the planned investment of at least \$1,185,000 in JE Services. Also address in this explanation how Jackson Energy will be able to continue funding its current Work Plan, since it must first expend its own funds before seeking reimbursement from either the Rural Utilities Service or its supplemental lender.

3. Refer to the response to the Commission Staff's 1<sup>st</sup> Data Request dated August 23, 2001, Item 5. Jackson Energy contends that, "By selling additional stock, Jackson Energy Services can eliminate further accruals of interest expense and thereby prevent the debt from growing." Explain how the sale of stock can eliminate the accrual of interest expense and prevent existing debt from growing.

4. Refer to the response to the Commission Staff's 1<sup>st</sup> Data Request dated August 23, 2001, Item 6(b). Item 6(b) stated, "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." Jackson Energy's reply did not address the effect of the proposed transaction, which is the purchase of additional stock in JE Services. Provide the information originally requested in Item 6(b).

5. Refer to the response to the Commission Staff's 1<sup>st</sup> Data Request dated August 23, 2001, Item 7.

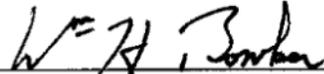
a. Item 7(a) stated, "Explain in detail why these actions do not reflect the subsidization of non-regulated affiliate businesses by the regulated utility." Jackson Energy's reply did not address the issue of subsidization of the non-regulated affiliate businesses by the regulated utility. Provide the originally requested information.

b. Item 7(b) stated, "Explain in detail what steps Jackson Energy has taken to protect its members from the risk of default on the line of credit guarantees." Jackson Energy's reply did not address the risk of default on the line of credit guarantees. Provide the originally requested information.

c. Item 7(c) stated, "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." Jackson Energy's reply noting the earnings potential of Jackson Propane Plus ("Propane Plus") and the purchase of stock to avoid accruing additional interest expense is not responsive to

what steps have been taken to protect the financial condition of the regulated utility.  
Provide the originally requested information.

6. Provide the following information for JE Services and Propane Plus:
  - a. Balance sheets as of September 30, 2001 and income statements for the 9 months ending September 30, 2001.
  - b. Copies of financial forecasts or business plans for each company that project the operations of each company for at least the next 5 years. Include all assumptions, workpapers, and calculations used to determine the financial forecast or business plan.
  - c. If neither financial forecasts nor business plans have been prepared for JE Services and Propane Plus, explain in detail how Jackson Energy has reached the conclusion that JE Services and Propane Plus will become profitable ventures.
7. For purposes of this question, assume that the Commission does not approve Jackson Energy's guarantee of the line of credit between Service Plus and the National Cooperative Services Corporation ("NCSC"). Describe the most likely impact of this decision on:
  - a. Service Plus;
  - b. Jackson Energy;
  - c. JE Services; and
  - d. Propane Plus.



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DATED December 4, 2001

cc: All Parties