

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

JACKSON ENERGY COOPERATIVE)	
CORPORATION)	
_____)	CASE NO.
)	2002-00119
ALLEGED FAILURE TO COMPLY WITH)	
KRS 278.300(1))	

O R D E R

Jackson Energy Cooperative Corporation (Jackson Energy) is a Kentucky cooperative corporation formed pursuant to KRS 279.010 to 279.220. It engages in the distribution of electricity to the public for compensation for lights, heat, power, and other uses, and is a utility subject to Commission jurisdiction. KRS 278.010; KRS 279.210.

KRS 278.300(1) requires that no utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized to do so by Order of the Commission.

In Case No. 2001-00188,¹ it was disclosed to the Commission that Jackson Energy had executed an unconditional guaranty of all amounts due under a \$1,000,000 line of credit between its subsidiary, Jackson Service Plus, Inc.² (Service Plus), and

¹ Case No. 2001-00188, Application for Authority for Jackson Energy Cooperative Corporation to Guarantee a Line of Credit for Jackson Service Plus, Inc. with National Cooperative Services Corporation, final Order dated March 28, 2002.

² Service Plus is a wholly owned subsidiary of Jackson Energy that primarily provides home security systems, home monitoring systems, and tree trimming services.

the National Cooperative Services Corporation (NCSC). Jackson Energy s Board of Directors authorized its President and General Manager to execute this guaranty agreement on August 14, 1998 and Jackson Energy s President and General Manager signed the guaranty on August 19, 1998.³

Fred Callahan, Fred M. Brown, Edward G. Stamper, Keith Binder, Dale Madden, Steve Patton, Jr., and Donald Thompson were members of the Board of Directors of Jackson Energy on August 14, 1998, and continue in that capacity to control and manage the affairs of Jackson Energy.

Prior to the filing of Case No. 2001-00188, Jackson Energy had neither sought nor been granted the authority to be the guarantor of the NCSC line of credit.

Based upon the foregoing and being otherwise sufficiently advised, the Commission finds prima facie evidence that Jackson Energy failed to comply with KRS 278.300(1), and that Fred Callahan, Fred M. Brown, Edward G. Stamper, Keith Binder, Dale Madden, Steve Patton, Jr., and Donald Thompson aided and abetted Jackson Energy in its violation of KRS 278.300(1).

The Commission, on its own motion, HEREBY ORDERS that:

1. Jackson Energy shall appear before the Commission on June 7, 2002 at 9:00 a.m., Eastern Daylight Time, in the Commission s offices at 211 Sower Boulevard, Frankfort, Kentucky for the purpose of presenting evidence concerning its alleged violation of KRS 278.300(1) and of showing cause why it should not be subject to the penalties prescribed in KRS 278.990(1) for this alleged violation.

³ Service Plus signed the line of credit agreement with NCSC on August 19, 1998. See Case No. 2001-00188, Application Exhibit 2, at 5, 8, and 10.

2. Fred Callahan, Fred M. Brown, Edward G. Stamper, Keith Binder, Dale Madden, Steve Patton, Jr., and Donald Thompson shall also appear before the Commission on June 7, 2002, at the same time and place stated above, for the purposes of presenting evidence concerning their alleged conduct to aid and abet Jackson Energy's violation of KRS 278.300(1) and of showing cause why they should not be subject to the penalties prescribed in KRS 278.990(1) for their alleged conduct.

3. Jackson Energy, Fred Callahan, Fred M. Brown, Edward G. Stamper, Keith Binder, Dale Madden, Steve Patton, Jr., and Donald Thompson shall each submit to the Commission, within 20 days of the date of this Order, a written response to the allegations contained herein.

4. The record of Case No. 2001-00188 shall be incorporated into the record of this proceeding by reference.

5. Any motion requesting an informal conference with Commission Staff to consider matters that may aid in the handling or disposition of this proceeding shall be filed with the Commission no later than 20 days from the date of this Order.

Done at Frankfort, Kentucky, this 29th day of April, 2002.

By the Commission

ATTEST:


Executive Director