

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Item No. 1a
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Witness: Jim Adkins

Q1A: Refer to page 3 of Exhibit JRA-1 in the Application and the response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 3, Exhibits 3.b, 3.c, and 3.d.

- a. Explain whether the projected values for 2014-2016 include the requested change in customer charge by customer class.

A1A: As shown in Exhibit JRA-1 of the Application, line 1c shows the customer charge increasing \$2 in 2014, increasing another \$2 to \$4 in 2015 and increasing another \$2 to \$6 in 2016. Line 4c shows an increase of \$6 in 2014 for small commercial accounts and line 5c shows an increase of \$150 in 2014 in large commercial accounts. These were preliminary estimates and were used in the financial forecast to show how an increase in the customer charge would impact revenue. The customer charge increases proposed in the Application were developed later by the cost of service study.

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Q1B: Refer to page 3 of Exhibit JRA-1 in the Application and the response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 3, Exhibits 3.b, 3.c, and 3.d.

- b. If the response to part a. is negative, provide a side-by-side comparison that includes the initial requested annual customer charge increase by customer class, similar to that contained in Exhibit 3.c. of the response to Staff's Second Request, Item 3, for 2014-2016, along with the TIER calculation for 2014-2016.

A1B: Please see Exhibit 1b on the next page.

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Exhibit 1b
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	2014		2015		2016	
Operating Revenue:	kWh	\$	kWh	\$	kWh	\$
Residential Sales	725,000,000	\$86,161,058	725,423,000	\$87,374,392	735,384,000	\$89,717,790
Small Comm. & Indust.	155,403,000	\$16,030,571	156,086,000	\$16,101,137	156,748,000	\$16,169,502
Large Comm. & Indust.	85,347,000	\$6,139,406	86,393,000	\$6,214,517	87,309,000	\$6,280,293
Subtotal	965,750,000	\$108,331,035	967,902,000	\$109,690,046	979,441,000	\$112,167,585
Other Revenue		\$2,675,000		\$2,700,000		\$2,725,000
Total Operating Revenue		\$111,006,035		\$112,390,046		\$114,892,585
Cost of Power		\$73,367,377		\$73,530,669		\$74,406,237
Operating Revenue less Power Costs		\$37,638,658		\$38,859,377		\$40,486,348
Operation & Maintenance Expense		\$11,338,222		\$11,451,604		\$11,680,636
Consumer Accounts & Sales Expense		\$4,817,201		\$4,865,373		\$4,962,681
A & G and Other Deduction Expense		\$5,633,466		\$5,689,801		\$5,803,597
Depreciation & Amortization Expense		\$9,274,162		\$9,366,904		\$9,554,242
Tax Expense		\$131,300		\$132,613		\$135,265
Interest Expense		\$4,999,477		\$4,956,016		\$4,979,691
Total Cost of Electric Service		\$109,561,205		\$109,992,980		\$111,522,349
Patronage Capital & Operating Margins		\$1,444,830		\$2,397,066		\$3,370,236
Non-Operating Margins		\$157,901		\$162,083		\$166,391
G & T and Other Capital Credits		\$200,000		\$200,000		\$200,000
Total Margins		\$1,802,731		\$2,759,149		\$3,736,627
TIER		1.36		1.56		1.75

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Q1C. Refer to page 3 of Exhibit JRA-1 in the Application and the response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 3, Exhibits 3.b, 3.c, and 3.d.

c. Refer to Exhibit 3.d. Provide a spreadsheet that shows the TIER calculation without the proposed rate increase for 2014-2016.

A1C. Please see Exhibit 1c on the next page.

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Exhibit 1c
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	2014		2015		2016	
	kWh	\$	kWh	\$	kWh	\$
Operating Revenue:						
Residential Sales	725,000,000	\$85,009,658	725,423,000	\$85,059,256	735,384,000	\$86,227,230
Small Comm. & Indust.	155,403,000	\$15,761,003	156,086,000	\$15,830,273	156,748,000	\$15,897,414
Large Comm. & Indust.	85,347,000	\$6,128,606	86,393,000	\$6,203,717	87,309,000	\$6,269,493
Subtotal	<u>965,750,000</u>	<u>\$106,899,267</u>	<u>967,902,000</u>	<u>\$107,093,246</u>	<u>979,441,000</u>	<u>\$108,394,137</u>
Other Revenue		\$2,675,000		\$2,700,000		\$2,725,000
Total Operating Revenue		\$109,574,267		\$109,793,246		\$111,119,137
Cost of Power		\$73,367,377		\$73,530,669		\$74,406,237
Operating Revenue less Power Costs		\$36,206,890		\$36,262,577		\$36,712,900
Operation & Maintenance Expense		\$11,338,222		\$11,451,604		\$11,680,636
Consumer Accounts & Sales Expense		\$4,817,201		\$4,865,373		\$4,962,681
A & G and Other Deduction Expense		\$5,633,466		\$5,689,801		\$5,803,597
Depreciation & Amortization Expense		\$9,274,162		\$9,366,904		\$9,554,242
Tax Expense		\$131,300		\$132,613		\$135,265
Interest Expense		\$4,999,477		\$4,956,016		\$4,979,691
Total Cost of Electric Service		\$109,561,205		\$109,992,980		\$111,522,349
Patronage Capital & Operating Margins		\$13,062		(\$199,734)		(\$403,212)
Non-Operating Margins		\$157,901		\$162,083		\$166,391
G & T and Other Capital Credits		\$200,000		\$200,000		\$200,000
Total Margins		<u>\$370,963</u>		<u>\$162,349</u>		<u>(\$36,821)</u>
TIER		1.07		1.03		0.99

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Q1D. Provide in electronic Excel spreadsheet format, with formulas intact and class unprotected, the responses to parts b. and c.

A1D. Please see file JacksonEnergy_R_PSCDR3_Exhibit1_Item1d.xls

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Witness: Jim Adkins

Q2: Refer to Exhibit K of the application. Only the information related to the determination of the revenue requirements was included. Provide a revised Exhibit K which includes schedules showing the calculation of the rate of return, determination of the rate base, and equity capitalization.

A2: Please see Exhibit X of the application.

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Q3A: Refer to the responses to Item 2 of Staff's Second Request which refer to primary adjustments made to the test year.

a. Refer to page 1 of Exhibit S.

(1) Provide a breakdown of Other Electric Revenue for the test year.

(2) Explain the \$80,490 adjustment to Other Deductions.

A3A: (1) A breakdown of the Other Electric Revenue for the Test Year is provided below:

Acct No	Title	Amount
450	Forfeited Discounts	1,124,919
451	Misc Service Revenue	326,810
452	Return Check Charge	-
	Rent from Electric	
454	Prop.	915,266
456	Other Electric Revenue	233,945
	Total Misc Income	2,600,940

(2) The amount of \$80,490 listed as other deductions has been included in error. This amount is also listed under Administrative and General which is the correct placement.

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Q3b: Refer to the response to Item 2 of Staff's Second Request which refer to primary adjustments made to the test year.

b: Refer to page 1 of the response to Item 2.a. Provide Jackson's wage and salary increase for 2012.

A3b: Wage and salary increases are as follows:

<u>Emp #</u>	<u>Wage Rate</u> <u>11/1/10</u>	<u>Wage Rate</u> <u>11/1/11</u>	<u>Percent Change</u>	<u>Wage Rate</u> <u>1/1/13</u>	<u>Percent change</u>	<u>Reason for increase</u>
Salary Employees						
13	53.57	55.44	3.5%	58.89	6.2%	Additional duties
61	42.99	44.43	3.3%	47.47	6.8%	Additional duties
173	44.16	45.78	3.7%	47.06	2.8%	
261	51.77	55.44	7.1%	86.54	56.1%	Promotion
335	n/a	31.25	0.0%	41.65	33.3%	Promotion
351	n/a	44.08	0.0%	57.45	30.3%	Promotion
Hourly Employees:						
8	27.95	28.84	3.2%	29.60	2.6%	
14	44.72	46.36	3.7%	48.71	5.1%	Performance
15	28.89	29.73	2.9%	30.43	2.4%	
17	28.29	29.19	3.2%	29.88	2.4%	
18	36.35	36.35	0.0%	36.35	0.0%	
20	13.24	16.16	22.1%	17.72	9.7%	Customer Service Rep (CSR) evaluation
21	31.12	37.17	19.4%	38.15	2.6%	Promotion in prior year
22	25.66	26.53	3.4%	27.25	2.7%	
26	30.72	31.66	3.1%	32.44	2.5%	
27	28.28	29.07	2.8%	29.75	2.3%	
28	25.66	26.62	3.7%	27.47	3.2%	
44	19.06	19.54	2.5%	23.40	19.8%	CSR evaluation
46	26.86	28.01	4.3%	30.96	10.5%	Promotion
49	31.12	32.12	3.2%	32.86	2.3%	

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53	28.37	29.29	3.2%	29.99	2.4%	
54	27.12	28.02	3.3%	28.70	2.4%	
58	27.17	29.45	8.4%	30.26	2.8%	
64	28.35	29.27	3.2%	29.99	2.5%	
66	17.96	18.59	3.5%	20.55	10.5%	CSR evaluation
68	26.09	26.96	3.3%	27.66	2.6%	
71	31.18	32.15	3.1%	32.91	2.4%	
72	24.05	24.89	3.5%	29.00	16.5%	Promotion
75	28.89	29.95	3.7%	30.70	2.5%	
80	21.63	22.33	3.2%	22.95	2.8%	
85	21.59	22.67	5.0%	23.37	3.1%	
91	27.46	28.36	3.3%	29.02	2.3%	
96	36.95	40.43	9.4%	41.38	2.3%	
98	31.04	32.06	3.3%	28.56	-10.9%	Position change
107	18.98	19.45	2.5%	19.95	2.6%	
123	30.99	31.98	3.2%	32.84	2.7%	
125	27.03	27.81	2.9%	28.47	2.4%	
134	28.51	29.44	3.3%	30.14	2.4%	
146	36.72	38.07	3.7%	39.02	2.5%	
147	36.61	44.08	20.4%	45.06	2.2%	
148	30.89	31.88	3.2%	32.75	2.7%	
150	28.39	29.41	3.6%	30.13	2.4%	
151	31.93	32.89	3.0%	33.71	2.5%	
160	31.16	35.44	13.7%	36.29	2.4%	
161	25.65	26.52	3.4%	27.16	2.4%	
179	28.37	37.17	31.0%	38.15	2.6%	
182	27.46	28.36	3.3%	29.04	2.4%	
186	17.05	17.48	2.5%	18.79	7.5%	CSR evaluation
189	28.58	29.63	3.7%	30.37	2.5%	
191	36.72	38.07	3.7%	39.13	2.8%	
192	34.70	36.02	3.8%	36.70	1.9%	
193	27.12	28.90	6.6%	29.63	2.5%	
201	28.29	29.18	3.1%	29.90	2.5%	
203	32.38	33.61	3.8%	34.56	2.8%	
205	28.26	28.97	2.5%	29.64	2.3%	
206	28.29	29.21	3.3%	31.28	7.1%	Promotion
207	26.10	27.06	3.7%	27.67	2.3%	
208	28.20	29.17	3.4%	30.05	3.0%	
212	23.02	23.78	3.3%	24.38	2.5%	
213	27.06	27.96	3.3%	28.63	2.4%	
214	24.85	25.75	3.6%	26.58	3.2%	
218	27.12	28.02	3.3%	28.70	2.4%	
219	26.51	28.32	6.8%	29.00	2.4%	

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220	19.06	19.54	2.5%	24.09	23.3%	CSR evaluation
221	24.61	25.32	2.9%	26.02	2.8%	
224	27.06	27.96	3.3%	31.47	12.6%	Step increase
225	19.58	20.42	4.3%	20.94	2.5%	
228	27.12	28.02	3.3%	28.70	2.4%	
232	22.67	23.42	3.3%	24.00	2.5%	
233	32.40	37.37	15.3%	38.24	2.3%	Promotion in prior year
236	27.09	27.99	3.3%	27.73	-0.9%	
237	22.53	27.06	20.1%	26.39	-2.5%	Position change
239	24.85	25.75	3.6%	26.68	3.6%	
248	25.10	25.98	3.5%	26.68	2.7%	
249	27.09	27.99	3.3%	28.60	2.2%	
250	27.09	28.01	3.4%	28.69	2.4%	
252	27.12	28.02	3.3%	28.70	2.4%	
253	21.02	21.63	2.9%	23.59	9.1%	Promotion
257	39.03	40.20	3.0%	41.03	2.1%	
259	31.02	32.14	3.6%	33.00	2.7%	
260	18.07	18.76	3.8%	25.58	36.4%	CSR evaluation
267	19.79	22.61	14.2%	27.55	21.8%	Apprentice to 1st Class
268	30.97	31.88	2.9%	32.49	1.9%	
271	25.60	26.54	3.7%	27.28	2.8%	
272	22.67	23.45	3.4%	24.02	2.4%	
273	19.08	19.70	3.2%	20.20	2.5%	
274	31.09	32.12	3.3%	32.87	2.3%	
275	24.61	25.45	3.4%	26.02	2.2%	
276	21.02	22.38	6.5%	23.86	6.6%	Promotion
278	19.11	19.73	3.2%	20.23	2.5%	
279	27.01	27.94	3.4%	28.55	2.2%	
280	18.50	19.57	5.8%	20.02	2.3%	
282	17.09	17.65	3.3%	18.87	6.9%	CSR evaluation
283	28.99	30.05	3.7%	30.89	2.8%	
284	26.37	27.16	3.0%	27.84	2.5%	
285	5.63	16.03	184.7%	18.81	17.3%	CSR evaluation
289	30.26	33.58	11.0%	34.53	2.8%	
292	27.08	27.98	3.3%	28.66	2.4%	
293	27.15	28.05	3.3%	31.47	12.2%	Promotion
294	30.98	31.91	3.0%	32.65	2.3%	
295	18.23	21.28	16.7%	22.34	5.0%	Promotion
298	27.08	27.98	3.3%	28.93	3.4%	
301	27.65	28.36	2.6%	28.36	0.0%	
302	28.14	31.54	12.1%	32.51	3.1%	
303	41.25	41.25	0.0%	41.25	0.0%	
305	17.44	25.55	46.5%	27.39	7.2%	Apprentice to 1st Class

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306	27.06	27.96	3.3%	29.99	7.3%	Step increase
307	22.73	23.55	3.6%	24.18	2.7%	
310	25.55	27.00	5.7%	27.53	2.0%	
311	27.01	27.79	2.9%	28.49	2.5%	
312	27.26	29.60	8.6%	31.83	7.5%	Promotion
314	23.94	24.73	3.3%	25.34	2.5%	
317	18.62	19.42	4.3%	22.89	17.9%	CSR evaluation
318	28.09	29.00	3.2%	29.71	2.4%	
319	17.39	17.91	3.0%	18.81	5.0%	Step increase
320	24.29	25.12	3.4%	25.81	2.7%	
321	17.39	27.23	56.6%	27.91	2.5%	Step increase
322	35.88	36.89	2.8%	37.67	2.1%	
323	16.06	18.19	13.3%	18.83	3.5%	
328	22.61	24.98	10.5%	27.55	10.3%	Apprentice to 1st Class
329	22.61	24.98	10.5%	27.55	10.3%	Apprentice to 1st Class
333	14.92	16.11	8.0%	18.81	16.8%	Step increase
334	21.20	22.61	6.7%	27.55	21.8%	Apprentice to 1st Class
336	n/a	16.11	0.0%	18.81	16.8%	CSR evaluation
338	n/a	19.43	0.0%	27.55	41.8%	Apprentice to 1st Class
339	n/a	22.61	0.0%	27.55	21.8%	Apprentice to 1st Class
340	n/a	15.66	0.0%	18.76	19.8%	CSR evaluation
341	n/a	24.94	0.0%	25.67	2.9%	
342	n/a	n/a	0.0%	28.44	0.0%	
343	n/a	n/a	0.0%	28.44	0.0%	
344	n/a	n/a	0.0%	28.42	0.0%	
345	n/a	n/a	0.0%	20.30	0.0%	
346	n/a	n/a	0.0%	21.22	0.0%	
347	n/a	n/a	0.0%	15.00	0.0%	
351	n/a	n/a	0.0%	18.35	0.0%	

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Q3C: Refer to the responses to Item 2 of Staff's Second Request which refer to primary adjustments made to the test year.

c. Refer to the response to Item 2.e. regarding the Accelerated Funding Payment ("prepayment") to National rural Electric Cooperative Association ("NRECA") in the amount of \$6,683,300. It states that participants in the Retirement and Security ("R&S") plan were allowed to make a prepayment and receive an immediate reduction in their current contribution requirement equal to approximately 25 percent of their 2013 billing rate.

- (1): Provide all information Jackson has received from MRECA that explains the prepayment program.
- (2) Confirm the R&S contributions listed in the response are based on normalized base wages for calendar year 2013.
- (3) Provide a comparison of the allocation of the proposed R&S contribution adjustment with the allocation of R&S contributions in the test year.

A3C: (1) Please See Exhibit 3c(1).

- (2) The normalization is based on normalized base wages for calendar year of 2013.

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(3) The allocation is as follows:

		<u>Allocation of R&S</u>		
		<u>Percent</u>	<u>Test Year</u>	<u>Proposed</u>
107-108	Capitalized	25.18%	592,578	635,920
163 -				
416	Clearing and others	13.60%	319,940	343,341
580	Operations	14.28%	336,073	360,654
590	Maintenance	12.61%	296,641	318,338
901	Consumer accounts	14.85%	349,366	374,919
908	Customer service	3.40%	79,933	85,779
920	Administrative and general	16.08%	378,377	406,052
		<u>100.00%</u>	<u>2,352,908</u>	<u>2,525,003</u>

Sharon Carson

From: Peter Baxter <contactcenter@nreca.coop>
Sent: Thursday, February 14, 2013 12:54 PM
To: donschaef500@hotmail.com; Gina Carpenter; Sharon Carson
Subject: RS Plan Prepayment Customized Calculation for co-op: 18003
Attachments: 18003.pdf

Together with John Wade, NRECA Vice President and Chief Actuary, I recently outlined the new prepayment option for the Retirement Security (RS) Plan at the NRECA CEO Close-Up conference. Through this voluntary option, co-ops have the ability to "buy down" their ongoing RS Plan contribution rate by prepaying or accelerating the funding of a portion of their future contributions to the RS Plan. Prepayment can be made as a lump sum or through annual installments. The entire prepayment amount must be deposited into the RS Plan Trust by 2017 with the initial payment occurring in 2013.

By offering this prepayment option, we hope to make future costs related to the RS Plan more predictable and lessen the potential for future deficit reduction contributions (DRC). Accelerating the funding for your co-op's RS Plan contributions can help you manage RS Plan costs and immediately lower your co-op's ongoing contribution rate.

Attached is a customized calculation of your prepayment amount. You can use this document as a basis for discussions with others at your co-op. I also encourage you to involve your financial and tax advisors before making a final decision. If you do not have the funds to pay the total prepayment amount, you may want to take advantage of current low interest rates and borrow the funds necessary to pay the prepayment amount. The National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank have announced new programs specifically designed to loan money to electric co-ops for the prepayment of pension plan contributions.

Whether or not you are able to participate in the option, all co-ops benefit in one important way: The prepayments made can help all co-ops participating in the RS Plan by reducing the likelihood of a DRC in the future – this is true cooperation among co-ops.

If your co-op decides to take advantage of the prepayment option, you will need to complete the prepayment request form (included with your customized calculation), and email the form to the address indicated.

If your co-op is making a lump sum payment:

- NRECA will send your co-op an invoice for the prepayment amount, together with instructions on where to remit your co-op's payment.
- Once the payment has been received, your co-op's new lowered billing rates will take effect (retroactive to January 2013). You will also receive a confirmation of the payment made and the reduced billing rate.

If your co-op is making annual installment payments:

- NRECA will send an accelerated funding liability agreement that formalizes the terms of the installment option.
- A representative from your co-op signs and returns the liability agreement as specified.
- Upon receipt of the signed liability agreement, NRECA will send your co-op an invoice for the first installment of the prepayment amount, together with instructions on where to remit your co-op's payment. We will also provide a countersigned copy of the liability agreement.
- Once the payment has been received, your co-op's new lowered billing rates will take effect (retroactive to January 2013). Your co-op will also receive a confirmation of the payment made and the reduced billing rate.

Subsequent installments will be invoiced for January 1 each year.

We have created a [page on Cooperative.com](#) that has additional information on the RS Plan prepayment option, including a section with [answers to questions](#) you may have regarding this new offering. If you have additional questions, please contact your relationship manager.

Sincerely,

Peter Baxter
NRECA Senior Vice President
Insurance & Financial Services

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**Retirement Security Plan
 Accelerated Funding Payment Request Form
 JACKSON ENERGY COOPERATIVE COR**

Subgroups: 01-18003-001 RNR01A

This form initiates the billing process for the Accelerated Funding Payment. You should submit this request only after your co-op has approved making the prepayment and the co-op is ready to send funds. After NRECA receives this request the co-op will be provided an invoice for the Accelerated Funding Payment and instructions on how to remit payment.

Please complete this form and then email or fax the form to NRECA:

Email	Prepayments@NRECA.coop
Fax	703-907-6227

1. The co-op elects to participate in the Accelerated Funding Payment option as follows:

- A one time, lump sum payment (payment summary shown below)
- Payment in installments over ____ (enter 2, 3, or 4) years.
 - The first installment payment is due in 2013, with the remainder of the installments due each January 1 thereafter.
 - A co-op representative will be required to sign a Prepayment Liability Agreement formalizing the terms of the installment payments. The Agreement will be provided to the co-op after NRECA receives this completed request form.

2. Please provide contact information for the co-op staff member who will receive the prepayment invoice and respond to NRECA requests for additional information:

Name	
Email address	
Phone	

3. Exclusion for collectively bargained subgroups:

An Accelerated Payment must be made for all subgroups shown above. An exception will be granted for subgroups subject to collective bargaining. Please provide subgroup ID's for such subgroups if you would like them to be excluded from the Accelerated Payment invoice provided:

1)	2)	3)
----	----	----

Accelerated Funding Payment Summary (total of all subgroups of the co-op*)

If paid by 1/31/2013	\$6,555,941
If paid by 2/28/2013	\$6,598,122
If paid by 3/31/2013	\$6,640,574
If paid by 4/30/2013	\$6,683,300
If paid by 5/31/2013	\$6,726,301
If paid by 6/30/2013	\$6,769,578
If paid by 7/31/2013	\$6,813,134
If paid by 8/31/2013	\$6,856,969

* see attached pages for individual prepayment calculations for each subgroup



**Retirement Security Plan
Accelerated Funding Payment
JACKSON ENERGY COOPERATIVE COR
01-18003-001 RNR01A**

Demographic Data From January 2013 Bill

Total payroll used for billing purposes	\$8,067,212
Total participants included for billing purposes	129 active, 0 disabled

2013 Billing Rates

Refer to footnotes 1 and 2 on the following page for other important information

	Prior to Accelerated Funding Payment	Co-op Elects to Make Accelerated Funding Payment (applicable retroactive to 1/1/2013)
Employer Rate	33.17%	24.71%
Employee Rate	0.00%	0.00%
Administration Fee Rate	0.85%	0.85%
Total Billing Rate	34.02%	25.56%

Accelerated Funding Payment

Refer to footnotes 3 and 4 on the following page for other important information

If paid by 1/31/2013	\$6,555,941
If paid by 2/28/2013	\$6,598,122
If paid by 3/31/2013	\$6,640,574
If paid by 4/30/2013	\$6,683,300
If paid by 5/31/2013	\$6,726,301
If paid by 6/30/2013	\$6,769,578
If paid by 7/31/2013	\$6,813,134
If paid by 8/31/2013	\$6,856,969

**Retirement Security Plan
Accelerated Funding Payment
JACKSON ENERGY COOPERATIVE COR
01-18003-001 RNR01A**

Footnotes regarding the 2013 Billing Rates

(1) Co-ops making the Accelerated Funding Payment ("prepayment") will receive an immediate reduction in their current contribution requirement equal to approximately 25% of their 2013 billing rate (Employer Rate + Employee Rate). Although the new (reduced) billing rate can change over time, the relative value of the reduction will continue to benefit prepaying co-ops in future years, potentially for as many as 10-15 years or longer.

Please Note: The methodology used to determine future billing rates will account for the increased contributions made by prepaying co-ops, and ensure that the advantages of prepayment continue to be reflected in the billing rates of those prepaying co-ops and not be used to subsidize the contribution rates of those co-ops that do not choose to prepay.

In addition, making a prepayment does not affect the Plan's Administration Fee Rate.

(2) The Accelerated Funding Payment and the present value of the reduction in future billing amounts were determined to be actuarially equivalent under the assumptions and methods used for the Annual Actuarial Valuation. Estimations of the present value of the reduction in future billing amounts under other assumptions and methods will result in a present value different from the Accelerated Funding Payment.

Footnotes regarding the Accelerated Funding Payment

(3) For payments made after 1/31/2013, compound interest is applied at a rate of 8.00% per year. This is the interest rate used under the Annual Actuarial Valuation for determining the billing rates. If a co-op decides to spread the prepayment amount over four or fewer years, it will be amortized using an 8% interest rate, with annual installments due January 1 of each year.

(4) One or more months of 2013 RS Plan contributions will be paid prior to payment of the Accelerated Funding Payment. Therefore, though the new lower billing rate is retroactive to January 2013, some contributions already remitted in 2013 will be based on the current (higher) billing rate. An adjustment will be determined by NRECA and applied to a later RS Plan invoice to reverse these overpayments. The total adjustment will equal the sum of 2013 contributions actually received, in excess of those that would have been required under the reduced billing rate.



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RS Plan Prepayment Questions & Answers

NRECA is offering a voluntary program that allows participating co-ops to prepay a portion of their future Retirement Security (RS) Plan contributions. The prepayment or accelerated funding option provides co-ops the ability to immediately reduce their RS Plan contribution rates. The following are answers to questions you may have about the operation of the new prepayment option. If you have additional questions regarding the prepayment option, please contact your NRECA relationship manager.

- [Overview](#)
- [Prepayment Options & Impact on Future Monthly Billing](#)
- [Benefits of Prepayment to the RS Plan](#)
- [Impact of Possible Future Changes and Special Situations](#)
- [Accounting](#)

Overview

1. How much is my co-op's prepayment amount?

The prepayment amount will vary per co-op, but it will be approximately 2.5 times your co-op's 2013 RS Plan contribution amount. One way to estimate the amount for your co-op is to take the "Total Trust Contribution" from your January 2013 RS Plan bill, multiply it by 8 to convert it to an annual amount then multiply that figure by 2.5. This figure is your co-op's estimated accelerated payment amount. An exact amount was provided in February to each co-op participating in the RS Plan.

2. How much will contributing the accelerated payment lower my co-op's RS Plan contributions?

For most co-ops, the reduction in the 2013 contribution rate will be approximately 25%. For example, if your 2013 contribution rate is 30% of pay, then the reduced 2013 contribution level will be approximately 22.5% of pay. For information on post-2013 reduced contribution levels, please see questions 4 and 5 below.

Note: One or more months of 2013 RS Plan contributions will be paid prior to payment of the accelerated funding payment. Although the new lower billing rate is retroactive to January 2013, some contributions already remitted in 2013 will be based on the current (higher) billing rate. An adjustment will be determined and applied to a later RS Plan invoice to reverse these overpayments. The total adjustment will equal the sum of 2013 contributions actually received, in excess of those that would have been required under the reduced billing rate.

3. What does the accelerated funding amount represent?

The total accelerated funding amount (for all co-ops combined) is based on a current estimate of the RS Plan's unfunded liability based on assumptions and methods used for the annual actuarial valuation of the RS Plan. In particular, it is the estimated total liability for RS Plan benefits earned to today in excess of the current market value of RS Plan assets. A co-op should not, however, equate paying the accelerated funding amount with "paying-off" its unfunded liability. The RS Plan's unfunded liability will vary over time depending on investment earnings on the RS Plan assets, interest rates, actual versus expected demographic experience, the method of determining the liability and other factors. Co-ops will remain responsible for their respective portion of the overall RS Plan funding obligation, regardless of whether they participate in the accelerated funding program.

4. Is the reduced contribution rate guaranteed to remain at the same level beyond 2013?

No, the reduced contribution rate will still be adjusted in future years for investment experience and other actuarial adjustments (similar to how the rate has been adjusted in the past). However, the rate will continue to reflect the prepayment that a co-op has made, and will be lower than the contribution rate for those co-ops that do not prepay. Although the new (reduced) contribution rate can change over time, the relative value of the reduction will continue to benefit prepaying co-ops in future years, potentially for as many as 10–15 years or more.

5. How long will my co-op's rate be reduced if I choose the accelerated payment option?

The reduced rate is intended to be a long-term reduction in the contribution rate (relative to the rate paid by co-ops that do not make the prepayment). As stated in questions 3 and 4, the contribution rates will fluctuate in future years, but from the new, lower base level.

6. How long will the accelerated payment amount option be offered?

This program will be offered through 2013. It has not yet been determined whether it will extend into 2014.

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Prepayment Options & Impact On Future Monthly Billing

7. What are my payment options if my co-op decides to prepay?

If you choose to make the accelerated payment, you have two options for payment: (1) you may make a single payment for the full accelerated amount by December 31, 2013, or (2) you may pay the accelerated amount in equal annual installments over a period of two, three or four years.

8. If my co-op elects to make a single payment, when is the payment due?

If you choose to make a single payment, the payment must be made before December 31, 2013, and will be adjusted for interest from January 1, 2013, to the date the amount is paid. The reduction in your plan contribution rate will be retroactive to January 1, 2013.

9. If my co-op elects annual installments, how are the payments calculated?

If you choose to make your prepayment over two, three or four years, the total accelerated payment amount will be amortized over the payment period using an 8% interest rate (see question 11 for details). You must make your first payment before December 31, 2013 (adjusted for interest from January 1, 2013, to the date the amount is paid), and then the remaining payments annually thereafter as of January 1 of each year through your chosen payment period. All payments must be made before January 1, 2017. Once you commit to prepay, the reduction in your plan contribution rate will be retroactive to January 1, 2013.

10. Can I make a partial accelerated payment amount?

No, the accelerated payment amount (approximately 2.5 times your 2013 RS Plan contribution amount) must equal the total calculated prepayment amount. Payments can be made as a lump sum or in annual installments over the course of two, three or four years.

11. If I choose the amortization (annual installment) payment option, how does that work?

The total accelerated payment amount will be amortized over the payment period using an 8% interest rate. Below is an example of how the amortization would work based on a \$1,000,000 prepayment amount:

Assume total Accelerated Payment of: \$ 1,000,000
Options for co-ops are as follows:

Date Payment Due	Payment Amounts			
	Single Payment	Amortize over 2 years	Amortize over 3 years	Amortize over 4 years
January 2013	\$ 1,000,000	\$ 519,231	\$ 359,290	\$ 279,556
January 2014	\$ -	\$ 519,231	\$ 359,290	\$ 279,556
January 2015	\$ -	\$ -	\$ 359,290	\$ 279,556
January 2016	\$ -	\$ -	\$ -	\$ 279,556
Total Payments	\$ 1,000,000	\$ 1,038,462	\$ 1,077,870	\$ 1,118,224

Note:

- amortization is based on 8% interest rate (this is the rate used for the actuarial valuation)
- any payment not received by the end of January in which it is due must include 8% interest from the January 1 of the year due

- 12. Can I contribute more than the accelerated payment amount and get a greater reduction in my billing rate?**

No, the accelerated payment amount (approximately 2.5 times your 2013 RS Plan contribution amount) is standard for all co-ops.
- 13. After making the accelerated payment amount, will my future RS Plan invoices show only the administration fee?**

No, the accelerated payment amount will REDUCE the contribution rates, not eliminate the contribution rate. After contributing the accelerated payment amount, future RS Plan bills will be determined at the new, lower contribution rate.
- 14. If my co-op elects to participate in the accelerated funding option, will NRECA continue to bill us each year on an accelerated eight-month basis?**

Yes. However, the eight-month billing cycle payments will be lower than for co-ops that do not prepay.
- 15. What if my co-op elects the installment payment option for our prepayment amount, but is unable to make all of the future payments?**

All co-ops that elect the installment payment option (instead of a lump sum payment) will be required to sign a liability agreement that contractually requires the co-op to make the full accelerated payment amount. Co-ops will not be able to change the amount of scheduled payments after the agreement has been signed. If a co-op neglects to make all installment payments within the requisite timeframe, the benefits of the arrangement will be rescinded and billing rates will be readjusted accordingly for all years.
- 16. Is there a benefit to obtaining a loan in order to pay the accelerated payment amount in one lump sum payment rather than spreading the prepayment over four years?**

If you decide to spread the accelerated payment amount for a period of up to four years, the annual payments will be determined using an 8% interest rate (the same interest assumption as used in the actuarial valuation). If you seek a loan to make a lump sum payment, the loan likely could be secured at a much lower interest rate than 8%. Due to the difference in interest rates, getting the loan at a lower rate and paying the accelerated payment amount in one lump sum means that your repayments to the lender would be LOWER than if you had decided to contribute them directly to the RS Plan in installments.
- 17. If my co-op doesn't have the funds to pay the accelerated payment amount, are there third party sources that can help us with a loan?**

National Rural Utilities Cooperative Finance Corporation (CFC) and CoBank have announced that they have established loan programs to assist co-ops in funding their RS Plan prepayment amounts. Co-ops may also be able to secure a loan through their normal relationships with other lenders.
- 18. What is the "break-even" period for the accelerated payment amount?**

If the reduction in the contribution level for 2013 was a constant dollar amount in all future years, the accumulated reduction in contributions would equal the accelerated payment amount in just less than 10 years. The period would be slightly different if you factored in interest and expected payroll increases. But since these two factors offset each other to some extent, 10 years can be used as a rough estimate.

Note: The break-even period could be shorter (or longer) if future RS Plan experience is more (or less) favorable than expected.

19. My co-op already made several monthly contribution payments in 2013. How will the new, lower contribution rate impact my past 2013 payments?

If your co-op has made one or more months of 2013 RS Plan contributions prior to payment of the accelerated funding payment, an adjustment will be determined and applied to a later RS Plan invoice to reverse these overpayments. Although the new, lower billing rate is retroactive to January 2013, some contributions already remitted in 2013 will be based on the current (higher) billing rate. The total adjustment will equal the sum of 2013 contributions actually received, in excess of those that would have been required under the reduced billing rate.

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Benefits Of Prepayment To The RS Plan

20. What is a “deficit reduction contribution”?

The government has special funding rules that get triggered if a pension plan (such as the RS Plan) becomes funded below specified levels. Under these rules, contributions that normally would occur many years in the future are accelerated over an immediate three- to four-year period. This allows the plan to become better funded more quickly, but causes the contributions to increase significantly. As explained below, if a significant number of co-ops elect to take advantage of the RS Plan's accelerated funding (prepayment) option, it can reduce the likelihood of a deficit reduction contribution (DRC) in the next few years.

21. How will the accelerated payment option help my co-op?

By contributing the accelerated payment amount, your co-op reduces some uncertainty for approximately 25% of its future contributions. It also will reduce the likelihood that your co-op will be subject to the large contribution increases that could occur if the RS Plan were subject to a DRC in the future. By reducing these uncertainties, contributing the accelerated payment amount can help your co-op better finance the RS Plan for the long run—a benefit to the co-op and RS Plan participants.

22. Did the RS Plan assets do well enough in 2012 to reduce post-2013 contributions?

Although the asset return in 2012 was a little better than expected, 2012 investment performance alone will not significantly affect billing rates for 2014 and beyond, as the RS Plan is still recovering from the severe market downturn of 2008. In addition, the historically low interest rates we are experiencing continue to push down the RS Plan's funded status.

23. Why do prepayments need to be made within four years?

The four-year window is meant to increase assets in the RS Plan as quickly as possible. Completing the prepayment in four years will help improve the financial status of the RS Plan more quickly and prepare for compliance with the Pension Protection Act's funding rules, which are scheduled to apply in 2017. Unless interest rates significantly increase from current levels or asset levels increase significantly, there is an ongoing possibility that the RS Plan will be subject to the large contribution increases that could occur if the RS Plan were subject to a DRC.

24. Do the prepayments made by other co-ops help us all in some way?

All co-ops, even those who do not elect to participate in the prepayment option, benefit in one important way—the added accelerated payment amounts are helping the RS Plan (as a whole) reduce the likelihood of a DRC in the future.

25. Will co-ops not electing the prepayment option receive reductions in their future rates or other benefits?

Co-ops that prepay are converting contributions that they would make in the future into an accelerated payment (or schedule of payments if they choose to pay in annual installments). On an actuarial cost basis, all co-ops are still paying their fair share whether or not they

choose this option.

The accelerated payment amount and the corresponding reduction in the contribution rate have been determined to be cost-neutral under the RS Plan actuarial valuation. This means that the prepayment calculations are performed using the same assumptions and methods used for determining the annual billing rates.

Going forward, the methodology used to determine future contribution rates will account for increased contributions made by prepaying co-ops, ensuring that the advantages of prepayment continue to be reflected in the contribution rates of those prepaying co-ops. The prepayments made by co-ops will not be used to subsidize the contribution rates of those co-ops that did not prepay.

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Impact Of Possible Future Changes And Special Situations

26. If my co-op hires new employees, or current employees leave, does that affect the prepayment amount or reduced contribution rate?

No, the reduced contribution rate will continue to apply to your co-op's payroll as if you had not adjusted headcount. For example, if you added employees, the reduced contribution rate would apply to the increased payroll, leading to a higher total contribution. One exception would be if headcount increased due to a non-prepaying co-op merging with a prepaying co-op.

Note: If you grant past service credits to newly added participants, then your co-op would incur an additional past service liability that would need to be paid in addition to your regular contributions under the reduced contribution rate.

27. What happens to the advantages of making a prepayment if my RS Plan is merged into another co-op's RS Plan?

If both merged co-ops exercised the prepayment option, then the reduced rates for each co-op would be blended to come up with a single reduced rate that preserves the advantages of the prepayment.

If a non-prepaying co-op merges with a prepaying co-op, special calculations would be needed to reflect the situation (with the resulting billing rate somewhere in between the rates for the two co-ops).

28. Our co-op increased its benefits level in the past, which has resulted in an additional annual past service payment. Does that impact the prepayment amount?

Past service payments do not affect the accelerated payment amount or the corresponding reduced contribution rate. Your co-op is still expected to continue making past service payments until the amount is fully paid. However, if your co-op is seeking a loan for the accelerated payment amount, it may be beneficial for your co-op to borrow additional funds to pay off the remaining past service balance in one lump sum. Here's why: If the loan can be obtained at an interest rate lower than the 8%–8.5% rate used for determining the past service payments, your co-op could reduce its past service annual payments (in the form of lower repayments to the lender). This assumes that the loan period is the same as the remaining period of past service payments. But even if the loan period is different, there may be a benefit to "refinancing" the outstanding past service liability at the lower interest rate.

29. What if I increase my co-op's benefit levels after making the accelerated payment amount?

Your co-op would need to pay for the past service liability that would arise if the increased benefits were applicable to prior service (payable in a single amount or spread out over a number of years). The contribution rate would also be adjusted (increased) to account for the RS Plan change, but also still reflect the fact that your co-op made the accelerated payment

amount.

Note: The accelerated payment is based on RS Plan changes made up until January 1, 2013. Changes effective after that date will not impact the prepayment amount.

30. What if I decrease my co-op's benefit levels after making the accelerated payment amount?

The contribution rate would be adjusted (decreased) to account for the RS Plan change, but also still reflect the fact that your co-op made the accelerated payment amount.

Note: The accelerated payment is based on plan changes made up until January 1, 2013. No refund of a portion of the accelerated payment amount would result from the RS Plan change effective after January 1, 2013.

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Accounting

31. How is the accelerated payment amount handled for accounting purposes?

We believe that co-ops can consider several potential accounting treatments:

- o Expense the prepayment as incurred (with auditor approval)
- o Long-term prepayment: this could be amortized over the period necessary to recognize the benefit (period equal to the prepayment amount divided by the annual reduction in contributions)
- o Regulatory asset under ASC 980 (SFAS 71): would amortize over the remaining service lives of the plan participants (currently 10 years)

NRECA recommends discussing this matter with your co-op's accounting and tax advisors to determine the appropriate course of action for your co-op's specific situation. NRECA is not permitted to provide tax, accounting or legal advice and recommends that co-ops discuss this matter with their accounting and tax advisors to determine the appropriate course of action for the co-op's specific situation.

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National Rural Electric
Cooperative Association



FEDERATED RURAL ELECTRIC
INSURANCE EXCHANGE



National Rural Utilities
Cooperative Finance Corporation

Sharon Carson

From: Prepayments <Prepayments@nreca.org>
Sent: Monday, April 29, 2013 3:23 PM
To: Sharon Carson
Subject: RE: RS Plan Prepayment Invoice – 18003

We have received your payment of \$6,683,300. Thank you. Note that the payment arrived after the process for the creation of May RS Plan billing statements has begun. Therefore the reduced contribution rate will first appear on your June RS Plan billing statement.

From: Prepayments
Sent: Tuesday, April 09, 2013 7:03 AM
To: 'Sharon Carson'
Subject: RS Plan Prepayment Invoice – 18003

Please see attached invoice with payment instructions

Mark Maus
Sr. Director Retirement Projects
Insurance & Financial Services
NRECA
4301 Wilson Boulevard
Arlington, VA 22203
Office: 703-907-5866
Cell: 703-328-1771
Fax: 703-907-6227
E-mail: mark.maus@nreca.coop

From: Sharon Carson [<mailto:sharoncarson@jacksonenergy.com>]
Sent: Monday, April 08, 2013 8:52 AM
To: Prepayments
Subject: Notificaton of Intention to Prepay

Dear NRECA representative,

Jackson Energy Cooperative Corporation wishes to submit the full amount of \$6,683,300 as shown on the Accelerated Funding Payment Summary by April 30, 2013. The Accelerated Funding Payment Request Form is attached. I understand that NRECA will provide an invoice and payment instructions.

Sharon Carson

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Sharon Carson

From: Maus, Mark H. <mark.maus@nreca.coop>
Sent: Wednesday, May 29, 2013 12:24 PM
To: Sharon Carson
Subject: RS Plan Prepayment Credit Notice – 18003
Attachments: 18003001.pdf

Co-op: JACKSON ENERGY COOPERATIVE COR

Attached are the Prepayment billing credit calculations with instructions on how to apply the credit to a future RS Plan bill.

If your co-op has more than one subgroup in the RS Plan, a separate Credit Notice is attached for each subgroup.

If you have questions on this Prepayment Credit Notice, please call the Member Contact Center at the number shown on the bottom of Page 1 of the Notice.

Sincerely,

Mark Maus
Sr. Director Retirement Projects
Insurance & Financial Services
NRECA
4301 Wilson Boulevard
Arlington, VA 22203
Office: 703-907-5866
Cell: 703-328-1771
Fax: 703-907-6227
E-mail: Mark.maus@nreca.coop

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Retirement Security Plan
Accelerated Funding (Prepayment): Credit for Retroactive Rate Adjustment
JACKSON ENERGY COOPERATIVE COR
Subgroup: 01-18003-001

Prepayment Credit Calculation

Page 2 of this statement shows the calculation of a credit ("Prepayment Credit") due to the adjustment of 2013 billing rates retroactive to 1/1/2013 under the Prepayment Option. The Prepayment Credit is based on 2013 Trust Contributions actually paid in excess of those that would have been paid under the adjusted (lower) billing rate obtained through Prepayment.

The credit determined for each month is adjusted with interest at the rate used for determining the Prepayment Amount (8% annual interest). It is expected that a large portion of the total Prepayment Credit will be used for your June RS Plan invoice, with the remainder, if any, used for the July invoice. Therefore, the Prepayment Credit has been adjusted for interest to July 1, 2013. It will not be adjusted for interest beyond July 1, 2013.

Application of the Prepayment Credit to RS Plan Invoices

The Prepayment Credit may only be used to reduce Trust Contributions to the RS Plan. The Prepayment Credit may not be used for RS Plan Administrative Fees or any other outstanding invoices such as your Group Benefits Plans or 401(k) Pension Plan. Please apply the Prepayment Credit by reducing the total Trust Contribution due, as indicated on the monthly invoice, by the amount of available Prepayment Credit.

Required Payment by Check/Manual Submission when using the Prepayment Credit

The online RS Plan contributions ACH payment functionality on Cooperative.com is not available for months in which payments are offset by credits. Therefore, when using Prepayment Credits as payment for an invoice, the Trust Contribution (invoiced amount minus the available Prepayment Credit) must be paid by check. Also note that online adjustment to individual participant billing amounts is not available in the months you use the Prepayment Credit, and must be submitted using the Adjustment Worksheet provided with your invoice. Please follow the instructions on your invoice for payments by check, using the Adjustment Worksheet to report individual participant billing changes. You must also submit your monthly Administrative Fee by check.

Enclose a Copy of the Credit Worksheet on page 2 with your Remittance

Each time you send a remittance for a particular invoice that has been offset by the Prepayment Credit, you must enclose a copy of page 2 of this statement, completing all lines of the Credit Worksheet.

If the amount of available Prepayment Credit exceeds the amount of Trust Contributions on the invoice, you would not send a check for the Trust Contribution, but you must send a completed Credit Worksheet with your Trust Contribution remittance (entering a \$0 amount due) to document the use of the Prepayment Credit.

Questions?

If you have questions about the Prepayment Credit please contact NRECA's Member Contact Center. The Member Contact Center can be reached at 866-NRECA-99 (866-673-2299) from 7:00 AM until 7:00 PM Central Time, Monday through Friday.

Retirement Security Plan
Accelerated Funding (Prepayment): Credit for Retroactive Rate Adjustment
JACKSON ENERGY COOPERATIVE COR
Subgroup: 01-18003-001

Enter all requested information in the Credit Worksheet below and submit this page with your RS Plan Trust Contribution remittance. Please follow the steps on page 3 to ensure you provide all required information correctly.

Calculation of Credit

Month	(a) Trust Contribution*	(b) Trust Billing Rate BEFORE Prepayment	(c) Trust Billing Rate AFTER Prepayment	(d) Trust Contribution based on reduced billing rate in (c) = (a)/(b) x (c)	(e) Interest Adjustment Factor **	Credit at July 1, 2013 = (d - a) x (e)
January	\$ 334,486.83	33.17%	24.71%	\$ 249,176.05	1.0392	\$ 88,654.96
February	\$ 328,590.65	33.17%	24.71%	\$ 244,783.69	1.0326	\$ 86,539.07
March	\$ 328,590.65	33.17%	24.71%	\$ 244,783.69	1.0260	\$ 85,985.94
April	\$ 326,089.47	33.17%	24.71%	\$ 242,920.43	1.0194	\$ 84,782.52
May	\$ 327,680.97	33.17%	24.71%	\$ 244,106.02	1.0129	\$ 84,653.07
Total Prepayment Credit						\$ 430,615.56
* March value excludes any "2012 Accelerated Billing True-up" adjustment applied to the March invoice						
** 8% interest from beginning of month shown to July 1, 2013						

Credit Worksheet - please complete all lines below

Please enter the Invoice # shown on the Trust Contribution Remittance:

1. Total Prepayment Credits used in prior months. If this is the first month that you are using the Prepayment Credit, enter \$0. If not, enter item 4 from the prior month's Credit Worksheet.

\$

2. Available Prepayment Credit (Total Prepayment Credit from the Calculation of Credit table above minus item 1, not less than \$0)

\$

3. Prepayment Credit being applied to the current month's invoice (lesser of the Trust Contribution from invoice or item 2)

\$

4. Accumulated Prepayment Credits that have been applied to the current and prior invoices (item 1 plus item 3). NOTE this line should never exceed the Total Prepayment Credit from the Calculation of Credit table above.

\$

Retirement Security Plan
Accelerated Funding (Prepayment): Credit for Retroactive Rate Adjustment
JACKSON ENERGY COOPERATIVE COR
Subgroup: 01-18003-001

Prepayment Credit Checklist

Please make sure you follow each of the following steps when you pay your monthly RS Plan Invoice:

- 1. Enter all requested information on the Credit Worksheet on page 2 of this document:
 - If your total Prepayment Credit is larger than the current month's Trust Contribution and therefore needs to be used over 2 or more months, make sure you keep a clean copy of the page 2 Credit Worksheet on hand to use in the following month.
 - Retain copies of your completed Credit Worksheets. If you need to complete one in the following month, have the prior month's completed Credit Worksheet on hand as a starting point for completing the current month's Credit Worksheet.
- 2. Complete the Trust Contribution Remittance provided with your monthly RS Plan Invoice. The amount entered on the Remittance should equal the Trust Contribution from the invoice minus the amount on line 3 of the Credit Worksheet.
- 3. If the amount of your Trust Contribution that you enter on the Remittance is greater than \$0, write a check for the amount, made payable to: NRECA Retirement Security Plan. Include your invoice# on your check. If the amount is \$0, no check is required.
- 4. Mail the check (if any), the Trust Contribution Remittance, and the Credit Worksheet to the address shown on the Trust Contribution Remittance. If you are reporting changes to contribution amounts for any individuals, also include completed Adjustment Worksheets in the mailing.
- 5. Complete the Administrative Fee Remittance provided with your monthly RS Plan Invoice, and submit with your Administrative Fee payment, following the directions shown on the Administrative Fee Remittance. Note the Administrative Fee check should be made payable to "NRECA", and is sent to a different address than the one used for the Trust Contribution.

Katie Dotson

From: Fiero, Doug W. [doug.fiero@nreca.coop]
Sent: Wednesday, January 30, 2013 7:22 PM
To: Fiero, Doug W.
Subject: FW: NRECA Retirement Security Plan: Pre-Payment Funding Update

[I have more information on the RS Plan Prepayment Offer:](#)

- NRECA will have a webinar on this subject on February 7th at 2pm ET. (Benefit Administrators, see your IFS Weekly Email for registration)
- Your Prepayment Amount will be approximately 2 ½ times your annual RS cost
- The RS billing rate reduction will average around 25% from your current 2013 RS billing rate
- The full Prepayment will need to be made before the end of this year.

From: Fiero, Doug W.
Sent: Wednesday, January 16, 2013 10:01 AM
To: Fiero, Doug W.
Subject: NRECA Retirement Security Plan: Pre-Payment Funding Update

Good Morning CEOs & BAs of Kentucky & Tennessee:

Earlier this week, you were sent emails by Glenn English and Peter Baxter, respectively, discussing the option to pre-pay your co-op's RS Plan unfunded liability. This topic was also presented at the CEO Conference this week.

By participating in this pre-payment program, your co-op's RS Plan billing rate will go down significantly (i.e., possibly down to your rate in effect when the plan was last 100% funded). NRECA is in the process of calculating this unfunded liability pre-pay, and subsequent RS billing rate, for each of you. We are attempting to have these calculations completed before the NRECA annual meeting next month. I will send you this data as soon as I receive it.

I am aware that CoBank has taken steps to offer loans for the unfunded liability (see link below), and I have heard CFC is doing the same.

[Pension Financing Program](#)

As Glenn and Peter have mentioned, this RS pre-pay is optional per co-op. Some of you may have heard that your co-op's pre-pay would have to be accomplished prior to 2017—this is the year in which the Pension Protection Act's funding rules are fully implemented. Note that nationwide lobbying efforts are still ongoing in attempt to amend these PPA rules.

I expect to have more details for you within the month—not to mention NRECA's move to United Healthcare in 2014. Hope to see you in New Orleans and/or when I come by your place for a visit.

Douglas W. Fiero
National Rural Electric Cooperative Association
Senior Relationship Manager for Tennessee & Kentucky
2621 Water Knoll Court
Lexington, Kentucky 40513
Cell 859.533.6618

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Retirement Plans

» Learn More about the New RS Plan Prepayment Option

And take this opportunity to get your questions answered.

NRECA recently announced the voluntary option for participating cooperatives to prepay their Retirement Security (RS) Plan contributions. By prepaying, co-ops can lower their RS Plan billing rates which can increase flexibility and reduce future contribution volatility.

John Wade, NRECA VP and chief actuary along with Russ Wasson, NRECA senior associate director of tax, finance & accounting policy will co-host this webinar, which begins at 2 pm, ET, on February 7, 2013. The session will provide more details on this new option and answer your questions.

[Reserve your spot today.](#)

If you have questions about the webinar, contact the Member Contact Center at 1.866.673.2299 or contactcenter@nreca.coop.

[top](#)

[Next Article >](#)

I&FS Weekly is an e-newsletter published as a member service for NRECA benefit plans, programs and services. In case of a discrepancy, the Plan documents govern.

Jan, 23, 2013. #3. IFS-2013-003.

In This Issue

Retirement Plans

» Learn More about the New RS Plan Prepayment Option

Medicare Part D

» 2013 Compliance Training Now Open

Quick Links

- » [Employee Benefits Web Site](#)
- » [Cooperative.com](#)
- » [E-Mail Member Contact Center](#)
- » [Homestead Funds](#)
- » [Archived Newsletters](#)
- » [Forward to a Friend](#)
- » [Print this Issue](#)

2013 Dental Plan Fliers Revised with BA Feedback

Remember, if your cooperative is enrolled in the Enhanced, Enhanced Plus or Voluntary dental plans, customizable Word documents are available to help you inform employees about their 2013 dental benefits. We've updated the fliers further to incorporate your feedback and better reflect the plan options.

[Download the appropriate flier from the Employee Benefits website.](#) Follow the instructions on

the page to finalize it for your co-
op.

If you have questions or need
help with the fliers, contact the
Member Contact Center at
1.866.673.2299 or
contactcenter@nreca.coop.

Copyright © 2012 National Rural Electric Cooperative Association 4301 Wilson Blvd. Arlington, VA 22203
tel: 1.866.673.2299 | web: www.cooperative.com

NRECA EMPLOYEE BENEFITS



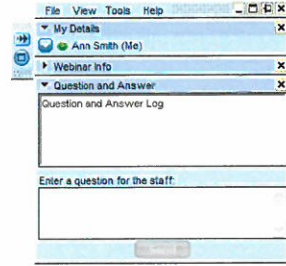
Welcome to the RS Prepayment Option (Accelerated Funding) Web Conference

To join in please call: 877.273.4202
Conference room #: 8257228




How to Submit Questions

- Click arrow at the top left of a feature to expand or collapse it
- Click the arrow on the left of the control panel to expand or collapse the entire control panel
- Type questions in the lower box and click send



2

NRECA EMPLOYEE BENEFITS



RS Plan Accelerated Funding

Web conference
February 7, 2013



Today's Speakers

John Wade
NRECA's chief actuary and vice president of actuarial and risk management

Russ Wasson
NRECA's director of tax, finance and accounting policy

Mark Maus
NRECA's senior director of retirement projects

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Key Questions

- Why is accelerated funding being offered?
- What is accelerated funding and what does it accomplish?
- What is the possible accounting treatment of accelerated funding?

5

Why is Accelerated Funding Being Offered?

Need to consider...

- The components of co-op contributions to the RS Plan
- The factors affecting the current funding of the RS Plan
- Future uncertainties impacting co-op contributions to the RS Plan

5

Co-op Contributions to the RS Plan

- A co-op contribution through the billing rate – a monthly contribution (now accelerated to 8 months per year) as a % of payroll
- A possible deficit reduction contribution (DRC) when funding ratios are below specified levels
- New funding rules will apply to the RS Plan under the Pension Protection Act (PPA) beginning in 2017, unless extended by legislation

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RS Plan Base Billing Rates: Age 62 Non-COLA Plan

Year	Billing Rate*
2009	8.89%
2010	12.00%
2011	12.00%
2012	12.00%
2013	12.96%

* Uses a 1% benefit level before adjustment for average age

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Deficit Reduction Contribution

- The likelihood of a DRC is significantly driven by the level of interest rates
- The possibility of a DRC has increased because interest rates have continued to decline, with one reason being the actions of the Federal Reserve
- A DRC would have been required for 2013 if there had not been legislation enacted in mid-2012
- The legislation is only temporary – the threat of a DRC remains

9

Impact of DRC

Required increase in contributions, above current average billing rates, had the 2012 legislative fix NOT occurred:

2013	74%	↑
2014	83%	↑
2015	49%	↑
2016	-27%	↓

- The exact impact of a DRC cannot be known in advance and can vary from year to year due to changes in interest rates, asset performance, and other factors
- Higher contributions in earlier years result in lower contributions in later years

10

Pension Protection Act (PPA)

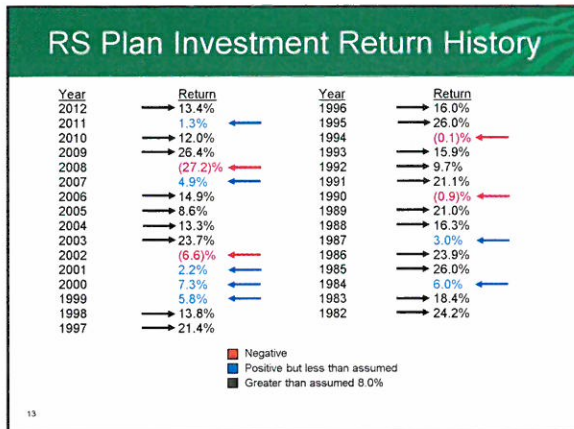
- Established new funding rules for pension plans that were effective for most plans in 2008
- The RS Plan has an exemption until 2017
- The new funding rules are even more dependent on the level of interest rates than the current rules, with the likelihood of more volatility in contribution rates under PPA
- Under PPA, if funded ratios are below certain levels, restrictions on lump sum payments and benefit accruals may apply

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Two Key Factors Driving RS Plan Funding

- Investment return
- Interest rates

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30-year Treasury Interest Rates

Year	Rate*
2000	6.15%
2004	5.12%
2008	4.52%
2012	3.02%
2013	2.80%

* The rate shown is the 30-year Treasury rate for November of the previous year

- ### A Decline in Interest Rates of 1% Will
- Increase liabilities by 16% - 18%
 - Lower the RS Plan's funded ratio by about 10%
- Direct impact on the RS Plan:
- Currently, interest rates are mainly impacting a possible DRC
 - Lump sum payments have been much larger in recent years as interest rates have declined

RS Plan Assets (Billions)

	Actual
Market Value of Assets 12/31/2007	\$5.0
Market Value of Assets 12/31/2008	\$3.5
Market Value of Assets 12/31/2009	\$4.1
Market Value of Assets 12/31/2010	\$4.5
Market Value of Assets 12/31/2011	\$4.6
Market value of Assets 12/31/2012	\$5.1

- ### RS Plan Funding Uncertainties
- Affordability of high billing rates
 - Possibility of deficit reduction contribution (DRC)
 - Economic uncertainties
 - Federal government policies
 - Impact of Pension Protection Act (PPA) in 2017
 - Legislative response to DB sponsor needs

Accelerated Funding

What does it do?
 Moves contributions that would be made in future years into the current year (or within 1 – 4 years)

What is the purpose?
 Immediately improves funding status of the RS Plan and reduces uncertainties:

- Mitigates the impact of a DRC – for prepaying co-ops, makes a DRC less likely and reduces the amount if it does apply (could help all co-ops avoid a DRC)
- Helps prepare the RS Plan for PPA
- Lessens dependence on future legislation or Federal Reserve actions
- Allows co-op to use today's low interest rates to their advantage
- Reduces future billing rates for prepaying co-ops to a more manageable level

RS Plan - Additional Funding Flexibility

- Co-ops can now "prepay" part of their future funding obligation
- Prepayments can come from existing assets or from funds borrowed at today's very low interest rates, but must be deposited before 2017
- Prepayment amounts are specific/fixes; they provide budget certainty
- Prepayment immediately lowers a co-op's ongoing contribution rate and minimizes the impact if a DRC were to apply in the future
- Prepayments also add stability to the RS Plan overall, prepare for compliance with the Pension Protection Act in 2017 and help protect against a future DRC for all participating co-ops

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Prepayment Mechanics

- Two prepayment options are available to participating co-ops:
 - Option #1:** Use current assets to make prepayment for up to four years
 - Option #2:** Borrow assets to prepay in a lump sum; repayment of borrowed amount determined by the loan's amortization schedule.
- The prepayment amount is a co-op's share of future contributions required to fund the projected unfunded value of benefits earned to date using RS Plan valuation assumptions
- The prepayment amount will typically equal approximately 2.5 times a co-op's current annual RS Plan contribution
- For most co-ops the billing rate can be immediately reduced by approximately 25% when a prepayment commitment is made

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Sample Co-op: Option #1

Co-op Information:

- 50 employees
- Total payroll for RS Plan billing of \$3 million
- Current billing rate of 26.59% = **\$800,000** annual contribution
- Accelerated funding prepayment of \$1.95 million

Prepayment Option #1

- Annual installments over 4 years using 8% actuarial interest assumption
- Lower billing rate of **19.97%** = \$600,000 basic contribution for 2013
- Prepayment amount = \$550,000 annual contribution for 2013 – 2016
- Total cost to co-op (for illustrative purposes only):
 - \$600,000 + \$550,000 = **\$1.15 million** per year for 2013 through 2016
 - **\$600,000** for 2017 and beyond

Note: The contribution rates (26.59% or 19.97% respectively) will be adjusted annually

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Sample Co-op: Option #2

Co-op Information:

- 50 employees
- Total payroll for RS Plan billing of \$3 million
- Current billing rate of 26.59% = **\$800,000** annual contribution
- Accelerated funding prepayment of \$1.95 million

Prepayment Option #2

- Co-op borrows \$1.95 million at 3.5% interest rate over 10 years
- Lower billing rate of **19.97%** = \$600,000 basic contribution for 2013
- Prepayment amount = \$1.95 million lump sum contribution in 2013
- Total cost to Co-op (for illustrative purposes only):
 - \$600,000 + \$230,000 (loan repayment through 2023) = **\$830,000** for 2013-2022
 - \$600,000 for 2023 and beyond

* The contribution rates (26.59% or 19.97% respectively) will be adjusted annually

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Other Considerations

- The billing rate is now at a lower base – future fluctuations in rates will be based on this level.
- Financial advantages may exist by borrowing the funds for the prepayment
- The impact of a future DRC on a co-op that makes a prepayment is significantly reduced
- Accounting options must be considered

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Accounting Options

- Expense the prepayment as incurred (must have approval of your auditors)
- Long-term prepayment
 - No long-term prepayment account in the USOA
 - Perhaps use Account 186 Misc. Deferred Debits
 - Could be amortized over the period necessary to recognize the benefit – \$1,950,000/\$200,000 = 9.75 years
- Regulatory asset under ASC 980 (SFAS 71)
 - Amortize over the remaining service lives of the plan participants (currently 10 years)
 - We are working with RUS on a blanket letter of approval

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Next Steps

- Prepayment amounts and accompanying reduced billing rates are being calculated for each co-op
- The information should be available for co-ops in February
- The prepayment option will be discussed at an Annual Meeting Forum and at the Directors Conference in March
- Both relationship managers and personnel in Arlington will be available to answer questions
- The accelerated funding approach is completely optional; co-ops may continue under the current funding methodology and billing rate.

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Questions?

We are now taking questions. If we are unable to get to yours, your relationship manager is a resource and can also help you.

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Sharon Carson

From: Sharon Carson
Sent: Thursday, April 25, 2013 9:25 AM
To: 'Prepayments'
Cc: Ruth Venable (ruthvenable@jacksonenergy.com); David Herrell; Carol Wright
Subject: RE: RS Plan Prepayment Invoice – 18003
Attachments: Jackson Energy Prepayment.tif

Jackson Energy Cooperative Corporation is arranging a payment of \$6,683,300 to be transmitted by wire tomorrow, April 26, from its bank, Jackson County Bank. This is the full amount of the accelerated funding payment if paid by April 30, 2013. Attached is the prepayment invoice.

From: Prepayments [<mailto:Prepayments@nreca.org>]
Sent: Tuesday, April 09, 2013 7:03 AM
To: Sharon Carson
Subject: RS Plan Prepayment Invoice – 18003

Please see attached invoice with payment instructions

Mark Maus
Sr. Director Retirement Projects
Insurance & Financial Services
NRECA
4301 Wilson Boulevard
Arlington, VA 22203
Office: 703-907-5866
Cell: 703-328-1771
Fax: 703-907-6227
E-mail: mark.maus@nreca.coop

From: Sharon Carson [<mailto:sharoncarson@jacksonenergy.com>]
Sent: Monday, April 08, 2013 8:52 AM
To: Prepayments
Subject: Notificaton of Intention to Prepay

Dear NRECA representative,

Jackson Energy Cooperative Corporation wishes to submit the full amount of \$6,683,300 as shown on the Accelerated Funding Payment Summary by April 30, 2013. The Accelerated Funding Payment Request Form is attached. I understand that NRECA will provide an invoice and payment instructions.

Sharon Carson

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Sent: Tuesday, April 09, 2013 7:03 AM
To: Sharon Carson
Subject: RS Plan Prepayment Invoice – 18003
Attachments: 18003.pdf

Please see attached invoice with payment instructions

Mark Maus
Sr. Director Retirement Projects
Insurance & Financial Services
NRECA
4301 Wilson Boulevard
Arlington, VA 22203
Office: 703-907-5866
Cell: 703-328-1771
Fax: 703-907-6227
E-mail: mark.maus@nreca.coop

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**Retirement Security Plan
 Accelerated Funding Payment Remittance
 JACKSON ENERGY COOPERATIVE COR**
 Subgroups: 01-18003-001 RNR01A

Please follow the directions below in remitting your Accelerated Funding Payment. A summary of payment amounts by date of payment is shown on page 2. Page 2 also provides important information on the adjustment to co-op billing rates following receipt of the payment.

If you are paying by wire or ACH deposit:

1. Enter expected payment transmittal date here: 4/26/2013
2. Enter amount of payment here: \$ 6,683,300
3. At least one day before transmitting payment, fax or email page 1 of this form to:

Email	Prepayments@NRECA.coop
Fax	703-907-6227

4. Transmit payment using the following:

By Wire or ACH* Deposit:	*Accelerated Funding invoices cannot be paid by ACH through Cooperative.com. However, an ACH payment may still be paid by the Coop from its bank account to the RS Plan UMB account (using this account information) without using Cooperative.com.
UMB Bank of St. Louis, N.A.	
NRECA Acct. #6070695481	
2 South Broadway	
St. Louis, MO 63102	
Bank ABA# 101000695	

Check this box if the cooperative authorizes its financial institution to make payment(s) on the cooperative's behalf directly to the Retirement Security Plan. If box is checked, the name of the financial institution is: Jackson County Bank

If you are paying by check (make payable to NRECA Retirement Security Plan):

1. Enter amount of payment here: \$
2. Before mailing payment, fax or email page 1 of this form to:

Email	Prepayments@NRECA.coop
Fax	703-907-6227

3. Mail payment and a copy of page 1 of this form to the following:

By Regular Mail:	By Overnight Mail:
NRECA	UMB Bank of St. Louis, N.A.
PO Box 775670	Attn: Lockbox Dept.
St. Louis, MO 63177-5670	2 South Broadway
	St. Louis, MO 63102
	Phone: 314-621-1000

**Retirement Security Plan
Accelerated Funding Payment Remittance
JACKSON ENERGY COOPERATIVE COR**

Subgroups: 01-18003-001 RNR01A

Accelerated Funding Payment Summary:

If paid by 4/30/2013	\$6,683,300
If paid by 5/31/2013	\$6,726,301
If paid by 6/30/2013	\$6,769,578
If paid by 7/31/2013	\$6,813,133
If paid by 8/31/2013	\$6,856,969
If paid by 9/30/2013	\$6,901,087
If paid by 10/31/2013	\$6,945,489

Please note:

Application of the new adjusted billing rate to monthly RS Plan invoices

Upon receipt of the Accelerated Funding Payment, the RS Plan database will be updated to reflect the adjusted billing rate applicable to each of the co-op's subgroups. Please note that payments made near the end of a month may not allow enough time to appear on the RS Plan invoice for the following month. In this case the new adjusted billing rate will first appear on the monthly invoice for the 2nd month following receipt of the Accelerated Funding Payment.

Credit for 2013 contributions remitted at the unadjusted (higher) billing rate:

An adjustment will be determined by NRECA and applied to a later RS Plan invoice to reverse overpayments. The total adjustment will equal the sum of 2013 contributions actually received, in excess of those that would have been required under the adjusted (lower) billing rate. Please allow approximately four weeks for this calculation to be completed by NRECA and provided to the co-op for review. The co-op should not make adjustments to past invoices to account for the new adjusted billing rate. NRECA will prepare these calculations.



**Retirement Security Plan
Accelerated Funding Payment Request Form
JACKSON ENERGY COOPERATIVE COR**

Subgroups: 01-18003-001 RNR01A

This form initiates the billing process for the Accelerated Funding Payment. You should submit this request only after your co-op has approved making the prepayment and the co-op is ready to send funds. After NRECA receives this request the co-op will be provided an invoice for the Accelerated Funding Payment and instructions on how to remit payment.

Please complete this form and then email or fax the form to NRECA:

Email	Prepayments@NRECA.coop
Fax	703-907-6227

1. The co-op elects to participate in the Accelerated Funding Payment option as follows:

- A one time, lump sum payment (payment summary shown below) to be paid by April 30, 2013
- Payment in installments over ___ (enter 2, 3, or 4) years.
- The first installment payment is due in 2013, with the remainder of the installments due each January 1 thereafter.
 - A co-op representative will be required to sign a Prepayment Liability Agreement formalizing the terms of the installment payments. The Agreement will be provided to the co-op after NRECA receives this completed request form.

2. Please provide contact information for the co-op staff member who will receive the prepayment invoice and respond to NRECA requests for additional information:

Name	Sharon Carson
Email address	sharoncarson@jacksonenergy.com
Phone	606-364-9239

3. Exclusion for collectively bargained subgroups:

An Accelerated Payment must be made for all subgroups shown above. An exception will be granted for subgroups subject to collective bargaining. Please provide subgroup ID's for such subgroups if you would like them to be excluded from the Accelerated Payment invoice provided:

1)	2)	3)
----	----	----

Accelerated Funding Payment Summary (total of all subgroups of the co-op*)

If paid by 1/31/2013	\$6,555,941
If paid by 2/28/2013	\$6,598,122
If paid by 3/31/2013	\$6,640,574
If paid by 4/30/2013	\$6,683,300
If paid by 5/31/2013	\$6,726,301
If paid by 6/30/2013	\$6,769,578
If paid by 7/31/2013	\$6,813,134
If paid by 8/31/2013	\$6,856,969

* see attached pages for individual prepayment calculations for each subgroup



**Retirement Security Plan
Accelerated Funding Payment
JACKSON ENERGY COOPERATIVE COR
01-18003-001 RNR01A**

Demographic Data From January 2013 Bill

Total payroll used for billing purposes	\$8,067,212
Total participants included for billing purposes	129 active, 0 disabled

2013 Billing Rates

Refer to footnotes 1 and 2 on the following page for other important information

	Prior to Accelerated Funding Payment	Co-op Elects to Make Accelerated Funding Payment (applicable retroactive to 1/1/2013)
Employer Rate	33.17%	24.71%
Employee Rate	0.00%	0.00%
Administration Fee Rate	0.85%	0.85%
Total Billing Rate	34.02%	25.56%

Accelerated Funding Payment

Refer to footnotes 3 and 4 on the following page for other important information

If paid by 1/31/2013	\$6,555,941
If paid by 2/28/2013	\$6,598,122
If paid by 3/31/2013	\$6,640,574
If paid by 4/30/2013	\$6,683,300
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If paid by 6/30/2013	\$6,769,578
If paid by 7/31/2013	\$6,813,134
If paid by 8/31/2013	\$6,856,969

**Retirement Security Plan
Accelerated Funding Payment
JACKSON ENERGY COOPERATIVE COR
01-18003-001 RNR01A**

Footnotes regarding the 2013 Billing Rates

(1) Co-ops making the Accelerated Funding Payment ("prepayment") will receive an immediate reduction in their current contribution requirement equal to approximately 25% of their 2013 billing rate (Employer Rate + Employee Rate). Although the new (reduced) billing rate can change over time, the relative value of the reduction will continue to benefit prepaying co-ops in future years, potentially for as many as 10-15 years or longer.

Please Note: The methodology used to determine future billing rates will account for the increased contributions made by prepaying co-ops, and ensure that the advantages of prepayment continue to be reflected in the billing rates of those prepaying co-ops and not be used to subsidize the contribution rates of those co-ops that do not choose to prepay.

In addition, making a prepayment does not affect the Plan's Administration Fee Rate.

(2) The Accelerated Funding Payment and the present value of the reduction in future billing amounts were determined to be actuarially equivalent under the assumptions and methods used for the Annual Actuarial Valuation. Estimations of the present value of the reduction in future billing amounts under other assumptions and methods will result in a present value different from the Accelerated Funding Payment.

Footnotes regarding the Accelerated Funding Payment

(3) For payments made after 1/31/2013, compound interest is applied at a rate of 8.00% per year. This is the interest rate used under the Annual Actuarial Valuation for determining the billing rates. If a co-op decides to spread the prepayment amount over four or fewer years, it will be amortized using an 8% interest rate, with annual installments due January 1 of each year.

(4) One or more months of 2013 RS Plan contributions will be paid prior to payment of the Accelerated Funding Payment. Therefore, though the new lower billing rate is retroactive to January 2013, some contributions already remitted in 2013 will be based on the current (higher) billing rate. An adjustment will be determined by NRECA and applied to a later RS Plan invoice to reverse these overpayments. The total adjustment will equal the sum of 2013 contributions actually received, in excess of those that would have been required under the reduced billing rate.

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Item No. 3d
Page 1 of 1
Witness: Jim Adkins

Q3d: Refer to the response to Item 2 of Staff's Second Request which refer to primary adjustments made to the test year.

d: Provide a comparison of Jackson's 2012 and 2013 Property tax assessment and tax bills paid..

A3d: Exhibit 3d which follows are the comparison of property tax assessment and bills or 2012 and 2013.

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Exhibit 3d
Page 1 of 5
Witness: Jim Adkins

Jackson Energy Cooperative
Case No. 2013-00219
December 31, 2012

Taxing District	Assessment for 2013 Taxes			Assessment for 2012 Taxes			Increase Decrease in Taxes
	Assessed Value	Tax Rate	Tax Due	Assessed Value	Tax Rate	Tax Due	

Jackson County

Real Estate - County	5,034,903	0.068 0	3,424	5,061,567	0.068 0	3,442	(18)
Real Estate - School	5,034,903	0.587 0	29,555	5,061,567	0.590 0	29,863	(308)
Real Estate - Library	5,034,903	0.120 0	6,042	5,061,567	0.134 0	6,782	(741)
Real Estate - Health	5,034,903	0.050 0	2,517	5,061,567	0.050 0	2,531	(13)
Real Estate - Extension	5,034,903	0.060 0	3,021	5,061,567	0.056 0	2,834	186
Real Estate - Ambulance	5,034,903	0.058 0	2,920	5,061,567	0.056 0	2,834	86
Real Estate - Conservation	5,034,903	0.027 0	1,359	5,061,567	0.027 0	1,367	(7)
Tangible - County	19,809,055	0.068 0	13,470	19,691,189	0.068 0	13,390	80
Tangible - School	19,809,055	0.587 0	116,279	19,691,189	0.590 0	116,178	101
Tangible - Library	19,809,055	0.120 0	23,771	19,691,189	0.189 5	37,315	(13,544)
Tangible - Health	19,809,055	0.050 0	9,905	19,691,189	0.050 0	9,846	59
Tangible - Extension	19,809,055	0.081 6	16,164	19,691,189	0.086 5	17,033	(869)
Tangible - Ambulance	19,809,055	0.058 0	11,489	19,691,189	0.056 0	11,027	462

Laurel County

Real Estate - County	662,682	0.062 0	411	674,233	0.062 0	418	(7)
Real Estate - School	662,682	0.470 0	3,115	674,233	0.470 0	3,169	(54)
Real Estate - Library	662,682	0.080 0	530	674,233	0.080 0	539	(9)
Real Estate - Health	662,682	0.040 0	265	674,233	0.040 0	270	(5)
Real Estate - Extension	662,682	0.024 0	159	674,233	0.022 0	148	11
Real Estate - Conservation	662,682	0.004 0	27	674,233	0.004 0	27	(0)

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		0.062				0.062	
Tangible - County	32,414,770	0	20,097	31,486,494	0	19,522	576
		0.470			0.470		
Tangible - School	32,414,770	0	152,349	31,486,494	0	147,987	4,363
		0.138			0.138		
Tangible - Library	32,414,770	3	44,830	31,486,494	3	43,546	1,284
		0.040			0.040		
Tangible - Health	32,414,770	0	12,966	31,486,494	0	12,595	371
		0.037			0.035		
Tangible - Extension	32,414,770	5	12,156	31,486,494	0	11,020	1,135
Estill County							
		0.105			0.105		
Tangible - County	12,859,486	0	13,502	12,465,518	0	13,089	414
		0.431			0.439		
Tangible - School	12,859,486	0	55,424	12,465,518	0	54,724	701
		0.130			0.132		
Tangible - Library	12,859,486	0	16,717	12,465,518	0	16,454	263
		0.080			0.080		
Tangible - Health	12,859,486	0	10,288	12,465,518	0	9,972	315
		0.168			0.168		
Tangible - Extension	12,859,486	8	21,707	12,465,518	8	21,042	665
		0.100			0.100		
Tangible - Ambulance	12,859,486	0	12,859	12,465,518	0	12,466	394
Clay County							
		0.081			0.081		
Tangible - County	18,182,805	0	14,728	17,614,067	0	14,267	461
		0.555			0.558		
Tangible - School	18,182,805	0	100,915	17,614,067	0	98,286	2,628
		0.087			0.093		
Tangible - Library	18,182,805	4	15,892	17,614,067	7	16,504	(613)
		0.060			0.060		
Tangible - Health	18,182,805	0	10,910	17,614,067	0	10,568	341
		0.085			0.084		
Tangible - Extension	18,182,805	6	15,564	17,614,067	2	14,831	733
Rockcastle County							
		0.082			0.082		
Tangible - County	15,621,984	0	12,810	15,103,576	0	12,385	425
		0.407			0.404		
Tangible - School	15,621,984	0	63,581	15,103,576	0	61,018	2,563
		0.114			0.094		
Tangible - Library	15,621,984	9	17,950	15,103,576	7	14,303	3,647
		0.041			0.040		
Tangible - Health	15,621,984	6	6,499	15,103,576	0	6,041	457
		0.048			0.048		
Tangible - Extension	15,621,984	3	7,545	15,103,576	4	7,310	235
Lee County							
		0.478			0.478		
Tangible - County	9,153,366	0	43,753	8,846,859	0	42,288	1,465

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		0.290				0.288		
Tangible - School	9,153,366	0	26,545	8,846,859	0	25,479	1,066	
		0.200				0.200		
Tangible - Library	9,153,366	0	18,307	8,846,859	0	17,694	613	
		0.050				0.038		
Tangible - Health	9,153,366	0	4,577	8,846,859	0	3,362	1,215	
		0.135				0.112		
Tangible - Extension	9,153,366	2	12,375	8,846,859	4	9,944	2,431	
		0.000				0.000		
Tangible - Ambulance	9,153,366	0	0	8,846,859	0	0	0	
Owsley County								
		0.160				0.160		
Tangible - County	7,654,389	0	12,247	7,411,817	0	11,859	388	
		0.431				0.437		
Tangible - School	7,654,389	0	32,990	7,411,817	0	32,390	601	
		0.178				0.184		
Tangible - Library	7,654,389	5	13,663	7,411,817	5	13,675	(12)	
		0.050				0.050		
Tangible - Health	7,654,389	0	3,827	7,411,817	0	3,706	121	
		0.215				0.208		
Tangible - Extension	7,654,389	5	16,495	7,411,817	0	15,417	1,079	
Tangible - City of Booneville	168,847	0	507	165,076	0	495	11	
		0.300				0.300		
Leslie County								
		0.162				0.162		
Tangible - County	161,778	0	262	155,119	0	251	11	
		0.474				0.543		
Tangible - School	161,778	0	767	155,119	0	842	(75)	
		0.111				0.153		
Tangible - Library	161,778	5	180	155,119	5	238	(58)	
		0.040				0.040		
Tangible - Health	161,778	0	65	155,119	0	62	3	
		0.079				0.101		
Tangible - Extension	161,778	0	128	155,119	5	157	(30)	
Wolfe County								
		0.088				0.088		
Tangible - County	97,803	0	86	95,619	0	84	2	
		0.341				0.339		
Tangible - School	97,803	0	334	95,619	0	324	9	
		0.176				0.176		
Tangible - Library	97,803	9	173	95,619	9	169	4	
		0.040				0.040		
Tangible - Health	97,803	0	39	95,619	0	38	1	
		0.227				0.227		
Tangible - Extension	97,803	0	222	95,619	0	217	5	
Madison County								
		0.100				0.100		
Tangible - County	35,834	0	36	33,536	0	34	2	

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		0.588			0.591		
Tangible - School	35,834	0	211	33,536	0	198	13
		0.120			0.151		
Tangible - Library	35,834	0	43	33,536	4	51	(8)
		0.050			0.050		
Tangible - Health	35,834	0	18	33,536	0	17	1
		0.032			0.032		
Tangible - Extension	35,834	5	12	33,536	5	11	1
		0.060			0.060		
Tangible - Ambulance	35,834	0	22	33,536	0	20	1
Powell County							
		0.113			0.113		
Tangible - County	50,011	3	57	48,895	3	55	1
		0.364			0.348		
Tangible - School	50,011	0	182	48,895	0	170	12
		0.056			0.057		
Tangible - Library	50,011	7	28	48,895	1	28	0
		0.040			0.040		
Tangible - Health	50,011	0	20	48,895	0	20	0
		0.036			0.037		
Tangible - Extension	50,011	7	18	48,895	7	18	(0)
		0.000			0.000		
Tangible - Ambulance	50,011	0	0	48,895	0	0	0
Breathitt County							
		0.112			0.112		
Tangible - County	27,654	0	31	27,037	0	30	1
		0.410			0.410		
Tangible - School	27,654	0	113	27,037	0	111	3
		0.150			0.134		
Tangible - Library	27,654	2	42	27,037	4	36	5
		0.080			0.080		
Tangible - Health	27,654	0	22	27,037	0	22	0
		0.194			0.166		
Tangible - Extension	27,654	2	54	27,037	7	45	9
Garrard County							
		0.102			0.102		
Tangible - County	17,138	0	17	16,755	0	17	0
		0.640			0.640		
Tangible - School	17,138	0	110	16,755	0	107	2
		0.117			0.117		
Tangible - Extension	17,138	8	20	16,755	8	20	0
		0.040			0.040		
Tangible - Health	17,138	0	7	16,755	0	7	0
		0.183			0.183		
Tangible - Library	17,138	5	31	16,755	5	31	1
		0.083			0.083		
Tangible - Fire	17,138	0	14	16,755	0	14	0

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Lincoln County

		0.112			0.112		
Tangible - County	22,007	1	25	21,515	3	24	1
		0.439			0.419		
Tangible - School	22,007	0	97	21,515	0	90	6
		0.077			0.077		
Tangible - Extension	22,007	1	17	21,515	1	17	0
		0.040			0.040		
Tangible - Health	22,007	0	9	21,515	0	9	0
		0.043			0.043		
Tangible - Ambulance	22,007	6	10	21,515	6	9	0
		0.072			0.069		
Tangible - Library	22,007	0	16	21,515	0	15	1
		0.066			0.066		
Tangible - Fire	22,007	0	15	21,515	0	14	0

Pulaski County

		0.051			0.051		
Tangible - County	3,700	0	2	3,618	0	2	0
		0.465			0.465		
Tangible - School	3,700	0	17	3,618	0	17	0
		0.076			0.076		
Tangible - Library	3,700	6	3	3,618	5	3	0
		0.030			0.030		
Tangible - Health	3,700	0	1	3,618	0	1	0
		0.016			0.016		
Tangible - Extension	3,700	2	1	3,618	2	1	0

Public Service Company Assessment:

		0.122			0.122		
Real Estate	7,294,473	0	8,899	5,697,585	0	6,951	1,948
	116,307,04	0.450		116,111,78	0.450		
Tangible Property	0	0	523,382	0	0	522,503	879
		0.150			0.150		
Manufacturing Machinery	18,727,417	0	28,091	18,921,980	0	28,383	(292)

			1,632,94			1,614,73	
Total			<u>4</u>			<u>6</u>	<u>18,209</u>

Amount of Adjustment 18,209

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Q3e: Refer to the response to Item 2 of Staff's Second Request which refer to primary adjustments made to the test year.

e: Explain why Jackson did not propose adjustments for the following items in its response:

- (1) Donations;
- (2) Professional Fees;
- (3) Directors Fees and Expenses;
- (4) Miscellaneous Expense;
- (5) Rate Case Expense;
- (6) Public Service Commission Assessment Fee;
- (7) Year End Customer Adjustment; and
- (8) Property Tax Expense.

Provide all applicable information associated with any of the above items that are adjusted and reflect the adjusted items in Exhibit S and all other affected exhibits.

A3e: Jackson Energy did not propose adjustments to the following since they are not requesting a TIER of 2.0x. Even after giving consideration to these adjustments, Jackson Energy's request is still substantially less than a 2.0x TIER. Had the request been for a 2.0x TIER, Jackson Energy would have made these adjustments to reflect and adjusted 2.0x TIER. Shown below are the amounts that were included in normalized adjustments in Case No. 2007-00333, Jackson Energy's last general rate application. It is felt that adjustments for the following would not result in significant difference from the test year

Jackson Energy Cooperative
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to the referenced case. The adjustment for property taxes was omitted from the below calculation since it was provided in Item 3.d of this response.

(1) Donations	(64,588)
(2) Professional fees	(8,458)
(3) Director fees and expenses	(66,744)
(4) Miscellaneous expense	18,327
(5) Rate case expense	27,000
(6) PSC assessment fee	0
(7) Year end customer adjustment	(84,406)
(8) Property tax expense	<u>0</u>
Net effect of adjustments	<u><u>(178,869)</u></u>

JACKSON ENERGY COOPERATIVE

CASE NO, 2013-00219

COST OF SERVICE STUDY ADJUSTED

October 2013 - Mary Elizabeth Purvis & James Adkins

JACKSON ENERGY COOPERATIVE
CASE NO. 2013-00219

TEST YEAR REVENUE REQUIREMENTS WITH ADJUSTMENTS

Acct No.	Description	Actual Test Year	Wages Adjustment	Payroll Taxes Adjustment	Depreciation Adjustment	Interest Adjustment	Retirement & Security Adjustment	Property Taxes	Donations	Administrative & General	G&T Capital Credits Adjustment	Purchased Power Adjustment (a)	Total Amount of Adjustments	Adjusted Test Year
555	Purchased Power													
	Demand Charges													13,020,019
	Metering Point & Substations Charges													1,321,044
	Energy Charges												-	44,259,636
	Renewable Resource Energy												-	4,430
	WellHeads													146,741
	Total Purchased Power	66,412,945										(7,661,075)	-	58,751,870
580	Operations Supv & Eng	87,148	685	76			440							88,348
581	Load Dispatching	-												-
582	Station Expense	24,929	196	22			126							25,273
583	Overhead Line Exp.	1,885,386	14,810	1,639			9,520	11,093						1,922,448
584	Underground Line Exp	56,911	447	49			287	4,467						62,161
585	Street Lights	-					-							-
586	Meter Expense	1,606,799	12,622	1,397			8,113	521						1,629,451
587	Consumer Installations	181,345	1,425	158			916	493						184,337
588	Misc. Distribution Exp	1,025,553	8,056	892	7,494		5,178	656						1,047,829
589	Rents	-												-
	Total Dist. Operations	4,868,071	38,240	4,232	7,494	-	24,581	17,229				-	-	4,959,848
590	Maint Supv & Eng	-	-	-			-							-
592	Maint of Station Equip	-	-	-			-							-
593	Maint. Overhead Lines	5,660,660	32,101	3,553			20,635						-	5,716,949
594	Maint of Underground Lines	5,731	32	4			21							5,788
595	Maint Line Transformers	16,591	94	10			60							16,756
596	Maint of Street Lights	23,458	133	15			86							23,691
597	Maintenance of Meters	-	-	-			-							-
598	Maint Misc Distrib Plant	245,521	1,392	154	13,489		895							261,451
	Total Dist. Maint.	5,951,960	33,753	3,736	13,489	-	21,697					-	-	6,024,635
901	Supervision	75,527	931	103	3,497		599							80,657
902	Meter Reading Expense	37,553	463	51			298							38,365
903	Cons Recds & Collections	3,111,178	38,359	4,246			24,657	492						3,178,931
904	Uncollectible Accounts	(104,074)												(104,074)
	Total Consumer Accts	3,120,184	39,753	4,400	3,497		25,553	492				-	-	3,193,878
907	Customer Information	3,544	49	5			31							3,630
908	Customer Accounting	252,730	3,467	384			2,228							258,808
909	Consumer Information	36,751	504	56	2,997		324							40,632
910	Mis. Customer Information	370,042	5,076	562			3,263	164						379,106
912	Key Accounts Expenses	-	-	-			-							-
913	Advertising	148,618												148,618
	Total Customer Serv.	811,685	9,095	1,007	2,997		5,846	164				-	-	830,794
920	Administrative Salaries	2,116,841	24,420	2,703			15,697							2,159,662
921	Office Supplies	744,250						324						744,574
923	Outside Services	118,341							18,542					136,883
924	Property Ins	-												-
925	Injuries & Damages	26,498												26,498
926	Employ Pensions & Benef	154,468	1,782	197			1,145							157,592
928	Regulatory Exp	16,364												16,364
929	Duplicate Charges	(84,878)												(84,878)
930	Misc General Exp	877,135	10,119	1,120			6,504			(48,417)				846,461
931	Rents	22,200												22,200
935	Maintenance of Gen. Plant	583,634	6,733	745	4,996		4,328							600,436
	Total Admin & General	4,574,854	43,054	4,765	4,996	-	27,675	324		(29,875)		-	-	4,625,793
403.6	Deprec. Distribution Plant	7,662,551			65,686									7,728,237
403.7	Deprec. General Plant	593,331			257,332									850,663
407.0	Amort of Prop Losses and Undercovery	470,772												470,772
	Total Depreciation	8,726,653			323,019							-	-	9,049,672

**JACKSON ENERGY COOPERATIVE
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Item 3f
Exhibit R - Revised with Adj
Schedule 1.1
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ALLOCATION OF TEST YEAR ADJUSTMENTS TO VARIOUS ACCOUNTS

		Amount	Percent	Wages & Salaries Adj.	Payroll Tax Adj.	FAS 106 Adj.	Retirement Adj.	Health Insurance Adj.	Total
580.00	Supervision, operations	87,148	1.79%	685	76	0	440	0	1,200
582.00	Station	24,929	0.51%	196	22	0	126	0	343
583.00	Overhead line	1,885,386	38.73%	14,810	1,639	0	9,520	0	25,969
584.00	Underground Lines	56,911	1.17%	447	49	0	287	0	784
585.00	Street Light Expense	-	0.00%	0	0	0	0	0	0
586.00	Meter	1,606,799	33.01%	12,622	1,397	0	8,113	0	22,132
587.00	Installations	181,345	3.73%	1,425	158	0	916	0	2,498
588.00	Miscellaneous distribution	1,025,553	21.07%	8,056	892	0	5,178	0	14,126
		4,868,071	100.00%	38,240	4,232	-	24,581	-	67,053
				38,240	4,232	0	24,581	0	67,053
590.00	Supervision, maintenance	-	0.00%	0	0	0	0	0	0
592.00	Maintenance Station Equip	-	0.00%	0	0	0	0	0	0
593.00	Maintenance	5,660,660	95.11%	32,101	3,553	0	20,635	0	56,289
594.00	Underground	5,731	0.10%	32	4	0	21	0	57
595.00	Transformers	16,591	0.28%	94	10	0	60	0	165
596.00	Street lights	23,458	0.39%	133	15	0	86	0	233
597.00	Meters	-	0.00%	0	0	0	0	0	0
598.00	Miscellaneous maintenance	245,521	4.13%	1,392	154	0	895	0	2,441
		5,951,960	100%	33,753	3,736	-	21,697	-	59,186
				33,753	3,736	0	21,697	0	
901.00	Supervision	75,527	2.34%	931	103	0	599	0	1,633
902.00	Meter reading	37,553	1.16%	463	51	0	298	0	812
903.00	Consumer records	3,111,178	96.49%	38,359	4,246	0	24,657	0	67,261
		3,224,258	100%	39,753	4,400	0	25,553	0	69,706
				39,753	4,400	0	25,553	0	
907.00	Supervision, Customer service	3,544	0.53%	49	5	0	31	0	85
908.00	Consumer accounting	252,730	38.12%	3,467	384	0	2,228	0	6,079
909.00	Consumer information	36,751	5.54%	504	56	0	324	0	884
910.00	Misc Customer Info	370,042	55.81%	5,076	562	0	3,263	0	
912.00	Key Accounts expenses	-	0.00%	0	0	0	0	0	
		663,067	100%	9,095	1,007	0	5,846	0	15,948
				9,095	1,007	0	5,846	0	15,948
920.00	Administrative	2,116,841	56.72%	24,420	2,703	0	15,697	0	42,820
926.00	Employee Benefits	154,468	4.14%	1,782	197	0	1,145	0	3,125
930.00	Miscellaneous	877,135	23.50%	10,119	1,120	0	6,504	0	17,743
935.00	Maintenance general plant	583,634	15.64%	6,733	745	0	4,328	0	11,806
		3,732,078	100.00%	43,054	4,765	0	27,675	0	75,494
				43,054	4,765	0	27,675	0	75,494
	Total	18,439,435		163,895	18,140	0	105,352	0	287,387
				163,895	18,140	0	0	-	182,035

JACKSON ENERGY COOPERATIVE
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FUNCTIONALIZATION OF TEST YEAR EXPENSES

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 Exhibit R-Revised with Adj
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Expenses		FUNCTIONALIZATION											
Acct No.	Description	Adjusted Test Year	Purchased Power	Stations	Lines	Trans-formers	Services	Meters	Consumer Services & Accounting	Security Lighting	Street Lighting	Total	Alloc. Basis
920	Administrative Salaries	2,159,662		4,717	1,063,104	2,520	168,113	304,130	579,109	34,406	3,564	2,159,662	7
921	Office Supplies	744,574		1,626	366,520	869	57,959	104,853	199,656	11,862	1,229	744,574	7
923	Outside Services	136,883		299	67,381	160	10,655	19,276	36,705	2,181	226	136,883	7
924	Property Ins	-		-	-	-	-	-	-	-	-	-	7
925	Injuries & Damages	26,498		58	13,044	31	2,063	3,732	7,105	422	44	26,498	7
926	Employ Pensions & Benef	157,592		344	77,576	184	12,267	22,193	42,258	2,511	260	157,592	7
928	Regulatory Exp	16,364		36	8,055	19	1,274	2,304	4,388	261	27	16,364	7
929	Duplicate Charges	(84,878)		(185)	(41,782)	(99)	(6,607)	(11,953)	(22,760)	(1,352)	(140)	(84,878)	7
930	Misc General Exp	846,461		1,849	416,675	988	65,890	119,201	226,977	13,485	1,397	846,461	7
931	Rents	22,200		48	10,928	26	1,728	3,126	5,953	354	37	22,200	7
935	Maintenance of Gen. Plant	600,436		1,311	295,568	701	46,739	84,555	161,006	9,566	991	600,436	4
	Total Admin & General #REF!	4,625,793	-	10,103	2,277,069	5,398	360,082	651,417	1,240,396	73,694	7,633	4,625,793	
403.6	Deprec. Distribution Plant	7,728,237		67,331	5,047,787	1,128,131	798,226	470,190	-	205,533	11,040	7,728,237	6
403.7	Deprec. General Plant	850,663		1,858	418,743	993	66,217	119,793	228,103	13,552	1,404	850,663	4
407	Amort of Prop Losses and Unde	470,772		3,825	300,679	62,591	47,548	32,028	11,351	12,069	682	470,772	6.1
	Total Depreciation	9,049,672		73,014	5,767,209	1,191,715	911,990	622,010	239,454	231,153	13,126	9,049,672	
408.71	PSC Assessment & Sales Taxe	120,557											
408.5	Miscellaneous Amortization	-											
425-426	Contributions	16,308											
	Total Miscellaneous	136,865		1,113	87,427	18,208	13,825	9,305	3,280	3,509	198	136,865	5
427.1	Interest - RUS Constuc	1,383,268											
427.2	Interest - CFC	1,351,477											
427.4	Interest - FFB	3,207,046											
	Total Interest on LTD	5,941,791	-	48,300	3,795,498	790,451	600,196	403,978	142,404	152,359	8,606	5,941,791	5
431	Other Interest Expense	54,021											
#REF!	Total ST Interest #REF!	54,021		439	34,508	7,187	5,457	3,673	1,295	1,385	78	54,021	5
	Total Costs	93,569,168	58,751,870	165,752	19,350,042	2,030,475	3,059,895	3,804,015	5,651,502	701,211	54,407	93,569,168	
	Margin Requirements	5,941,791	-	48,300	3,795,498	790,451	600,196	403,978	142,404	152,359	8,606	5,941,791	
	Total Revenue Require.	99,510,959	58,751,870	214,052	23,145,539	2,820,926	3,660,091	4,207,993	5,793,906	853,570	63,012	99,510,959	

99,510,959

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FUNCTIONALIZATION OF TEST YEAR EXPENSES

FOOTNOTES

1 Line Expenses are Allocated between Lines and Services Based on Plant Investment.

	<u>\$\$\$</u>	<u>%</u>
Poles and Conductor	127,387,548	86.35%
Services	20,144,271	13.65%
Total	<u>147,531,819</u>	<u>100.00%</u>

2 Allocation of Dist. Oper. Supervision & Miscellaneous Expenses

	<u>Actual</u>	<u>%</u>	<u>Superv</u>	<u>Miscell. Exp.</u>	<u>Rents</u>
Stations	25,273	0.66%	584	6,926	-
Lines	1,713,627	44.82%	39,594	469,598	-
Transformers	-	0.00%	-	-	-
Services	270,982	7.09%	6,261	74,259	-
Meters	1,629,451	42.61%	37,650	446,531	-
Consumer Services & Acct	-	0.00%	-	-	-
Security Lighting	184,337	4.82%	4,259	50,515	-
Street Lighting	-	0.00%	-	-	-
	<u>3,823,670</u>	<u>100%</u>	<u>88,348</u>	<u>1,047,829</u>	<u>-</u>

3 Allocation of Dist. Maint. Supervision & Miscellaneous Expenses

	<u>Actual</u>	<u>%</u>	<u>Superv</u>	<u>Misc. Exp.</u>
Stations	-	0.00%	-	-
Lines	4,941,344	85.74%	-	224,168
Transformers	16,756	0.29%	-	760
Services	781,393	13.56%	-	35,448
Meters	-	0.00%	-	-
Consumer Services & Acct	-	0.00%	-	-
Security Lighting	-	-	-	-
Street Lighting	23,691	0.41%	-	1,075
	<u>5,763,184</u>	<u>100%</u>	<u>-</u>	<u>261,451</u>
			-	261,451

4 General Plant Allocation Comes From the Rate Base Schedule Line General Plant Percent

5 Rate Base Allocation Comes from the Rate Base Schedule Line Rate Base Percent.

6 Depreciation Expense Allocation Comes from the Gross Plant Percent in Rate Base

6.1 Amort of Prop Losses & Underrecover Comes from the Rate Base Scheduel Line Net Plant Expense

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FOOTNOTES										
7	Admin & General Expense Allocation except General Plant				Trans-		Consumer	Security	Street	
Acct.	Description	Stations	Lines	formers	Services	Meters	Services & Accounting	Lighting	Lighting	Total
580	Operations Supv & Eng	584	39,594	-	6,261	37,650	-	4,259	-	88,348
581	Load Dispatching	-	-	-	-	-	-	-	-	-
582	Station Expense	25,273	-	-	-	-	-	-	-	25,273
583	Overhead Line Exp.	-	1,659,954	-	262,495	-	-	-	-	1,922,448
584	Underground Line Exp	-	53,674	-	8,488	-	-	-	-	62,161
585	Street Lights	-	-	-	-	-	-	-	-	-
586	Meter Expense	-	-	-	-	1,629,451	-	-	-	1,629,451
587	Consumer Installations	-	-	-	-	-	-	184,337	-	184,337
588	Misc. Distribution Exp	6,926	469,598	-	74,259	446,531	-	50,515	-	1,047,829
589	Rents	-	-	-	-	-	-	-	-	-
		<u>32,782</u>	<u>2,222,820</u>	<u>-</u>	<u>351,503</u>	<u>2,113,632</u>	<u>-</u>	<u>239,111</u>	<u>-</u>	<u>4,959,848</u>
590	Maint Supv & Eng	-	-	-	-	-	-	-	-	-
592	Maint of Station Equip	-	-	-	-	-	-	-	-	-
593	Maint. Overhead Lines	-	4,936,346	-	780,603	-	-	-	-	5,716,949
594	Maint of Underground Lines	-	4,997	-	790	-	-	-	-	5,788
595	Maint Line Transformers	-	-	16,756	-	-	-	-	-	16,756
596	Maint of Street Lights	-	-	-	-	-	-	-	23,691	23,691
597	Maintenance of Meters	-	-	-	-	-	-	-	-	-
598	Maint Misc Distrib Plant	-	224,168	760	35,448	-	-	-	1,075	261,451
	Total Dist. Maint.	<u>-</u>	<u>5,165,511</u>	<u>17,516</u>	<u>816,842</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>24,766</u>	<u>6,024,635</u>
901	Supervision	-	-	-	-	-	80,657	-	-	80,657
902	Meter Reading Expense	-	-	-	-	-	38,365	-	-	38,365
903	Cons Recds & Collections	-	-	-	-	-	3,178,931	-	-	3,178,931
904	Uncollectible Accounts	-	-	-	-	-	(104,074)	-	-	(104,074)
	Total Consum Accts	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>3,193,878</u>	<u>-</u>	<u>-</u>	<u>3,193,878</u>
907	Customer Information	-	-	-	-	-	3,630	-	-	3,630
908	Customer Accounting	-	-	-	-	-	258,808	-	-	258,808
909	Consumer Information	-	-	-	-	-	40,632	-	-	40,632
910	Mis. Customer Information	-	-	-	-	-	379,106	-	-	379,106
912	Key Accounts Expenses	-	-	-	-	-	-	-	-	-
913	Advertising	-	-	-	-	-	148,618	-	-	148,618
	Total Customer Serv.	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>-</u>	<u>830,794</u>	<u>-</u>	<u>-</u>	<u>830,794</u>
	Total all Expenses	32,782	7,388,331	17,516	1,168,345	2,113,632	4,024,672	239,111	24,766	15,009,155
	Functions as % of Total	0.22%	49.23%	0.12%	7.78%	14.08%	26.81%	1.59%	0.17%	100.00%

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FUNCTIONALIZATION SUMMARY

							Consumer			
	Purchased						Services &	Outdoor	Street	
Expense	Power	Stations	Lines	Transformers	Services	Meters	Accounting	Lighting	Lighting	Total
Purchased Power	58,751,870									58,751,870
Distribution Operations		32,782	2,222,820	-	351,503	2,113,632	-	239,111	-	4,959,848
Distribution Maintenance		-	5,165,511	17,516	816,842	-	-	-	24,766	6,024,635
Consumer Accounts		-	-	-	-	-	3,193,878	-	-	3,193,878
Customer Service		-	-	-	-	-	830,794	-	-	830,794
Administrative & General		10,103	2,277,069	5,398	360,082	651,417	1,240,396	73,694	7,633	4,625,793
Depreciation		73,014	5,767,209	1,191,715	911,990	622,010	239,454	231,153	13,126	9,049,672
Miscellaneous		1,113	87,427	18,208	13,825	9,305	3,280	3,509	198	136,865
Interest on Long Term Debt		48,300	3,795,498	790,451	600,196	403,978	142,404	152,359	8,606	5,941,791
Short Term Interest		439	34,508	7,187	5,457	3,673	1,295	1,385	78	54,021
Total Costs	58,751,870	165,752	19,350,042	2,030,475	3,059,895	3,804,015	5,651,502	701,211	54,407	93,569,168
Margin Requirements	-	48,300	3,795,498	790,451	600,196	403,978	142,404	152,359	8,606	5,941,791
Revenue Requirements	58,751,870	214,052	23,145,539	2,820,926	3,660,091	4,207,993	5,793,906	853,570	63,012	99,510,959

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CLASSIFICATION OF EXPENSES

			Consumer Related Costs	Demand Related Costs	Total
	2				
<u>Expense</u>	<u>Lines</u>		<u>Costs</u>	<u>Costs</u>	<u>Total</u>
Purchased Power	-		-	-	-
Distibution Operations	2,222,820		596,210	1,626,610	2,222,820
Distribution Maintenance	5,165,511		1,385,505	3,780,006	5,165,511
Consumer Accounts	-		-	-	-
Customer Service	-		-	-	-
Administative & General	2,277,069		610,761	1,666,309	2,277,069
Depreciation	5,767,209		1,546,894	4,220,315	5,767,209
Miscellaneous	87,427		23,450	63,977	87,427
Interest on Long Term Debt	3,795,498		1,018,037	2,777,461	3,795,498
Short Term Interest	34,508		9,256	25,252	34,508
Total Costs	19,350,042		5,190,112	14,159,929	19,350,042
Margin Requirements	3,795,498		1,018,037	2,777,461	3,795,498
Revenue Requirements	23,145,539		6,208,149	16,937,390	23,145,539
			Consumer Related Costs	Demand Related Costs	
	3				
<u>Expense</u>	<u>Transformers</u>		<u>Costs</u>	<u>Costs</u>	<u>Total</u>
Purchased Power	-		-	-	-
Distibution Operations	-		-	-	-
Distribution Maintenance	17,516		3,698	13,818	17,516
Consumer Accounts	-		-	-	-
Customer Service	-		-	-	-
Administative & General	5,398		1,140	4,259	5,398
Depreciation	1,191,715		251,585	940,130	1,191,715
Miscellaneous	18,208		3,844	14,364	18,208
Interest on Long Term Debt	790,451		166,873	623,578	790,451
Short Term Interest	7,187		1,517	5,669	7,187
Total Costs	2,030,475		428,656	1,601,818	2,030,475
Margin Requirements	790,451		166,873	623,578	790,451
Revenue Requirements	2,820,926		595,530	2,225,396	2,820,926
			Energy Related Costs	Demand Related Costs	
Purchased Power	58,751,870		44,410,807	14,341,063	58,751,870

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CLASSIFICATION OF EXPENSES

		Consumer Related Costs			
				Consumer	
				Services &	
Expense		<u>Services</u>	<u>Meters</u>	<u>Accounting</u>	<u>Total</u>
Purchased Power		-	-	-	-
Distribution Operations		351,503	2,113,632	-	2,465,135
Distribution Maintenance		816,842	-	-	816,842
Consumer Accounts		-	-	3,193,878	3,193,878
Customer Service		-	-	830,794	830,794
Administrative & General		360,082	651,417	1,240,396	2,251,895
Depreciation		911,990	622,010	239,454	1,773,455
Miscellaneous		13,825	9,305	3,280	26,411
Interest on Long Term Debt		600,196	403,978	142,404	1,146,578
Short Term Interest		5,457	3,673	1,295	10,424
Total Costs		3,059,895	3,804,015	5,651,502	12,515,411
Margin Requirements		600,196	403,978	142,404	1,146,578
Revenue Requirements		3,660,091	4,207,993	5,793,906	13,661,989
			Outdoor	Street	
		<u>Stations</u>	<u>Lighting</u>	<u>Lighting</u>	
Expense					
Purchased Power			-		
Distribution Operations		32,782	239,111	-	
Distribution Maintenance		-	-	24,766	
Consumer Accounts		-	-	-	
Customer Service		-	-	-	
Administrative & General		10,103	73,694	7,633	
Depreciation		73,014	231,153	13,126	
Miscellaneous		1,113	3,509	198	
Interest on Long Term Debt		48,300	152,359	8,606	
Short Term Interest		439	1,385	78	
Total Costs		165,752	701,211	54,407	
Margin Requirements		48,300	152,359	8,606	
Revenue Requirements		214,052	853,570	63,012	

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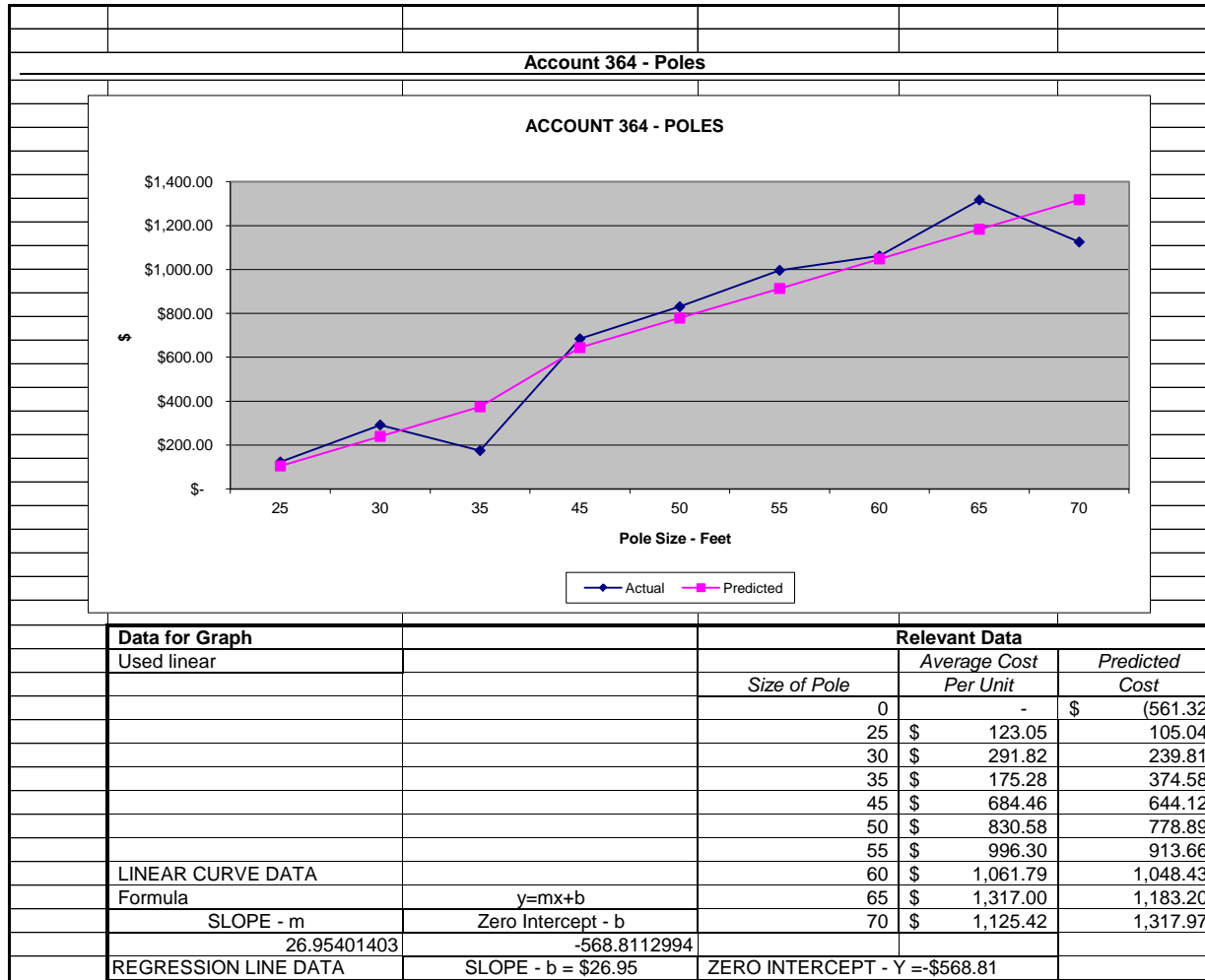
DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 364 - POLES				
1. Actual Data				
Poles	Size	Investment	Number of Units	Unit Cost
20' AL Pole	20	105,020	220.00	\$ 477.36
25' AL Pole	25	422,591	153.00	\$ 2,762.04
25' Pole	25	805,242	6,544	\$ 123.05
30' Pole	30	6,597,185	22,607	\$ 291.82
35' Pole	35	2,744,719	15,659	\$ 175.28
40' Pole	40	20,615,449	39,670	\$ 519.67
45' Pole	45	8,706,329	12,720	\$ 684.46
50' Pole	50	3,259,180	3,924	\$ 830.58
55' Pole	55	1,255,342	1,260	\$ 996.30
60' Pole	60	205,987	194	\$ 1,061.79
65' Pole	65	81,654	62	\$ 1,317.00
70' Pole	70	16,881	15	\$ 1,125.42
75' Pole	75	30,145	11	\$ 2,740.41
80' Pole	80	2,587	5	\$ 517.36
85' Pole	85	1,488	1	\$ 1,487.61
		-		
Subtotal		44,849,798	103,045	
All other items		18,763,135		
Total Investment in Poles		63,612,934		
2. Determination of Demand and Consumer Related Investment				
		Formula	Slope	Y intercept
Linear Curve		y=mx+b	26.954	(568.811)
Use Actual Value to 25 foot poles				123.0504
Number of poles				103,045
Consumer Related Investment				12,679,732
Total Investment in poles				63,612,934
Percent Customer Related				19.93%
Percent Demand Related				80.07%

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DEMAND AND CONSUMER RELATED INVESTMENTS



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DEMAND AND CONSUMER RELATED INVESTMENTS

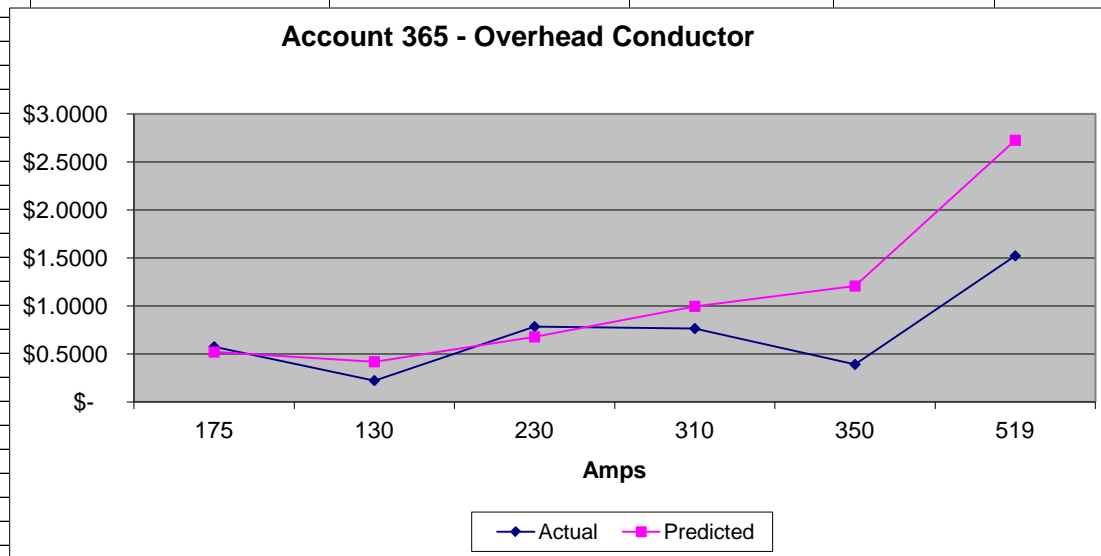
ACCOUNT 365 - CONDUCTOR					
1. Actual Data					
Conductor	Investment	Number of Units	Unit Cost	Amps	
2 ACSR	3,049,770	5,307,825	\$ 0.5746	175	
4 ACSR	2,090,418	9,414,165	\$ 0.2221	130	
4/0 ACSR	8,824	22,607	\$ 0.3903	350	
3/0 ACSR	2,379,273	3,114,564	\$ 0.7639	310	
1/0 ACSR	11,636,283	14,838,347	\$ 0.7842	230	
336.4 ACSR	10,503,010	6,903,435	\$ 1.5214	519	
477 ACSR	107,587	69,343	\$ 1.5515		
6ACWC	1,085,942	7,024,702	\$ 0.1546	140	
8 ACWC	1,008,219	6,631,761	\$ 0.1520	100	
6 BARE COPPER	21,795	7224	\$ 3.0170		
350 MCM URD PRIMARY	270,150	36,488	\$ 7.4038		
500 MCM URD PRIMARY	21,779	9,076	\$ 2.3996		
2 AL. CONCENTRIC URD	621	607	\$ 1.0226		
1/0 7 STRAND COPPER	42,697	93,562	\$ 0.4563		
1/0 15 KV URD PRIMARY	3,412,123	977,707	\$ 3.4899		
2/0 15KV URD PRIMARY	1,480	2,061	\$ 0.7180		
556.5 ACSR	7,282	51,336	\$ 0.1419		
397.5 SPACER CABLE	257,121	120,150	\$ 2.1400		
750 MCM URD PRIMARY	103,712	7,635	\$ 13.5838		
SUBTOTAL	36,008,085	54,632,595	\$ 0.6591		
All other OH Conductor Invest.	25,959,209				
TOTAL	61,967,294		0.66		

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DEMAND AND CONSUMER RELATED INVESTMENTS

2. Demand and Consumer Investment Percents				
Use linest Line				
Formula	$y=b*m^x$			
Intercept	0.223398954			
Slope	1.004831245			
Use zero intercept				0.22340
Amount of Conduit				54,632,595
Consumer Related Investment				12,204,865
Total Investment in conductor				36,008,085
Percent Customer Related				33.89%
Percent Demand Related				66.11%

CONDUCTOR DATA FOR GRAPH PURPOSES



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DEMAND AND CONSUMER RELATED INVESTMENTS

Data for Graph					
	Conuctor	Per Unit Cost	Amp Size	Predict Valeu	
	2 ACSR	\$ 0.5746	175	0.52	
	4 ACSR	\$ 0.2221	130	0.42	
	1/0 ACSR	\$ 0.7842	230	0.68	
	3/0 ACSR	\$ 0.7639	310	1.00	
	4/0 ACSR	\$ 0.3903	350	1.21	
	336.4 ACSR	\$ 1.5214	519	2.73	
	6ACWC	\$ 0.1546	140	0.44	
	8 ACWC	\$ 0.1520	100	0.36	
Breakdown of Lines into Demand Related and Consumer Related Components					
Acct	Total	Consumer-Related		Demand-Related	
No.	Investment	Percent	Amount	Percent	Amount
364.00	63,612,934	19.93%	12,679,732.28	80.07%	50,933,202
365.00	61,967,294	33.89%	21,003,683.61	66.11%	40,963,610
	125,580,228		33,683,415.90		91,896,812
%	100.00%		26.82%		73.18%

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DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 368 - TRANSFORMERS					
	Size In KVA	Number of Transformers	Total Cost	Per Unit Cost	
1.5 KVA	1.5	1	91	90.85	
1.5 KVA CSP	1.5	15	1,753	116.85	
3 KVA CONV	3	72	8,123	112.82	
5 KVA CONV	5	165	19,276	116.82	
10 KVA CSP	10	6,125	2,257,643	368.59	
10 KVA CONV	10	512	183,803	358.99	
15 KVA CONV	15	618	245,777	397.70	
15 KVA CSP	15	14,892	6,963,602	467.61	
15 KVA PADMOUNT	15	54	51,089	946.10	
25 KVA CSP	25	8,401	4,674,806	556.46	
25 KVA CONV	25	663	323,009	487.19	
37.5 KVA CSP	37.5	1,506	1,192,755	792.00	
37.5 KVA CONV	37.5	354	174,381	492.60	
25 KVA PADMOUNT	25	1,063	1,146,116	1,078.19	
37.5 KVA PADMOUNT	37.5	233	259,626	1,114.27	
45 KVA PADMOUNT	45	1	4,223	4,223.38	
50 KVA CSP	50	237	227,535	960.06	
50 KVA CONV	50	485	365,958	754.55	
50 KVA PADMOUNT	50	121	169,302	1,399.19	
75 KVA CONV	75	172	196,978	1,145.22	
75 KVA CSP	75	18	20,778	1,154.33	
75 KVA PADMOUNT	75	63	147,253	2,337.34	
100 KVA CONV	100	72	121,691	1,690.15	
100 KVA PADMOUNT	100	37	78,841	2,130.83	
112 KVA CONV	112	1	3,714	3,714.42	
112 KVA PADMOUNT	112	30	112,042	3,734.72	
150 KVA PADMOUNT	150	9	50,225	5,580.54	
167 KVA CONV	167	58	128,576	2,216.83	
167 KVA PADMOUNT	167	23	64,625	2,809.78	
225 KVA 3 PH PM	225	7	40,529	5,789.87	
300 KVA PADMOUNT	300	32	173,938	5,435.57	
333 KVA CONV	333	20	105,291	5,264.55	
500 KVA PADMOUNT	500	40	242,278	6,056.94	
750 KVA 3 PH	750	18	160,390	8,910.56	
1000 KVA 3 PH PADMOUNT	1000	20	209,139	10,456.96	
1500 KVA PADMOUNT	1500	7	95,099	13,585.60	
2000 KVA PADMOUNT	2000	4	73,297	18,324.13	
2500 KVA CONV	2500	1	18,535	18,535.26	

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DEMAND AND CONSUMER RELATED INVESTMENTS

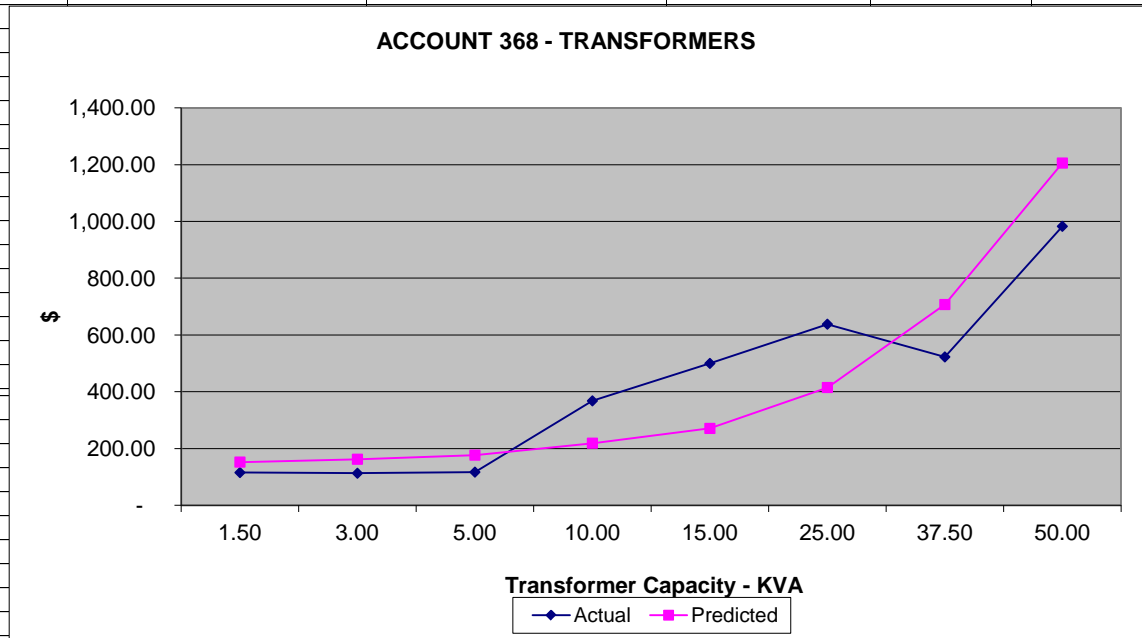
ACCONT 368 - TRANSFORMERS CONTINUED				
Type of Transformer	Size In KVA	Number of Transformers	Total Cost	Per Unit Cost
2500 KVA PADMOUNT	2500	14	303,744	21,696.01
15 KVA COV 1B	15	2,246	1,641,886	731.03
25 KVA COV 1B	25	1,333	1,166,902	875.40
37.5 KVA COV 1B	37.5	46	46,636	1,013.83
50 KVA COV 1B	50	206	268,079	1,301.35
DOE 10 KVA	10	1,056	870,040	823.90
DOE 15 KVA	15	702	649,804	925.65
DOE 50 KVA	50	102	188,500	1,848.04
DOE 10 KVA	10	17	15,222	895.39
DOE 15 KVA 2B	15	4	44,222	11,055.38
DOE 50 KVA 2B	50	2	4,195	2,097.74
DOE 75 KVA 2B	75	10	30,104	3,010.44
DOE 100 KVA 2B	100	9	33,006	3,667.37
DOE 167 KVA 2B	167	8	38,900	4,862.44
DOE 250 KVA 2B	250	3	17,200	5,733.44
DOE 15 KVA PADMOUNT	15	133	205,633	1,546.11
DOE 50 KVA PADMOUNT	50	27	58,702	2,174.15
DOE 75 KVA PADMOUNT	75	3	9,734	3,244.73
DOE 25 KVA PADMOUNT	25	7	11,789	1,684.08
DOE 25 KVA 2B	25	10	12,533	1,253.27
DOE 100 KVA PADMOUNT	100	2	28,912	14,455.81
DOE 1500 KVA PADMOUNT	1500	2	35,866	17,933.20
DOE 300 KVA PADMOUNT	300	2	15,951	7,975.44
DOE 500 KVA PADMOUNT	500	2	19,671	9,835.44
SubTotal		42,096	26,029,316	
All Other Transformer Investment			2,440,545	
Total			28,469,861	
2. Demand and Consumer Investment Percents				
Regression Equation	y=bm^x			
Intercept		142.776373		142.776373
m		1.043593514		1.043593514
Use Intercept				142.78
Number of Transformers				42,096
Consumer Related Investment				6,010,314
Total Investment in transformers				28,469,860.96
Percent Customer Related				21.11%
Percent Demand Related				78.89%

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DEMAND AND CONSUMER RELATED INVESTMENTS

ACCOUNT 368 - TRANSFORMERS			
Data for Graph	Transformer Size	Actual Cost Per Unit	Predicted Cost
	1.50	115.23	152.21
	3.00	112.82	162.27
	5.00	116.82	176.73
	10.00	367.85	218.76
	15.00	499.85	270.79
	25.00	637.94	414.90
	37.50	522.61	707.27
	50.00	982.72	1,205.66



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ALLOCATION OF EXPENSES TO RATE CLASSES									
Function	Classifi- cation	Amount							
			Green Power	10 Residential Farm & Non Farm	11 Residential ETS	20 Comm. Sml Pow & 3 Phase Farr	22 Comm & Sml Pow ETS	40 Large Power < Than 50 kW	46 Large Power >500 kW
Purchased Power	Demand	13,020,019		9,979,772	-	758,287	-	1,001,914	276,998
Purchased Power	Energy	44,410,807	4,430	31,414,934	289,632	3,109,070	4,375	4,015,658	902,134
Metering & Substation Stations	Demand	1,321,044		1,028,516	-	78,149	-	103,257	19,552
Lines	Consumer	214,052		156,897	-	15,390	-	17,820	3,182
Lines	Consumer	6,208,149		5,583,269	-	417,867	-	19,190	240
Transformers	Demand	16,937,390		12,414,861	-	1,217,810	-	1,410,032	251,808
Transformers	Consumer	595,530		511,235	-	53,276	-	10,430	-
Services	Demand	2,225,396		1,908,954	-	120,256	-	91,880	-
Meters	Consumer	3,660,091		3,010,376	7,049	506,935	582	10,347	-
Consumer Services & Accounting	Consumer	4,207,993		3,719,528	87,093	278,379	1,278	37,445	468
Lighting	Consumer	5,793,906		4,803,109	42,175	539,216	619	37,145	825
Lighting	Lighting	916,582							
Revenue Requirements		99,510,959	4,430	74,531,449	425,949	7,094,636	6,854	6,755,116	1,455,208
SUMMARY									
			SUMMARY						
			-	10	11	20	22	40	46
			Green Power	Residential Farm & Non Farm	Residential ETS	Comm. Sml Pow & 3 Phase Farr	Comm & Sml Pow ETS	Large Power < Than 50 kW	Large Power >500 kW
			Amount						
Consumer Related		20,465,669	-	17,627,516	136,317	1,795,673	2,480	114,556	1,533
Demand Related		33,717,901	-	25,488,999	-	2,189,893	-	2,624,902	551,541
Energy Related		44,410,807	4,430	31,414,934	289,632	3,109,070	4,375	4,015,658	902,134
Lighting		916,582							
Revenue Requirements		99,510,959	4,430	74,531,449	425,949	7,094,636	6,854	6,755,116	1,455,208

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ALLOCATION OF EXPENSES TO RATE CLASSES											
Function	Classifi- cation	47	50	52	-	Total		46	47		Total
		Large Power 500-4999 KW	Schl. Community Halls & Parks	All Electric Schools	Outdoor Lights	Energy for Sched E	Envirowatts	500 kW & Over (C)	500-4,999 kW (B)	Wellhead	Energy kWh
Purchased Power	Demand	487,557	253,833	126,656	135,002	12,255,464		276,998	487,557	-	13,020,019
Purchased Power	Energy	1,705,425	1,365,424	572,652	1,027,075	41,798,818	4,430	902,134	1,705,425	-	44,410,807
Metering & Substation	Demand	38,443	26,160	13,053	13,913	1,263,048	-	19,552	38,443		1,321,044
Stations	Demand	6,500	5,853	4,772	3,638	204,370	-	3,182	6,500		214,052
Lines	Consumer	360	121,858	2,879	62,488	6,207,550	-	240	360		6,208,149
Lines	Demand	514,303	463,115	377,603	287,857	16,171,279	-	251,808	514,303		16,937,390
Transformers	Consumer	-	15,536	3,255	1,798	595,530	-	-	-		595,530
Transformers	Demand	-	57,417	31,939	14,950	2,225,396	-	-	-		2,225,396
Services	Consumer	-	65,703	6,512	52,587	3,660,091	-	-	-		3,660,091
Meters	Consumer	702	81,181	1,918	-	4,206,822	-	468	702		4,207,993
Consumer Services & Accounting	Consumer	1,238	157,246	3,714	208,619	5,791,842	-	825	1,238		5,793,906
Lighting	Lighting				916,582	916,582	-				916,582
Revenue Requirements		2,754,527	2,613,324	1,144,954	2,724,511	95,296,793	4,430	1,455,208	2,754,527	-	99,510,959
		47	50	52	-	Total	-	46	47	-	-
		Large Power	Schl. Community	All Electric	Outdoor	Energy for	-	500 kW &	500-4,999 kW	-	Total
		500-4999 KW	Halls & Parks	Schools	Lights	Sched E	Envirowatts	Over (C)	(B)	Wellhead	Energy kWh
Consumer Related		2,300	441,523	18,278	325,493	20,461,835	-	1,533	2,300	-	20,465,669
Demand Related		1,046,803	806,377	554,024	455,361	32,119,557	-	551,541	1,046,803	-	33,717,901
Energy Related		1,705,425	1,365,424	572,652	1,027,075	41,798,818	4,430	902,134	1,705,425	-	44,410,807
Lighting		-	-	-	916,582	916,582	-	-	-	-	916,582
Revenue Requirements		2,754,527	2,613,324	1,144,954	2,724,511	95,296,793	4,430	1,455,208	2,754,527	-	99,510,959

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

MONTHLY CONTRIBUTIONS TO EKPC COINCIDENT PEAK DEMAND - KW								
	0	10	11	20	22	40	46	47
Month	Green Power	Residential Farm & Non Farm	Residential ETS	Comm. Sml Pow & 3 Phase Farm	Comm & Sml Pow ETS	Large Power < Than 50 kW	Large Power >500 kW	Large Power 500-4999 KW
January	0	131,330	-	10,129	-	14,308	2,374	5,190
February	0	164,950	-	13,551	-	15,813	2,402	4,699
March	0	132,308	-	10,995	-	13,511	2,328	4,628
April	0	104,790	-	11,112	-	16,590	1,931	4,954
May	0	124,897	-	8,856	-	11,056	2,875	3,802
June	0	145,912	-	11,740	-	11,073	2,789	5,307
July	0	145,613	-	12,007	-	10,479	2,662	4,013
August	0	128,570	-	8,207	-	10,639	3,093	5,855
September	0	119,873	-	9,599	-	11,356	2,563	5,790
October	0	112,272	-	7,217	-	11,112	2,482	4,871
November	0	143,012	-	7,947	-	17,516	2,310	5,028
December	0	126,304	-	8,681	-	15,153	2,225	4,914
	-	1,579,831	-	120,039	-	158,606	30,033	59,050
Allocation %		81.43%	0.00%	6.19%	0.00%	8.18%		
	0.00%	77.86%	0.00%	5.92%	0.00%	7.82%	1.48%	2.91%

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

MONTHLY PEAK DEMANDS FOR EACH RATE CLASS								
	0	10	11	20	22	40	46	47
	Green	Residential	Residential	Comm. Sml Pow	Comm & Sml Pow	Large Power	Large Power	Large Power
Month	Power	Farm & Non Farm	ETS	& 3 Phase Farm	ETS	< Than 50 kW	>500 kW	500-4999 KW
January	-	169,053	-	16,862	-	15,926	2,898	6,093
February	-	196,462	-	16,742	-	16,466	2,931	5,979
March	-	146,642	-	13,936	-	16,447	2,930	6,438
April	-	109,911	-	13,019	-	16,590	3,139	6,268
May	-	141,868	-	13,601	-	17,732	3,268	6,352
June	-	180,812	-	16,717	-	16,337	3,312	6,589
July	-	180,870	-	18,579	-	17,912	3,544	6,825
August	-	156,480	-	17,111	-	20,085	3,546	6,816
September	-	134,748	-	14,384	-	18,840	3,345	6,779
October	-	112,272	-	12,914	-	17,399	2,921	6,280
November	-	143,012	-	11,720	-	17,744	2,804	6,167
December	-	171,866	-	15,298	-	17,956	2,763	5,805
	-	1,843,996	-	180,883	-	209,434	37,401	76,390
		76.77%	0.00%	7.53%	0.00%	8.72%		
		73.30%	0.00%	7.19%	0.00%	8.32%	1.49%	3.04%

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

MONTHLY CONTRIBUTIONS TO EKPC COINCIDENT PEAK DEMAND - KW									
	50	52	0	Total	0	46	47		
Month	Schl. Community Halls & Parks	All Electric Schools	Outdoor Lights	Energy for Sched E	0 Envirowatts	500 kW & Over (C)	500-4,999 kW (B)		Total
January	3,464	2,131	3,578	164,940	0	2,374	5,190		172,504
February	4,122	2,089	3,577	204,102	0	2,402	4,699		211,203
March	3,756	2,052	3,576	166,199	0	2,328	4,628		173,155
April	2,848	1,645	-	136,983	0	1,931	4,954		143,868
May	3,061	1,164	-	149,033	0	2,875	3,802		155,710
June	4,160	1,418	-	174,303	0	2,789	5,307		182,399
July	4,233	1,311	-	173,643	0	2,662	4,013		180,318
August	3,211	1,569	-	152,196	0	3,093	5,855		161,144
September	3,765	1,646	-	146,239	0	2,563	5,790		154,591
October	2,255	1,310	3,551	137,716	0	2,482	4,871		145,068
November	2,384	1,797	3,546	176,202	0	2,310	5,028		183,540
December	2,924	1,919	3,543	158,524	0	2,225	4,914		165,662
	40,183	20,050	21,371	1,940,081	-	30,033	59,050		2,029,164
Allocation %	2.07%	1.03%	1.10%	=sum(33.71%	66.29%		
			100.00%						
	1.98%	0.99%	1.05%	95.61%	0.00%	1.48%	2.91%		100.00%
			100.00%						

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			0						
MONTHLY PEAK DEMANDS FOR EACH RATE CLASS									
	50	52	0	Total	0	46	47		
	Schl. Community Halls & Parks	All Electric Schools	Outdoor Lights	Energy for Sched E	0 Envirowatts	500 kW & Over (C)	500-4,999 kW (B)		Total
January	7,326	6,124	3,578	218,870	0	2,898	6,093		227,861
February	7,334	6,090	3,577	246,671	0	2,931	5,979		255,582
March	6,554	5,106	3,576	192,262	0	2,930	6,438		201,629
April	4,806	4,422	3,569	152,317	0	3,139	6,268		161,724
May	4,609	4,233	3,570	185,613	0	3,268	6,352		195,233
June	4,845	3,463	3,567	225,741	0	3,312	6,589		235,642
July	5,292	3,692	3,565	229,910	0	3,544	6,825		240,280
August	5,737	4,013	3,558	206,983	0	3,546	6,816		217,346
September	5,305	4,008	3,555	180,841	0	3,345	6,779		190,965
October	5,279	4,497	3,551	155,911	0	2,921	6,280		165,112
November	5,319	4,752	3,546	186,094	0	2,804	6,167		195,065
December	6,380	5,686	3,543	220,728	0	2,763	5,805		229,297
	68,787	56,086	42,756	2,401,942	-	37,401	76,390		2,515,733
	2.86%	2.34%	1.78%	100.00%		41.98%	85.75%		
	2.73%	2.23%	1.70%	100.00%					200.00%

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LOAD DATA USED IN THE ALLOCATION OF THE DEMAND RELATED AND ENERGY RELATED COSTS

SUM OF MONTHLY CUSTOMER DEMANDS FOR EACH CLASS - KW									
	Schl. Community Halls & Parks	52 All Electric Schools	0 Outdoor Lights	Total Energy for Sched E	0 Envirowatts	46 500 kW & Over (C)	46 500 kW & Over (C)	0	- - Total
January	12,879	8,698	3,578	564,892	0	2,898	6,093		573,882
February	13,897	9,350	3,577	558,998	0	2,931	5,979		567,909
March	14,131	9,132	3,576	554,988	0	2,930	6,438		564,355
April	12,414	7,290	3,569	538,102	0	3,139	6,268		547,509
May	13,869	7,255	3,570	485,632	0	3,268	6,352		495,252
June	13,348	5,435	3,567	510,408	0	3,312	6,589		520,308
July	13,463	5,193	3,565	510,722	0	3,544	6,825		521,092
August	14,166	5,573	3,558	498,618	0	3,546	6,816		508,980
September	14,154	6,282	3,555	507,305	0	3,345	6,779		517,429
October	14,754	8,863	3,551	558,064	0	2,921	6,280		567,264
November	13,415	8,986	3,546	502,545	0	2,804	6,167		511,516
December	13,711	9,285	3,543	573,997	0	2,763	5,805		582,566
	164,202	91,342	42,756	6,364,270	-	37,401	76,390		6,478,062
0.00%	2.58%	1.44%	0.67%	100.00%	1.44%	41.98%	85.75%		
	6.53%	3.63%	1.70%	257.50%					515.00%
				6,364,270					

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ALLOCATION OF CONSUMER RELATED COSTS

A. Lines (poles and conduit)

		Number of Consumers	Relative Weight	Allocation Percent
10	Residential	46,551	-	89.93%
11	Residential ETS	-	-	0.00%
20	Small Commercial	3,484	-	6.73%
22	Small Commercial ETS	-	-	0.00%
40	Large Power <50	160	-	0.31%
46	Large Power 50-500	2	-	0.00%
47	Large Power 500-4999	3	-	0.01%
50	Schools, Churches	1,016	-	1.96%
52	All Electric Schools	24	-	0.05%
-	Out Door Lighting	521	-	1.01%
				0.00%
				0.00%
				0.00%
		51,761	-	100.0000%

B. Transformers

		1	2	3	4	5	6
		Minimum Size Transform.	Cost of Minimum Transform.	Weighted Cost Min = 1	Number of Customers	Relative Weight	Allocation Percent
10	Residential	10 KVA	\$ 358.99	1.00	46,551	46,551	85.85%
11	Residential ETS	10 KVA	\$ 358.99	1.00	-	-	0.00%
20	Small Commercial	15 KVA	499.85	1.39	3,484	4,851	8.95%
22	Small Commercial ETS	10 KVA	358.99	1.00	-	-	0.00%
40	Large Power <50	100 KVA	2,130.83	5.94	160	950	1.75%
46	Large Power 50-500	1000 KVA	10,456.96	29.13	-	-	0.00%
47	Large Power 500-4999	1000 KVA	10,456.96	29.13	-	-	0.00%
50	Schools, Churches	15 KVA	499.85	1.39	1,016	1,415	2.61%
52	All Electric Schools	300 KVA	4,433.66	12.35	24	296	0.55%
-	Out Door Lighting	3 KVA	112.82	0.31	521	164	0.30%
-	-						
-	-						
-	-						
					51,756.00	54,226.56	100.00%

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ALLOCATION OF CONSUMER RELATED COSTS

C. Services

		1	2	3	4	5	6	
		Minimum Size Service	Cost Per Unit	Average Length of Service	Cost of Service	Number of Customers	Relative Weight	Allocation Percent
10	Residential	<u>1/0 AI</u>	\$ 2.44	<u>100</u>	\$ 244.00	46,551	11,358,444	82.25%
11	Residential ETS	<u>1/0 AI</u>	\$ 2.44	<u>10</u>	24.40	1,090	26,596	0.19%
20	Small Commercial	<u>1/0 AI</u>	\$ 2.44	<u>225</u>	549.00	3,484	1,912,716	13.85%
22	Small Commercial ETS	<u>1/0 AI</u>	\$ 2.44	<u>10</u>	24.40	90	2,196	0.02%
40	Large Power <50		\$ 2.44	<u>100</u>	244.00	160	39,040	0.28%
46	Large Power 50-500	<u>NA</u>		<u>NA</u>		2	-	0.00%
47	Large Power 500-4999	<u>NA</u>		<u>NA</u>		3	-	0.00%
50	Schools, Churches	<u>1/0 AI</u>	\$ 2.44	<u>100</u>	244.00	1,016	247,904	1.80%
52	All Electric Schools	<u>4/0 AI</u>	\$ 4.55	<u>225</u>	1,023.75	24	24,570	0.18%
-	Out Door Lighting	<u>4/0 AI</u>	\$ 0.92	<u>10</u>	9.20	21,567	198,416	1.44%
-	-							0.00%
-	-							0.00%
-	-							0.00%
								0.00%
						73,987.00	13,809,882	100.00%

D. Meters

		1	2	3	4	5	6
		Minimum Size Meter	Cost of Minimum Meter	Weighted Cost Meter	Number of Customers	Relative Weight	Allocation Percent
10	Residential	200	124.13	1.00	46,551	46,551.00	88.392%
11	Residential ETS	200	124.13	1.00	1,090	1,090.00	2.070%
20	Small Commercial	200	124.13	1.00	3,484	3,484.00	6.615%
22	Small Commercial ETS	200	124.13	1.00	16	16.00	0.030%
40	Large Power <50	2.5	363.57	2.93	160	468.63	0.890%
46	Large Power 50-500	2.5	363.57	2.93	2	5.86	0.011%
47	Large Power 500-4999	2.5	363.57	2.93	3	8.79	0.017%
50	Schools, Churches	200	124.13	1.00	1,016	1,016.00	1.929%
52	All Electric Schools	200	124.13	1.00	24	24.00	0.046%
-	Out Door Lighting	200	124.13	1.00	-	-	0.000%
-	-		-	-	-	-	0.000%
-	-		-	-	-	-	0.000%
-	-		-	-	-	-	0.000%
					52,346.00	52,664.28	100.0%

**JACKSON ENERGY COOPERATIVE
CASE NO. 2013-00219**

Item 3f
Exhibit R-Revised with Adj
Schedule 4.2
Page 34 of 36
Wintess: Jim Adkins

ALLOCATION OF CONSUMER RELATED COSTS

E. Consumer & Accounting Services

		1	2	3	4	5	6
Rate Class		<u>Billing Factor</u>	<u>Multiplier</u>	<u>1 x 2 Records</u>	<u>Number of Customers</u>	<u>3 x 4 Total</u>	<u>Allocation Percent</u>
10	Residential	4	2.00	8.00	46,551	372,408	82.90%
11	Residential ETS	3	1.00	3.00	1,090	3,270	0.73%
20	Small Commercial	4	3.00	12.00	3,484	41,808	9.31%
22	Small Commercial ETS	3	1.00	3.00	16	48	0.01%
40	Large Power <50	6	3.00	18.00	160	2,880	0.64%
46	Large Power 50-500	8	4.00	32.00	2	64	0.01%
47	Large Power 500-4999	8	4.00	32.00	3	96	0.02%
50	Schools, Churches	4	3.00	12.00	1,016	12,192	2.71%
52	All Electric Schools	4	3.00	12.00	24	288	0.06%
-	Out Door Lighting	3	0.25	0.75	21,567	16,175	3.60%
						-	
					73,913	449,229	100%

JACKSON ENERGY COOPERATIVE
CASE NO. 2013-00219 COSTS TO SERVE EACH RATE CLASS AND COST BASED RATES

	10	11	20	22	40	46	47
	Residential Farm & Non Farm	Residential ETS	Comm. Sml Pow & 3 Phase Farm	Comm & Sml Po ETS	Large Power < Than 50 kW	Large Power >500 kW	Large Power 500-4999 KW
Revenue from Rates	65,324,813	346,827	6,400,934	4,446	6,762,714	1,403,807	2,662,906
Less Purchased Power Costs							
Demand	9,979,772	-	758,287	-	1,001,914	276,998	487,557
Energy	31,419,364	289,632	3,109,070	4,375	4,015,658	902,134	1,705,425
Substations & Metering	1,028,516	-	78,149	-	103,257	19,552	38,443
Total	42,427,651	289,632	3,867,357	4,375	5,017,572	1,179,132	2,192,982
Gross Margin	22,897,163	57,195	2,533,577	71	1,745,142	224,675	469,925
Less Distribution Costs							
Demand Related							
Stations	156,897	-	15,390	-	17,820	3,182	6,500
Lines	12,414,861	-	1,217,810	-	1,410,032	251,808	514,303
Transformers	1,908,954	-	120,256	-	91,880	-	-
	14,480,712	-	1,353,457	-	1,519,731	254,990	520,802
Consumer Related							
Lines	5,583,269	-	417,867	-	19,190	240	360
Transformers	511,235	-	53,276	-	10,430	-	-
Services	3,010,376	7,049	506,935	582	10,347	-	-
Meters	3,719,528	87,093	278,379	1,278	37,445	468	702
Consumer Svc & Accounting	4,803,109	42,175	539,216	619	37,145	825	1,238
Outdoor Lighting							-
Total Consumer Related	17,627,516	136,317	1,795,673	2,480	114,556	1,533	2,300
Total Distribution Costs	32,108,228	136,317	3,149,130	2,480	1,634,288	256,524	523,103
Margins from Rate Revenue	(9,211,066)	(79,122)	(615,552)	(2,408)	110,855	(31,849)	(53,178)
Other Revenue	2,325,698	12,348	227,886	158	240,766	-	-
Net Margins	(6,885,368)	(66,774)	(387,666)	(2,250)	351,621	(31,849)	(53,178)
BILLING UNITS							
Consumer Charge Units	559,075		41,296		1,884	24	36
Energy kWh	604,001,121	5,869,464	59,785,822	84,122	77,219,046	20,992,480	39,684,880
Demand kW					241,170	44,862	75,877
COST BASED RATES							
Customer Charge	\$ 31.53	\$ -	\$ 43.48	\$ -	\$ 60.80	\$ 63.89	\$ 63.89
Energy Charge	\$ 0.09421	\$ 0.04935	\$ 0.08863	\$ 0.05200	\$ 0.08600	\$ 0.06925	\$ 0.06935
Demand Charge					\$ 10.46	\$ 11.86	\$ 13.29

JACKSON ENERGY COOPERATIVE
CASE NO. 2013-00219 COSTS TO SERVE EACH RATE CLASS AND COST BASED RATES

	50	52		Total	46	47	
	Schl. Community	All Electric	Outdoor	Energy for	500 kW &	500-4,999 kW	Total
	Halls & Parks	Schools	Lights	Sched E	Over (C)	(B)	
Revenue from Rates	2,693,975	881,976	2,544,294	84,959,979	1,403,807	2,662,906	89,026,692
Less Purchased Power Costs							
Demand	253,833	126,656	135,002	12,255,464	276,998	487,557	13,020,019
Energy	1,365,424	572,652	1,027,075	41,803,248	902,134	1,705,425	44,410,807
Substations & Metering	26,160	13,053	13,913	1,263,048	19,552	38,443	1,321,044
Total	1,619,257	699,308	1,162,077	55,321,761	1,198,685	2,231,425	58,751,870
Gross Margin	1,074,719	182,667	1,382,217	29,638,218	205,123	431,482	30,274,822
Less Distribution Costs							
Demand Related							
Stations	5,853	4,772	3,638	204,370	3,182	6,500	214,052
Lines	463,115	377,603	287,857	16,171,279	251,808	514,303	16,937,390
Transformers	57,417	31,939	14,950	2,225,396	-	-	2,225,396
Total	526,384	414,315	306,445	18,601,045	254,990	520,802	19,376,838
Consumer Related							
Lines	121,858	2,879	62,488	6,207,550	240	360	6,208,149
Transformers	15,536	3,255	1,798	595,530	-	-	595,530
Services	65,703	6,512	52,587	3,660,091	-	-	3,660,091
Meters	81,181	1,918	-	4,206,822	468	702	4,207,993
Consumer Svc & Accouting	157,246	3,714	208,619	5,791,842	825	1,238	5,793,906
Outdoor Lighting		-	916,582	916,582	-	-	916,582
Total Consumer Related	441,523	18,278	1,242,075	21,378,418	1,533	2,300	21,382,251
Total Distribution Costs	967,908	432,593	1,548,520	39,979,463	256,524	523,103	40,759,089
Margins from Rate Revenue	106,811	(249,925)	(166,304)	(10,341,245)	(51,401)	(91,621)	(10,484,267)
Other Revenue	95,911	31,400	90,582	3,024,750	-	-	3,024,750
Net Margins	202,722	(218,525)	(75,722)	(7,316,495)	(51,401)	(91,621)	(7,459,517)

BILLING UNITS

Consumer Charge Units	12,376	299	258,117
Energy kWh	26,256,407	11,011,808	19,750,121
Demand kW			

COST BASED RATES

Customer Charge	\$ 35.68	\$ 61.13	\$ 4.81
Energy Charge	\$ 0.08272	\$ 0.10232	\$ 0.12147
Demand Charge			

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Item No. 3g
Page 1 of 1
Witness: Jim Adkins

Q3G: Refer to the responses to Item 2 of Staff's Second Request which refer to primary adjustments made to the test year..

g: Provide in paper copy and electronic Excel spreadsheet format, with formulas intact and cells unprotected, a revised Exhibit S that includes a computation of the operating and net TIER. If it is necessary to update Exhibit S in response to other questions contained in this information request, include those updates in the revised copies provided in response to this request.

A3G: Please see Exhibit 3g on the following page and the electronic document

JacksonEnergy_R_PSCDR3_ExhibitS-Adj_Item3g.xls.

Jackson Energy Cooperative
Case No. 2013-00219
Revised Statement of Operations, Adjusted

	Actual Test Year	Adjustment	Adjusted Test Year	Adjustment	First Year	Adjustment	Second Year	Adjustment	Third Year
Operating Revenues:									
Base rates	89,026,692	-	89,026,692	1,370,000	90,396,693	1,370,000	91,766,693	1,370,000	93,136,693
Fuel adjustment	(1,164,623)	1,164,623	-	-	-	-	-	-	-
Environmental surcharge	8,830,751	(8,830,751)	-	-	-	-	-	-	-
Other electric revenue	2,599,150	84,406	2,683,556	-	2,683,556	-	2,683,556	-	2,683,556
	99,291,970	(7,581,722)	91,710,248	1,370,000	93,080,248	1,370,000	94,450,248	1,370,000	95,820,249
Operating Expenses:									
Cost of power:	66,412,945	(7,661,075)	58,751,870	-	58,751,870	-	58,751,870	-	58,751,870
Distribution - operations	4,868,071	91,777	4,959,848	-	4,959,848	-	4,959,848	-	4,959,848
Distribution - maintenance	5,951,960	72,675	6,024,635	-	6,024,635	-	6,024,635	-	6,024,635
Consumer accounts	3,120,184	73,695	3,193,879	-	3,193,879	-	3,193,879	-	3,193,879
Customer service	811,685	19,109	830,794	-	830,794	-	830,794	-	830,794
Sales	-	-	-	-	-	-	-	-	-
Administrative and general	4,574,854	50,939	4,625,793	-	4,625,793	-	4,625,793	-	4,625,793
Total operating expenses	85,739,699	(7,352,880)	78,386,819	-	78,386,819	-	78,386,819	-	78,386,819
Depreciation	8,726,653	323,019	9,049,672	-	9,049,672	-	9,049,672	-	9,049,672
Taxes - other	120,557	-	120,557	-	120,557	-	120,557	-	120,557
Interest on long-term debt	5,403,344	538,447	5,941,791	-	5,941,791	-	5,941,791	-	5,941,791
Interest expense - other	54,021	-	54,021	-	54,021	-	54,021	-	54,021
Other deductions	80,896	(64,588)	16,308	-	16,308	-	16,308	-	16,308
Total cost of electric service	100,125,170	(6,556,002)	93,569,168	-	93,569,168	-	93,569,168	-	93,569,168
Utility operating margins	(833,200)	(1,025,720)	(1,858,920)	1,370,000	(488,920)	1,370,000	881,080	1,370,000	2,251,081
Nonoperating margins, interest	161,289	-	161,289	-	161,289	-	161,289	-	161,289
Income from Equity Investments	124,271	-	124,271	-	124,271	-	124,271	-	124,271
Nonoperating margins, other	(95,293)	-	(95,293)	-	(95,293)	-	(95,293)	-	(95,293)
G & T capital credits	4,358,339	(4,358,339)	-	-	-	-	-	-	-
Patronage capital credits	150,928	-	150,928	-	150,928	-	150,928	-	150,928
Net Margins	3,866,334	(5,384,059)	(1,517,725)	1,370,000	(147,725)	1,370,000	1,222,275	1,370,000	2,592,276
TIER	1.72	-	0.74	-	0.98	-	1.21	-	1.44
OTIER	0.85	-	0.69	-	0.92	-	1.15	-	1.38

Jackson Energy Cooperative
Case No. 2013-00219
Balance Sheet, Adjusted
December 31, 2013

	Actual Test Year	Adjustments to Test Year	Adjusted Test Year 2
<u>ASSETS</u>			
Electric Plant:			
In service	217,147,938		217,147,938
Under construction	993,407		993,407
	<u>218,141,345</u>		<u>218,141,345</u>
Less accumulated depreciation	57,505,856	-	57,505,856
	<u>160,635,489</u>	-	<u>160,635,489</u>
			-
Investments	41,199,079		41,199,079
			-
Current Assets:			-
Cash and temporary investments	2,650,881	5,941,791	8,592,672
Accounts receivable, net	17,117,959		17,117,959
Material and supplies	1,351,848		1,351,848
Prepayments and current assets	333,165		333,165
	<u>21,453,853</u>		<u>21,453,853</u>
			-
Deferred debits and Regulatory Assets	8,660,044	-	8,660,044
			-
Total	<u>231,948,465</u>	-	<u>231,948,465</u>
			-
<u>MEMBERS' EQUITIES AND LIABILITIES</u>			
			-
Margins:			-
Memberships	1,297,295		1,297,295
Patronage capital	72,241,465	5,941,791	78,183,256
	<u>73,538,760</u>	5,941,791	<u>79,480,551</u>
			-
Long Term Debt	136,141,129		136,141,129
			-
Accumulated Operating Provisions	8,188,760		8,188,760
			-
Current Liabilities:			-
Short term borrowings	1,000,000		1,000,000
Accounts payable	9,260,932		9,260,932
Consumer deposits	1,094,290		1,094,290
Accrued expenses	2,395,830		2,395,830
	<u>13,751,052</u>		<u>13,751,052</u>
			-
Deferred credits	328,764		328,764
			-
Total	<u>231,948,465</u>	5,941,791	<u>237,890,256</u>

JACKSON ENERGY COOPERATIVE
CASE NO. 2013-00219

Exhibit 3g
Page 3 of 4
Witness Jim Agkins.

RESPONSE TO COMIISIONS STAFF'S THRID DATA REQUEST

Proposed Margins with Normal Adjustments to Test Year

	<u>Actual Test Year</u>	<u>Adjusted Test Year</u>	<u>Year 1</u>	<u>Year 2</u>	<u>Year 3</u>
Margins	3,866,334	3,866,334	(1,517,725)	(147,725)	1,222,275
Increase	0	(5,384,059)	1,370,000	1,370,000	1,370,000
Margins after Increase	<u>3,866,334</u>	<u>(1,517,725)</u>	<u>(147,725)</u>	<u>1,222,275</u>	<u>2,592,276</u>

Increase - Normal Rate-Making Process

Proposed Margins with Normal Adjustments to Test Year

	<u>Actual Test Year</u>	<u>Adjusted Test Year</u>
Margins	3,866,334	(1,517,725)
Margins for TIER of 2.0X	<u>0</u>	<u>5,941,791</u>
Increase Amount	<u>3,866,334</u>	<u>7,459,516</u>

JACKSON ENERGY COOPERATIVE
CASE NO. 2013-00219
SUMMARY OF ADJUSTMENTS FOR NORMAL RATE-MAKING PROCESS

	Wages	Payroll Taxes	Depreciation	Interest	Retirement & Security	G & T Capital Credits	Property Taxes	Donations	Administrative & General	Year End Adjustme	Total
Operating Revenues:											
Base rates											-
Fuel adjustment											-
Environmental surcharge											-
Other electric revenue										84,406	84,406
										84,406	84,406
	-	-	-	-	-	-	-	-	-	-	-
Operating Expenses:											
Cost of power:											-
Distribution - operations	38,240	4,232	7,494		24,581		17,230				91,777
Distribution - maintenance	33,753	3,736	13,489		21,697						72,675
Consumer accounts	39,753	4,400	3,497		25,553		492				73,695
Customer service	9,095	1,007	2,997		5,846		164				19,109
Sales	-										-
Administrative and general	43,054	4,765	4,996		27,675		324		(29,875)		50,939
Total operating expenses	163,895	18,140	32,473	-	105,352	-	18,210	-	(29,875)	-	308,195
Depreciation			323,019								-
Taxes - other											-
Interest on long-term debt				538,447							538,447
Interest expense - other											-
Other deductions								(64,588)			(64,588)
Total cost of electric service	163,895	18,140	355,492	538,447	105,352	-	18,210	(64,588)	(29,875)	-	1,105,073
Utility operating margins	(163,895)	(18,140)	(355,492)	(538,447)	(105,352)	-	(18,210)	64,588	29,875	84,406	(1,020,667)
Nonoperating margins, interest											-
Income from Equity Investments											-
Nonoperating margins, other											-
G & T capital credits						(4,358,339)					(4,358,339)
Patronage capital credits											-
Net Margins	(163,895)	(18,140)	(355,492)	(538,447)	(105,352)	(4,358,339)	18,209	64,588	29,875	84,406	(5,379,006)

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Item No. 4
Page 1 of 1
Witness: Jim Adkins

Q4: Refer to the response to Item 2.d. of Staff's Second Request, page 1 of 3.

- a: The first sentence states, "The adjustment for interest on long-term debt results in a decrease of \$26,832." This does not correspond to the adjustment at the bottom of the page or \$259,127. State whether this statement is in error or explain the difference.

- b: The second paragraph states that "one-half of the interest on short term notes will be removed from the application in the amount of \$52,220." If does not appear that this adjustment was accounted for on Exhibit S. Explain this statement and provide any necessary corrections.

A4:

- a. The first sentence should have stated "..... an increase of \$259,127." However, as a result of the revised schedule attached to Question 5.b., the increase in long term interest should be \$379,547, plus the interest on additional funds borrowed in the amount of \$158,900, for a revised total of \$537,447.

- b. There was no interest paid on short-term borrowings during the test year. The second paragraph should be removed and no adjustment for short-term interest is required.

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Item No. 5
Page 1 of 1
Witness: Jim Adkins

Q5: Refer to the response to Item 2.d. of Staff's Second Request, page 2 of 3.

- a: On line 18, for RUS Loan B402 the annualized cost of interest is greater than the test-year expense. Explain this difference and provide corrections as necessary.
- b: For the FFB Loans listed at Lines 22-44, the annualized cost of interest is greater than the test-year expense. Explain this difference and provide corrections as necessary.

A5:

- a. The interest rate on RUS Loan B402 increased from 4.19% to 4.80%.
- b. There was an error in the formulas that were used in the worksheet. Jackson Energy apologizes for this and attached is the revised schedule in Exhibit 5b. Jackson Energy has used the 5 year rate on FFB loans as increases will generally be filed every 5 years. In addition, Jackson Energy advanced \$7 million of FFB funds on July 2, 2013.

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Exhibit 5b
Page 1 of 4
Witness: Jim Adkins

Adjustment for Interest on Long Term Debt

The adjustment for interest on long-term debt results in an increase of \$379,547.

This adjustment has been calculated by multiplying the test year end debt amounts by the interest rates in effect at the end of the test year for each loan.

RUS/FFB loans	4,431,413
CFC loans	1,351,478
Rural Development	<u>0</u>
Total annualized interest	5,782,891
Test year interest expense	<u>5,403,344</u>
Adjustment	<u><u>379,547</u></u>
Additional FFB advance:	
July 2, 2013	7,000,000
Interest rate	2.270%
Additional interest on advances	158,900
Adjustment per above	<u>379,547</u>
Revised adjustment	<u><u>538,447</u></u>

Jackson Energy Cooperative
Case No. 2013-00219
Response to Commission Staff Third Data Request

Exhibit 5b
Page 2 of 4
Witness: Jim Adkins

<u>Type of Debt Issued</u> (a)	<u>Date of Issue</u> (b)	<u>Date of Maturity</u> (c)	<u>Outstanding Amount</u> (d)	<u>Cost Rate to Maturity</u> (g)	<u>Annualized Cost Col (d)x(g)</u> (j)	<u>Test Year Interest Cost</u> (k)
RUS loans						
B390	Nov-97	Oct-32	2,132,539	4.375%	93,299	94,803
B391	Mar-98	Feb-33	3,537,670	4.125%	145,929	148,351
B396	Sep-98	Sep-33	942,190	4.500%	42,399	43,072
B397	Oct-98	Oct-33	2,340,652	4.375%	102,404	104,055
B400	Mar-06	Mar-41	4,600,760	4.740%	218,076	220,066
B401	Aug-06	Aug-41	4,608,823	4.880%	224,911	226,924
B402	May-07	Apr-42	7,550,064	4.800%	362,403	358,113
B403	Feb-08	Jan-43	3,581,894	4.350%	155,812	157,324
B404	Feb-08	Feb-43	231,099	4.660%	10,769	10,869
B580	May-96	May-31	545,341	5.000%	27,267	27,815
			30,071,032		1,383,268	1,391,392
FFB loans						
H0010	May-99	May-34	2,377,258	3.022%	71,841	73,158
H0015	Aug-99	Aug-34	1,546,753	0.229%	3,542	3,630
H0020	Nov-99	Nov-34	1,570,503	3.288%	51,638	52,557
H0025	Feb-00	Jan-35	1,955,582	3.377%	66,040	67,204
H0030	Jul-00	Jul-35	1,570,503	3.288%	51,638	52,557
H0035	Jan-01	Dec-35	3,912,758	3.377%	132,134	134,462
H0040	Mar-01	Mar-36	1,411,481	3.022%	42,655	43,437
H0045	Nov-01	Nov-36	3,258,372	4.635%	151,026	152,888
H0050	Jan-02	Jan-37	2,443,779	4.635%	113,269	114,666
H0055	Mar-02	Feb-37	3,828,587	4.635%	177,455	179,643
H0060	Jul-02	Jul-37	1,629,186	4.635%	75,513	76,444
H0065	Oct-02	Oct-37	2,036,482	4.635%	94,391	95,555
H0070	Feb-03	Jan-38	1,629,235	4.635%	75,515	76,446
H0075	Sep-03	Sep-38	6,065,177	4.635%	281,121	284,587
H0080	Jun-04	May-39	2,672,671	4.630%	123,745	124,996
H0085	Aug-04	Aug-39	4,454,451	4.630%	206,241	208,327
H0090	Jan-05	Dec-39	2,672,671	4.630%	123,745	124,996
H0095	Feb-05	Feb-40	3,563,561	4.630%	164,993	166,662
H0100	Jul-05	Jul-40	3,257,095	4.630%	150,803	152,329

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Exhibit 5b
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Witness: Jim Adkins

H0105	Jun-09	May-44	9,506,503	4.316%	410,301	413,731
H0110	Jan-10	Jan-45	4,655,355	2.270%	105,677	9,464
H0115	Jun-10	Jun-45	4,513,833	2.270%	102,464	9,176
H0120	Nov-11	Nov-46	6,000,000	2.270%	136,200	3,600
H0125	Jul-12	Jul-47	6,000,000	2.270%	136,200	1,073
			82,531,796		3,048,145	2,621,588

CFC loans

1001	Dec-77	Dec-12	0	5.85%	0	384
12001	Feb-79	Feb-14	13,233	5.90%	781	2,286
15001	Dec-80	Dec-15	99,420	5.95%	5,915	7,747
18001	Jan-82	Dec-16	381,812	6.00%	22,909	26,010
21001	Sep-86	Aug-21	393,170	6.10%	23,983	25,766
22001	Nov-89	Nov-24	1,154,527	6.20%	71,581	74,011
23001	Mar-92	Mar-27	1,657,630	6.70%	111,061	113,324
24001	Oct-94	Oct-29	2,866,904	6.70%	192,083	195,340
24003	Sep-95	Aug-30	678,000	6.30%	42,714	43,467
25001	Aug-97	Aug-32	4,199,060	6.30%	264,541	267,979
30090	Oct-03	Oct-12	0	5.45%	0	18,151
30010	Oct-03	Oct-13	1,365,978	5.70%	77,861	77,849
30011	Oct-03	Oct-14	1,808,569	5.85%	105,801	105,801
30012	Oct-03	Oct-15	1,808,569	5.90%	106,706	106,706
30013	Oct-03	Oct-16	1,808,569	5.95%	107,610	107,610
30014	Oct-03	Oct-17	1,808,570	6.00%	108,514	108,514
30015	Oct-03	Oct-18	1,808,570	6.05%	109,418	109,418
			21,852,581		1,351,478	1,390,364

Rural Development

RD	Feb-10	Jan-45	110,169	0.000%	0	0
RD	Feb-10	Jan-45	300,000	0.000%	0	0
RD	Nov-11	Oct-46	678,332	0.000%	0	0
RD	Mar-12	Mar-47	740,000	0.000%	0	0
RD	Sep-12	Sep-47	227,000	0.000%	0	0
			2,055,501		0	0

Advance payment unapplied 369,781

Total long term debt and annualized cost 136,141,129 5,782,891 5,403,344

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Exhibit 5b
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Witness: Jim Adkins

Annualized cost rate [Total Col. (j) / Total Col. (d)]	4.25%
Actual test year cost rate [Total Col (k) / Total Reported in Col (d)]	3.97%

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Item No. 6
Page 1 of 1
Witness: Jim Adkins

Q6: Refer to the response to Item 2.d. of Staff's Second Request, page 3 of 3.

- a: On line 47, CFC Loan 30090 shows a maturity date of October 2009 with no outstanding amount and a test-year interest expense of \$18,151. Explain why interest would be recorded for debt that is no longer outstanding and provide corrections as necessary.
- b: On lines 49-53, CFC Loans 30011, 30012, 30013, 30014, and 30015 all show an annualized interest cost equal to test-year interest expense. Explain why annualized interest cost would not be less than test-year expense for each of these loans.

A6:

- a. The maturity for CFC Loan 30090 was during the test year. As such, there was interest that accrued and was paid on the maturing note. No corrections are necessary.
- b. These notes were to refinance higher interest rate RUS loans. These loans are payable in full on their maturity date, that is why the interest rate is the same for the test year as normalized. Please also note that the maturity dates have been changed to reflect the correct maturity date for these loans.

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Item No.7
Page 1 of 1
Witness: Jim Adkins

- Q7: Refer to the response to Item 4 and revised Exhibit S filed in response to Item 9 of Staff's Second Request, page 1 of 4. Explain whether the adjusted test-year expenses shown in revised Exhibit S reflect the cost-control measures discussed in Item 4. If the response is positive, provide a breakdown of the savings realized from the cost-control measures by account. If the response is negative, provide the amount of savings expected to be realized by account and explain why test-year expenses should not be adjusted downward to reflect the anticipated savings.
- A7: Exhibit 7 lists estimated savings resulting from the actions taken by Jackson Energy and reported to the board. Jackson Energy is asking for an increase in revenue that is based upon a test year with no revenue adjustments. Jackson Energy is providing an adjusted test year based on normal rate making principals and the amount of increase that could be justified from this study is approximately \$7.5 million. If the estimated savings of \$1.4 million is added, this reduces the increase to \$6.1 million which is significantly less than the increase applied for of \$1.4 million.

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Exhibit 7
Page 1 of 2
Witness: Jim Adkins

Jackson Energy Expense Items Savings

Human Resources:

- Cost savings in training, educational expenses, travel: under budget by \$21,000 YTD

Finance & Accounting:

- PSC assessment cost savings: \$12,000
- Cost savings in travel and conferences
- Paper Billing costs reduction: \$68,000
- CIS system support services savings: \$79,000
- Telephone expense savings: \$39,000
- Outside Services cost savings: \$10,300
- Cost savings due to rate case being amortized in lieu of expensed: \$50,000

IT & Data Integrity:

- Savings in travel and meetings: \$14,000.

Consumer Services:

- KY Energy Retrofit Rider not utilized in 2013. Savings of \$47,000
- DSM programs under budget due to accounting transfer payments as Other Revenue: \$86,000
- Two employees short for one month and one employee on STD (reduction in labor/benefits): \$106,000
- Cost savings in write-offs: \$215,000
- Organizational structure change and duplicated expenses cost savings: \$85,000
- Advertising cost savings: \$75,000

Engineering & Operations:

- Regulator maintenance savings: \$100,000 (Will resume normal maintenance in 2014)
- ROW Spraying savings due to cheaper bid: \$10,000
- Hourly ROW crew savings: \$20,000 savings by end of year
- ROW circuits to be complete in early 2014 (budgeted for 2013): \$257,000

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Exhibit 7
Page 2 of 2
Witness: Jim Adkins

- PCB testing savings: \$13,000
- Travel & Conferences savings: \$7500
- Not replacing 2013 retirement positions savings of approximately: \$103,000
- Reduction of 4 company vehicles in fleet: savings of approximately \$40,000

President & CEO:

- Reduction in travel, conferences, and supplies: \$19,000

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Item No. 8
Page 1 of 1
Witness: Jim Adkins

- A8: Refer to the response to Item 10 of Staff's Second Request. The response states that page 4 of 36 of Exhibit R should not have been filed because there were no test-year adjustments to the categories listed. Refer also to the response to Item 2 of Staff's Second Request, which lists five primary adjustments to the test year. Explain why the five adjustments listed in response to Item 2 should not be included on page 4 of 36 of Exhibit R.
- A8: The response to Item 10 of Staff's Second Request was in reference to the original cost of service study in which there were no adjustments. The cost of service study which contains these adjustments as reference in Item 2 of Staff's Second Request is found in response to Item 2.f. of the Staff's Third Request.

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Item No. 9A
Page 1 of 1
Witness: Jim Adkins

Q9A: Refer to the response to Item 11 of Staff's Second Request.

The response to Item 11.b. states that the allocation of depreciation on distribution plant should have been linked to net plant. Explain why it would not be more appropriate to allocate distribution plant depreciation on the basis of gross distribution plant rather than net distribution plant.

A9A: It is more appropriate to allocate depreciation on distribution plant based on gross distribution plant rather than net distribution plant. The Cost of Service Study has been revised and these revisions are updated for Item 3f of the Staff's Third Data Request.

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Item No. 9B
Page 1 of 1
Witness: Jim Adkins

Q9B: Refer to Item 11 of Staff's Second Request.

The response to Item 11.c. states that the allocation of depreciation on general plant should have been linked to net general plant. Explain why it would not be more appropriate to allocate general plant depreciation on the basis of gross general plant rather than net general plant.

A9B: It is more appropriate to allocate depreciation on general plant base on gross general plant rather than net general plant. TThe Cost of Service Study has been revised and these revisions are updated for Item 3f of the Staff's Third Data Request.

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Item No. 10
Page 1 of 1
Witness: Jim Adkins

Q10: Refer to the response to Item 12.b. of Staff's Second Request. Explain where in the cost-of-service study the percentage allocations calculated in footnote 6 are used.

A10: Footnote 6 was not used in the original Cost of Service Study. However, the Adjusted Cost of Service Study found Item 3f does contain a Footnote 6 which was revised to reference the gross net plant percent allocation.

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Item No. 11a
Page 1 of 1
Witness: Jim Adkins

Q11A: Refer to the table filed in response to Item 28 of the Staff's Second Request..

a. Describe the type of adjustments referred to in the line item "Base Rate Adjustments".

A11A: Base rate adjustments are prorated customer charge adjustments. When a customer connects or disconnects an account during the billing cycle. The customer charge is prorated base on the number of days the customer was connected. If the customer was only connected for 10 days out of the 30 day month, they will only be charged a percent of the customer charge, not the entire charge. The amount not billed is considered an adjustment.

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Item No. 11b
Page 1 of 2
Witness: Jim Adkins

Q11: Refer to the table filed in response to Item 28 of the Staff's Second Request.

B: Refer to the line item "Prepaid Program Fees."

(1): State whether this line item includes both program fees and transactions fees for Jackson Energy's Prepay Electric Service tariff. If the response is positive, provide a breakdown of the \$103,285.54 total by type of fee. If the line item total includes only program fee, provide the amount of transaction fees received during the test year and the account number in which they are recorded.

RESPONSE: The line item Prepaid Program Fee refers to the program fees only. During the test year, the Cooperative received \$76,075 in transaction fees. The transaction fees are recorded in Account 451.00 – Miscellaneous Service Revenues.

(2): State whether any customers outside of the residential rate class are enrolled in the prepay Electric Service tariff. If the response is positive, provide a list of the rate classes with enrolled customers.

RESPONSE: Jackson Energy has six customers outside of the residential rate class enrolled in the Prepay Electric Service tariff. There are four customers in Rate Tariff 20 – Commercial Service Less Than 50 KW. There are two customers in Rate Tariff 50 – Schools, Community Halls and Community Parks.

(3) State whether all kWh sales and revenues associated with customers enrolled in the Prepay Electric Service tariff are reflected in Exhibit J of the application. If

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Item No. 11b
Page 2 of 2
Witness: Jim Adkins

the response is negative, provide a revised Exhibit J in both paper copy and Excel Spreadsheet format that includes the enrolled customers.

RESPONSE: Yes. The kWh sales and revenues associated with customers enrolled in the Prepay Electric Service tariff are reflected in Exhibit J of the application.

i: Explain what is included in the line item titled “Non-Metered Charge.”

RESPONSE: The line item titled “Non-Metered Charge” consists of customer charges and estimated kWh charges for the emergency alarm sirens for the Estill County EMS.

ii.: Describe the type of adjustments referred to in the line item “Other Adjustments.”

RESPONSE: The type of adjustments referred to in the line item “Other Adjustments” refer to billing adjustments. These adjustments may be due to a wrong meter reading, adjusting an estimated bill to the amount due, etc.

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Item No. 12
Page 1 of 1
Witness: Jim Adkins

Q12: Confirm that Jackson is proposing no increases in its non-recurring charges.

A12: Jackson is proposing no changes in its non-recurring charges.

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Item No. 13
Page 1 of 1
Witness: Jim Adkins

Q13: Confirm that Jackson is proposing no increase to its Cable Television Attachment Charges

A13: Jackson is proposing no changes to its Cable Television Attachment Charges.

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Item No. 14
Page 1 of 1
Witness: Jim Adkins

Q14: Refer to the response to Item 1.a. of Staff's Second Request wherein Jackson states that the first proposed increase will be applied to customers' bills in March 2014, the second in September 2014, and the third in September 2015.

a. Provide a side-by-side comparison that includes the revised requested customer charge increase by customer class, similar to that contained in Item 3, Exhibit 3.c. of the response to Staff's Second Request for 2014-2016, along with the TIER calculation for each of those years.

b. Provide in paper copy and electronic Excel spreadsheet format, with formulas intact and cells unprotected, a revised Exhibit S that includes the proposed customer charge increase for 2014, 2015, and 2016. Also include a computation of the operating and net TIER. If it is necessary to update Exhibit S in response to other questions contained in this information request, include those updates in the revised copies provided in response to this request.

A14A: Please see Exhibit 14a on the following page.

A14B: For the revised Cost of Service Study with adjustments, please see Item 3g for Exhibit S with adjustments. For the revised Cost of Service Study without adjustments, Exhibit S has not been altered and can be found in the Staff's Second Request for Information, Item 9.

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Exhibit 14a
Page 1 of 1
Witness: Jim Adkins

	2014		2015		2016	
	kWh	\$	kWh	\$	kWh	\$
Operating Revenue:						
Residential Sales	725,000,000	\$0	725,423,000	\$0	735,384,000	\$0
Small Comm. & Indust.	155,403,000	\$0	156,086,000	\$0	156,748,000	\$0
Large Comm. & Indust.	<u>85,347,000</u>	<u>\$0</u>	<u>86,393,000</u>	<u>\$0</u>	<u>87,399,000</u>	<u>\$0</u>
Subtotal	<u>965,750,000</u>	\$0	<u>967,902,000</u>	\$0	<u>979,441,000</u>	\$0
Other Revenue		\$2,675,000		<u>\$2,700,000</u>		<u>\$2,725,000</u>
Total Operating Revenue		\$2,675,000		\$2,700,000		\$2,725,000
Cost of Power		<u>\$73,367,377</u>		<u>\$73,530,669</u>		<u>\$74,406,237</u>
Operating Revenue less Power Costs		<u>(\$70,692,377)</u>		<u>(\$70,830,669)</u>		<u>(\$71,681,237)</u>
Operation & Maintenance Expense		\$11,338,222		\$11,451,604		\$11,680,636
Consumer Accounts & Sales Expense		\$4,817,201		\$4,865,373		\$4,962,681
A & G and Other Deduction Expense		\$5,633,466		\$5,689,801		\$5,803,597
Depreciation & Amortization Expense		\$9,274,162		\$9,366,904		\$9,554,242
Tax Expense		\$131,300		\$132,613		\$135,265
Interest Expense		<u>\$4,999,477</u>		<u>\$4,956,016</u>		<u>\$4,979,691</u>
Total Cost of Electric Service		\$109,561,205		\$109,992,980		\$111,522,349
Patronage Capital & Operating Margins		(\$106,886,205)		(\$107,292,980)		(\$108,797,349)
Non-Operating Margins		\$157,901		\$162,083		\$166,391
G & T and Other Capital Credits		<u>\$200,000</u>		<u>\$200,000</u>		<u>\$200,000</u>
Total Margins		<u>(\$106,528,304)</u>		<u>(\$106,930,897)</u>		<u>(\$108,430,958)</u>
TIER		-20.31		-20.58		-20.77