

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF JACKSON PURCHASE)	
ENERGY CORPORATION FOR A GENERAL ADJUSTMENT)	Case No.
OF RATES PURSUANT TO STREAMLINED PROCEDURE PILOT)	2019-00053
PROGRAM ESTABLISHED IN CASE NO. 2018-00407)	

**JACKSON PURCHASE ENERGY CORPORATION'S
RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION**

Filed: May 13, 2019

Jackson Purchase Energy Corporation
Case No. 2019-00053
Commission Staff's First Request for Information

1. Provide a cross-tab of the usage and income from Jackson Purchase Energy's last Residential End-Use Survey.

Response:

Jackson Purchase Energy does not prepare Residential End-Use Surveys and does not possess the information requested in this response.

Jackson Purchase Energy Corporation
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2. Provide the average monthly use for customers receiving assistance.

Response:

The average use for residential customers receiving assistance in the test year was 1,150 kWh per month. This is higher than the average use of all of Jackson Purchase Energy's residential customers in the test year, which was 1,134 kWh per month; please note, this latter amount includes the usage of customers receiving assistance, which means the average consumption by customers not receiving assistance is less than 1,134 kWh per month.

Jackson Purchase Energy Corporation
Case No. 2019-00053
Commission Staff's First Request for Information

3. Provide the employment contract, if any, for Jackson Purchase Energy's Chief Executive Officer.

Response:

A copy of the requested employment contract is provided with this response. Please note that the contract is the subject of a request for confidential treatment made contemporaneously with this filing and is submitted under seal.

Jackson Purchase Energy Corporation
Case No. 2019-00053
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4. Refer to the Excel spreadsheet Jackson Purchase Energy provided with its application named JPEC-RevReq-FILED.xlsx, Tab 1.12 Wages. The pro forma adjustment for the Salary Employee identified as S02 is \$111,864 over test-year wages. Provide an explanation for the increase in pro forma wages.

Response:

Please see the response to Item 3. The salary increase at issue is indicative of Jackson Purchase's need to attract and retain a highly competent and experienced President and Chief Executive Officer. Following a well-structured executive search process, Jackson Purchase's Board of Directors identified Greg as the best individual to meet the needs of the company; following good-faith negotiations, the agreed-upon salary level was necessary and appropriate to secure Mr. Grissom as Jackson Purchase's President and Chief Executive Officer. Having served as a distribution cooperative President and CEO for nineteen (19) years, Mr. Grissom has an impressive, substantive body of experience and has engaged in such important activities as strategic planning, facilitation of a system-wide AMI smart grid project, development of mapping and five-year Construction Work Plan, negotiation of bargaining unit agreements and development and implementation of company-wide safety programs, among many others.

Jackson Purchase Energy Corporation
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5. Refer to the Excel spreadsheet Jackson Purchase Energy provided with its application named JPEC-RevReq-FILED.xlsx, Tab 1.14 Depr. The columns for Test Year Expense and Pro Forma Adj for Jackson Purchase Energy's Distribution Plant have blank values. Provide the information for these columns.

Response:

On Reference Schedule 1.14, the rows for individual distribution subaccounts have blank values but the total for distribution plant does not. The information for Test Year Expense is only maintained for the distribution plant in total and not by individual plant account. The total amount is provided on line 19. The corresponding Pro Forma Adjustment must also then be calculated not by individual plant account but only for distribution plant in total; this is also provided on line 19.

Jackson Purchase Energy Corporation
Case No. 2019-00053
Commission Staff's First Request for Information

6. Provide the most recent loan agreement or contract for Jackson Purchase Energy's CFC Line of Credit.

Response:

A copy of the requested agreement is provided with this response.

REVOLVING LINE OF CREDIT AGREEMENT

REVOLVING LINE OF CREDIT AGREEMENT (this "Agreement"), dated as of October 25, 2018, between JACKSON PURCHASE ENERGY CORPORATION ("Borrower"), a corporation organized and existing under the laws of the State of Kentucky and NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION ("CFC"), a cooperative association organized and existing under the laws of the District of Columbia.

RECITALS

WHEREAS, the Borrower has applied to CFC for a line of credit for the purposes set forth in Schedule 1 hereto, and CFC is willing to extend such a line of credit to the Borrower on the terms and conditions stated herein.

NOW, THEREFORE, for and in consideration of the premises and the mutual covenants hereinafter contained, the parties hereto agree and bind themselves as follows:

ARTICLE I

DEFINITIONS

Section 1.01 For purposes of this Agreement, the following capitalized terms shall have the following meanings (such definitions to be equally applicable to the singular and the plural form thereof).

"Advance" shall mean each advance of funds by CFC to the Borrower pursuant to the terms and conditions of this Agreement.

"Business Day" shall mean any day that both CFC and the depository institution CFC utilizes for funds transfers hereunder are open for business.

"CFC Commitment" shall have the meaning ascribed to it in Schedule 1 hereto.

"CFC Line of Credit Rate" shall mean the rate published by CFC from time to time, by electronic or other means, for similarly classified lines of credit, but if not published, then the rate determined for such lines of credit by CFC from time to time.

"Default Rate" shall mean a rate per annum equal to the interest rate in effect for an Advance plus two hundred (200) basis points.

"Effective Date" shall mean the date designated as such by CFC on the signature page hereof.

"Event of Default" shall have the meaning as described in Article VI hereof.

"GAAP" shall mean generally accepted accounting principles in the United States of America as in effect from time to time.

"Governmental Authority" shall mean the government of the United States of America, any other nation or government, any state or other political subdivision thereof, whether state or

local, and any agency, authority, instrumentality, regulatory body, court or other entity exercising executive, legislative, judicial, taxing, regulatory or administrative powers or functions of or pertaining to government.

“**Lien**” shall mean any statutory or common law consensual or non-consensual mortgage, pledge, security interest, encumbrance, lien, right of set off, claim or charge of any kind, including, without limitation, any conditional sale or other title retention transaction, any lease transaction in the nature thereof and any secured transaction under the Uniform Commercial Code.

“**Line of Credit**” shall mean the line of credit extended by CFC to the Borrower, pursuant to this Agreement, in an aggregate principal amount outstanding at any time not to exceed the CFC Commitment.

“**Loan Documents**” shall mean this Agreement and all other documents or instruments executed, delivered or executed and delivered by the Borrower and evidencing, governing or otherwise pertaining to the Line of Credit.

“**Maturity Date**” shall mean the date set forth in Schedule 1 hereto.

“**Obligations**” shall mean any and all liabilities, obligations or indebtedness owing by the Borrower to CFC, of any kind or description, irrespective of whether for the payment of money, whether direct or indirect, absolute or contingent, due or to become due, now existing or hereafter arising.

“**Person**” shall mean natural persons, sole proprietorships, cooperatives, corporations, limited liability companies, limited partnerships, general partnerships, limited liability partnerships, joint ventures, associations, companies, trusts or other organizations, irrespective of whether they are legal entities, and Governmental Authorities.

ARTICLE II

REPRESENTATIONS AND WARRANTIES

Section 2.01 The Borrower represents and warrants to CFC that as of the date of this Agreement:

A. Good Standing. The Borrower is duly organized, validly existing and in good standing under the laws of the jurisdiction of its incorporation or organization, is duly qualified to do business and is in good standing in those states in which it is required to be qualified to conduct its business.

B. Authority; Validity. The Borrower has the power and authority to enter into this Agreement; to make the borrowing hereunder; to execute and deliver all documents and instruments required hereunder and to incur and perform the obligations provided for herein, all of which have been duly authorized by all necessary and proper action; and no consent or approval of any Person, including, as applicable and without limitation, members of the Borrower, which has not been obtained is required as a condition to the validity or enforceability hereof or thereof.

This Agreement is, and when fully executed and delivered will be, legal, valid and binding upon the Borrower and enforceable against the Borrower in accordance with its terms, subject to applicable bankruptcy, insolvency, reorganization, moratorium or other laws affecting creditors' rights generally and subject to general principles of equity.

C. No Conflicting Agreements. The execution and delivery of the Loan Documents and performance by the Borrower of the obligations thereunder, and the transactions contemplated hereby or thereby, will not: (i) violate any provision of law, any order, rule or regulation of any court or other Governmental Authority, any award of any arbitrator, the articles of incorporation or bylaws of the Borrower, or any indenture, contract, agreement, mortgage, deed of trust or other instrument to which the Borrower is a party or by which it or any of its property is bound; or (ii) be in conflict with, result in a breach of or constitute (with due notice and/or lapse of time) a default under, any such award, indenture, contract, agreement, mortgage, deed of trust or other instrument, or result in the creation or imposition of any Lien upon any of the property or assets of the Borrower.

The Borrower is not in default in any material respect under any agreement or instrument to which it is a party or by which it is bound and no event or condition exists which constitutes a default, or with the giving of notice or lapse of time, or both, would constitute a default under any such agreement or instrument.

D. Taxes. The Borrower has filed or caused to be filed all federal, state and local tax returns which are required to be filed and has paid or caused to be paid all federal, state and local taxes, assessments, and Governmental Authority charges and levies thereon, including interest and penalties to the extent that such taxes, assessments, and Governmental Authority charges and levies have become due, except for such taxes, assessments, and Governmental Authority charges and levies which the Borrower is contesting in good faith by appropriate proceedings for which adequate reserves have been set aside.

E. Licenses and Permits. The Borrower has duly obtained and now holds all licenses, permits, certifications, approvals and the like necessary to own and operate its property and business that are required by Governmental Authorities and each remains valid and in full force and effect.

F. Litigation. There are no outstanding judgments, suits, claims, actions or proceedings pending or, to the knowledge of the Borrower, threatened against or affecting the Borrower or any of its properties which, if adversely determined, either individually or collectively, would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower. The Borrower is not, to the Borrower's knowledge, in default or violation with respect to any judgment, order, writ, injunction, decree, rule or regulation of any Governmental Authority which would have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

G. Financial Statements. The balance sheet of the Borrower as at the date identified in Schedule 1 hereto, the statement of operations of the Borrower for the period ending on said date, and the interim financial statements of the Borrower, all heretofore furnished to CFC, are complete and correct. Said balance sheet fairly presents the financial condition of the Borrower as at said date and said statement of operations fairly reflects its operations for the period ending on said date. The Borrower has no contingent obligations or extraordinary forward or long-term commitments except as specifically stated in said balance

sheet or herein. There has been no material adverse change in the financial condition or operations of the Borrower from that set forth in said financial statements except changes disclosed in writing to CFC prior to the date hereof.

H. Required Approvals. No license, consent or approval of any Governmental Authority is required to enable the Borrower to enter into this Agreement, or to perform any of its Obligations provided for herein, including without limitation (and if applicable), that of any state public utilities commission, any state public service commission, and the Federal Energy Regulatory Commission.

I. Compliance With Laws. The Borrower is in compliance, in all material respects, with all applicable requirements of law and all applicable rules and regulations of each Governmental Authority.

J. Disclosure. To the Borrower's knowledge, information and belief, neither this Agreement nor any document, certificate or financial statement furnished to CFC by or on behalf of the Borrower in connection herewith (all such documents, certificates and financial statements, taken as a whole) contains any untrue statement of a material fact or omits to state any material fact necessary in order to make the statements contained herein and therein not misleading.

ARTICLE III

CREDIT TERMS

Section 3.01 Advances. CFC agrees to advance funds to the Borrower pursuant to the terms and conditions hereof, provided, however, that the principal amount at any time outstanding under this Agreement shall not exceed the CFC Commitment. The Borrower may borrow, repay and reborrow funds at any time or from time to time from the Effective Date up to, but not including, the Maturity Date, at which time all principal amounts outstanding, and accrued, but unpaid interest thereon, shall be due and payable in full.

Section 3.02 Payment and Interest Rate. The Line of Credit shall be payable and bear interest as follows:

A. Interest Rate and Payment. The Borrower unconditionally promises and agrees to pay, as and when due, interest on all amounts advanced hereunder from the date of each Advance and to repay all amounts advanced hereunder with interest on the Maturity Date, if not sooner paid. Interest shall be due and payable in accordance with CFC's regular billing cycles as may be in effect from time to time. As of the date hereof, interest shall be due and payable on the last day of each of March, June, September and December. CFC shall provide reasonable prior written notice to the Borrower of any change to the billing cycle or due dates for the payment of interest. CFC shall invoice the Borrower at least five days prior to the due date of any interest payment, provided, however, that CFC's failure to timely send an invoice with respect to any interest payment shall not constitute a waiver by CFC or be deemed to relieve the Borrower of its obligation to make such payment as provided for herein or to repay all amounts advanced hereunder in full with accrued interest as provided for herein. All amounts shall be payable at CFC's main office at 20701 Cooperative Way, Dulles, VA 20166 or at such other location as designated by CFC from time to time. The interest rate on all Advances will be equal to the CFC Line of Credit Rate in effect from time to time. Interest will be computed on the basis of a 365 day year for the actual number of days that any Advance is outstanding. The effective

date of an interest rate adjustment will be determined from time to time by CFC and shall remain in effect until any subsequent change in the interest rate occurs.

B. Application of Payments. Each payment shall be applied to the Obligations, first to any fees, costs, expenses or charges other than interest or principal then due on the Borrower's indebtedness to CFC, second to interest accrued and the balance to principal.

Section 3.03 Paydown Requirement. For each 12-month period while this Agreement is in effect, Borrower shall, for a period of at least five consecutive Business Days, pay down the entire outstanding principal balance on this line of credit ("Paydown"). Borrower shall make the initial Paydown within 360 days of the first Advance hereunder, and shall make each subsequent Paydown within 360 days of the date of the first Advance following each Paydown.

Section 3.04 Limitation on Advances. While an Advance is outstanding, CFC reserves the right to limit further Advances if the sum of (a) all Advances outstanding, (b) the amount of any further Advance requested, and (c) the total amount of Borrower's other unsecured outstanding debt, would exceed the CFC Commitment. CFC may in its sole discretion decline to make any Advance during any period when the Borrower is in default hereunder.

Section 3.05 Mandatory Prepayment. If there is a change in the Borrower's corporate structure (including without limitation by merger, consolidation, conversion or acquisition), then upon the effective date of such change, (a) the Borrower shall no longer have the ability to request, and CFC shall have no obligation to make, Advances hereunder and (b) the Borrower shall prepay the outstanding principal balance of all Obligations, together with any accrued but unpaid interest thereon, any unpaid costs or expenses provided for herein, and a prepayment premium as set forth in any agreement between the Borrower and CFC with respect to any such Obligation or, if not specified therein, as prescribed by CFC pursuant to its policies of general application in effect from time to time.

Notwithstanding the foregoing, if after giving effect to such change in the Borrower's corporate structure, Borrower, or its successor in interest, is engaged in the furnishing of electric utility services to its members and patrons for their use as ultimate consumers and is organized as a cooperative, nonprofit corporation, public utility district, municipality, or other public governmental body, Borrower shall retain the ability to request, and CFC shall retain the obligation to make, Advances hereunder and no prepayment shall be required under this Section 3.05.

Section 3.06 Termination and Cancellation of Existing Agreement. Borrower agrees that its existing line(s) of credit No(s). KY020-R-5107, with CFC, if any, and any agreement(s) relating thereto shall be terminated and any outstanding principal, interest and other amounts outstanding thereunder shall be transferred to the line of credit established pursuant to this Agreement and deemed an Advance hereunder.

Section 3.07 Default Rate. If Borrower defaults on its obligation to make a payment due hereunder by the applicable date payment is due, and such default continues for thirty (30) days thereafter, then beginning on the thirty-first (31st) day after the payment is due and for so long as such default continues, Advances shall bear interest at the Default Rate.

ARTICLE IV
CONDITIONS OF LENDING

Section 4.01 Conditions Precedent to Closing. The obligation of CFC to make Advances hereunder shall not become effective until the date on which the following conditions precedent have been satisfied:

A. Legal Matters. All legal matters incident to the consummation of the transactions hereby contemplated shall be satisfactory to counsel for CFC.

B. Representations and Warranties. The representations and warranties contained in Article II shall be true on the date hereof.

C. Closing Deliverables. CFC shall have been furnished with the following, in form and substance satisfactory to CFC:

(i) **Documents.** (a) the executed Loan Documents, (b) certified copies of all such organizational documents and proceedings of the Borrower authorizing the transactions hereby contemplated as CFC shall require, and (c) all other such documents as CFC may reasonably request.

(ii) **Government Approvals.** True and correct copies of all certificates, authorizations, consents, permits and licenses from Governmental Authorities necessary for the execution or delivery of the Loan Documents or performance by the Borrower of the obligations thereunder.

D. Special Conditions of Closing. CFC shall be fully satisfied that the Borrower has complied with all special conditions of closing identified in Schedule 1 hereto.

Section 4.02 Conditions to Advances. The obligation of CFC to make each Advance hereunder is additionally subject to satisfaction of the following conditions:

A. Requisitions. The Borrower will requisition each Advance by submitting its requisition to CFC in form and substance satisfactory to CFC no later than 12:00 noon local time at CFC's offices in Dulles, Virginia on the Business Day prior to the Business Day Borrower seeks to have funds advanced.

CFC may require the Borrower to submit such additional information as it may reasonably require prior to funding the Advance request.

B. Representations and Warranties; Default. The representations and warranties contained in Article II shall be true on the date of the making of each Advance hereunder with the same effect as though such representations and warranties had been made on such date; no Event of Default and no event which, with the lapse of time or the notice and lapse of time would become such an Event of Default, shall have occurred and be continuing or will have occurred after giving effect to each Advance on the books of the Borrower; there shall have occurred no material adverse change in the business or condition, financial or otherwise, of the Borrower; and nothing shall have occurred which in the opinion of CFC materially and adversely affects the Borrower's ability to perform its obligations hereunder.

C. Special Conditions of Advances. CFC shall be fully satisfied that the Borrower has complied with all special conditions to advance identified in Schedule 1 hereto.

ARTICLE V

COVENANTS

Section 5.01 The Borrower covenants and agrees with CFC that until payment in full of the Line of Credit and performance of all obligations of the Borrower hereunder:

A. Use of Proceeds. The Borrower shall use the proceeds of this Line of Credit solely for the purposes identified on Schedule 1 hereto.

B. Notice. The Borrower shall promptly notify CFC in writing of:

- (i) any material adverse change in the business, operations, prospects, assets, liabilities or financial condition of the Borrower or its subsidiaries;
- (ii) the institution or threat of any litigation or administrative proceeding of any nature involving the Borrower or any subsidiary which could materially affect the business, operations, prospects, assets, liabilities or financial condition of the Borrower or any subsidiary; and
- (iii) the occurrence of an Event of Default hereunder, or any event that, with the giving of notice or lapse of time, or both, would constitute an Event of Default.

C. Default Notices. Upon receipt of any notices with respect to a default by the Borrower or any subsidiary under the terms of any evidence of any indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto, the Borrower shall, and shall cause each subsidiary to, deliver copies of such notice to CFC.

D. Financial Books; Financial Reports; Right of Inspection. The Borrower will at all times keep, and safely preserve, proper books, records and accounts in which full and true entries will be made of all of the dealings, business and affairs of the Borrower, in accordance with GAAP. The Borrower will cause to be prepared and furnished to CFC within one hundred twenty (120) days of the end of each of the Borrower's fiscal years during the term hereof, a full and complete consolidated and consolidating report of its financial condition and statement of its operations as of the end of such fiscal year, audited and certified by independent certified public accountants nationally recognized or otherwise satisfactory to CFC and accompanied by a report of such audit in form and substance satisfactory to CFC, including without limitation a consolidated and consolidating balance sheet and the related consolidated and consolidating statements of income and cash flow. CFC, through its representatives, shall at all times during reasonable business hours and upon prior notice have access to, and the right to inspect and make copies of, any or all books, records and accounts, and any or all invoices, contracts, leases, payrolls, canceled checks, statements and other documents and papers of every kind belonging to or in the possession of the Borrower or in any way pertaining to its property or business.

E. Compliance With Laws. The Borrower and each subsidiary shall remain in compliance, in all material respects, with all applicable requirements of law and applicable rules and regulations of each Governmental Authority.

F. Taxes. The Borrower shall pay, or cause to be paid all taxes, assessments or Governmental Authority charges lawfully levied or imposed on or against it and its properties prior to the time they become delinquent, except for any taxes, assessments or charges that are being contested in good faith and with respect to which adequate reserves as determined in good faith by Borrower have been established and are being maintained.

G. Special Covenants. The Borrower will comply with any special covenants identified in Schedule 1 hereto.

ARTICLE VI

EVENTS OF DEFAULT

Section 6.01 The following shall be "Events of Default" under this Agreement:

A. Representations and Warranties. Any representation or warranty made by the Borrower herein, or in any of the other Loan Documents, or in any certificate or financial statement furnished to CFC hereunder or under any of the other Loan Documents shall prove to be false or misleading in any material respect.

B. Payment. The Borrower shall fail to pay (whether upon stated maturity, by acceleration, or otherwise) any principal, interest, premium (if any) or other amount payable under the Line of Credit within five (5) Business Days after the due date thereof.

C. Other Covenants.

(i) No Grace Period. Failure of the Borrower to observe or perform any covenant or agreement contained in Sections 5.01.A, 5.01.C, 5.01.D, or 5.01.G, of this Agreement.

(ii) Thirty Day Grace Period. Failure of the Borrower to observe or perform any other covenant or agreement contained in this Agreement or any of the other Loan Documents, which shall remain unremedied for thirty (30) calendar days after written notice thereof shall have been given to the Borrower by CFC.

D. Legal Existence, Permits and Licenses. The Borrower shall forfeit or otherwise be deprived of (i) its authority to conduct business in the jurisdiction in which it is organized or in any other jurisdiction where such authority is required in order for the Borrower to conduct its business in such jurisdiction or (ii) permits, easements, consents or licenses required to carry on any material portion of its business.

E. Other CFC Obligations. The Borrower shall be in breach or default of any Obligation, which breach or default continues uncured beyond the expiration of any applicable grace period.

F. Other Obligations. The Borrower shall (i) fail to make any payment of any principal, premium or any other amount due or interest on any indebtedness with parties other than CFC which shall remain unpaid beyond the expiration of any applicable grace period, or (ii) be in breach or default with respect to any other term of any evidence of any other indebtedness with parties other than CFC or of any loan agreement, mortgage or other agreement relating thereto which breach or default continues uncured beyond the expiration of any applicable grace period, if the effect of such failure, default or breach is to cause the holder or holders of that indebtedness to cause that indebtedness to become or be declared due prior to its stated maturity (upon the giving or receiving of notice, lapse of time, both or otherwise).

G. Involuntary Bankruptcy. An involuntary case or other proceeding shall be commenced against the Borrower seeking liquidation, reorganization or other relief with respect to it or its debts under bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property and such involuntary case or other proceeding shall continue without dismissal or stay for a period of sixty (60) consecutive days; or an order for relief shall be entered against the Borrower under the federal bankruptcy laws or applicable state law as now or hereafter in effect.

H. Insolvency. The Borrower shall commence a voluntary case or other proceeding seeking liquidation, reorganization or other relief with respect to itself or its debts under any bankruptcy, insolvency or other similar law now or hereafter in effect or seeking the appointment of a trustee, receiver, liquidator, custodian or other similar official of it or any substantial part of its property, or shall consent to any such relief or to the appointment of or taking possession by any such official in an involuntary case or proceeding commenced against it, or shall make a general assignment for the benefit of creditors, or shall admit in writing its inability to, or be generally unable to, pay its debts as they become due, or shall take any action to authorize any of the foregoing.

I. Dissolution or Liquidation. Other than as provided in subsection H. above, the dissolution or liquidation of the Borrower, or failure by the Borrower promptly to forestall or remove any execution, garnishment or attachment of such consequence as will impair its ability to continue its business or fulfill its obligations and such execution, garnishment or attachment shall not be vacated within sixty (60) consecutive days.

J. Material Adverse Change. Any material adverse change in the business or condition, financial or otherwise, of the Borrower or any subsidiary.

K. Monetary Judgment. The Borrower shall suffer any money judgment not covered by insurance, writ or warrant of attachment or similar process involving an amount in excess of \$100,000 and shall not discharge, vacate, bond or stay the same within a period of sixty (60) consecutive days.

L. Nonmonetary Judgment. One or more nonmonetary judgments or orders (including, without limitation, injunctions, writs or warrants of attachment, garnishment, execution, distraint, replevin or similar process) shall be rendered against the Borrower that, either individually or in the aggregate, could reasonably be expected to have a material adverse effect upon the business, operations, prospects, assets, liabilities or financial condition of the Borrower.

ARTICLE VII

REMEDIES

Section 7.01 If any Event of Default shall occur after the date of this Agreement and shall not have been remedied within the applicable grace period therefor, then in every such event (other than an event described in Section 6.01.G, 6.01.H or 6.01.I) and at any time during the continuance of such event, CFC may:

- (a) Cease making Advances hereunder;
- (b) Declare all unpaid principal outstanding on the Line of Credit, all accrued and unpaid interest thereon, and all other Obligations to be immediately due and payable and the same shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived;
- (c) Exercise rights of setoff or recoupment and apply any and all amounts held, or hereafter held, by CFC or owed to the Borrower or for the credit or account of the Borrower against any and all of the Obligations of the Borrower now or hereafter existing hereunder or under the Line of Credit, including, but not limited to, patronage capital allocations and retirements, money due to the Borrower from equity certificates purchased from CFC, and any membership or other fees that would otherwise be returned to the Borrower. The rights of CFC under this section are in addition to any other rights and remedies (including other rights of setoff or recoupment) which CFC may have. The Borrower waives all rights of setoff, deduction, recoupment or counterclaim;
- (d) Pursue all rights and remedies available to CFC, including, but not limited to, a suit for specific performance, injunctive relief or damages; and
- (e) Pursue any other rights and remedies available to CFC at law or in equity.

If any Event of Default described in Section 6.01.G, 6.01.H or 6.01.I shall occur after the date of this Agreement, then CFC's commitment to make Advances hereunder shall automatically terminate and the unpaid principal outstanding hereunder, all accrued and unpaid interest thereon, and all other Obligations shall thereupon become immediately due and payable without presentment, demand, protest or notice of any kind, all of which are hereby expressly waived. In addition, CFC may pursue all rights and remedies available to CFC that are contemplated by the Loan Documents in the manner, upon the conditions, and with the effect provided in the Loan Documents, including, but not limited to, a suit for specific performance, injunctive relief or damages and any other rights and remedies available to CFC at law or in equity.

Nothing herein shall limit the right of CFC to pursue all rights and remedies available to a creditor following the occurrence of an Event of Default. Each right, power and remedy of CFC shall be cumulative and concurrent, and recourse to one or more rights or remedies shall not constitute a waiver of any other right, power or remedy.

ARTICLE VIII

MISCELLANEOUS

Section 8.01 Notices. All notices, requests and other communications provided for herein including, without limitation, any modifications of, or waivers, requests or consents under, this Agreement shall be given or made in writing (including, without limitation, by facsimile) and delivered to the intended recipient at the "Address for Notices" specified below; or, as to any party, at such other address as shall be designated by such party in a notice to each other party. All such communications shall be deemed to have been duly given (a) when personally delivered including, without limitation, by overnight mail or courier service, (b) in the case of notice by United States mail, certified or registered, postage prepaid, return receipt requested, upon receipt thereof, or (c) in the case of notice by facsimile, upon transmission thereof, provided such transmission is promptly confirmed by either of the methods set forth in clauses (a) or (b) above in each case given or addressed as provided for herein. The Address for Notices of each of the respective parties is as follows:

The Borrower:

The address set forth in
Schedule 1 hereto

CFC:

National Rural Utilities Cooperative Finance Corporation.
20701 Cooperative Way
Dulles, Virginia 20166
Attention: General Counsel
Fax # 866-230-5635

Section 8.02 Expenses. The Borrower shall reimburse CFC for any reasonable costs and out-of-pocket expenses paid or incurred by CFC (including, without limitation, reasonable fees and expenses of outside attorneys, paralegals and consultants) for all actions CFC takes, (a) to enforce the payment of any Obligation or in preparation for such enforcement, (b) to restructure any of the Obligations, (c) to review, approve or grant any consents or waivers hereunder, (d) to prepare, negotiate, execute, deliver, review, amend or modify this Agreement, and (e) to prepare, negotiate, execute, deliver, review, amend or modify any other agreements, documents and instruments deemed necessary or appropriate by CFC in connection with any of the foregoing.

The amount of all such expenses identified in this Section 8.02 shall be payable upon demand, and if not paid, shall accrue interest at the then prevailing CFC Line of Credit Rate plus two hundred (200) basis points.

Section 8.03 Late Payments. If payment of any amount due hereunder is not received at CFC's office in Dulles, Virginia or such other location as CFC may designate to the Borrower, within five (5) Business Days after the due date thereof, the Borrower will pay to CFC, in addition to all other amounts due under the terms of the Loan Documents, any late payment charge as may be fixed by CFC from time to time pursuant to its policies of general application as in effect from time to time.

Section 8.04 Non-Business Day Payments. If any payment to be made by the Borrower hereunder shall become due on a day which is not a Business Day, such payment shall be made on the next succeeding Business Day and such extension of time shall be included in computing any interest in respect of such payment.

Section 8.05 Filing Fees. To the extent permitted by law, the Borrower agrees to pay all expenses of CFC (including the reasonable fees and expenses of its counsel) in connection with the filing, registration or recordation of any instruments as may be required by CFC in connection with this Agreement, including, without limitation, all documentary stamps, recordation and transfer taxes and other costs and taxes incident to execution, filing, registration, recordation or perfection of any document or instrument in connection herewith. The Borrower agrees to save harmless and indemnify CFC from and against any liability resulting from the failure to pay any required documentary stamps, recordation and transfer taxes, recording costs, or any other expenses incurred by CFC in connection with this Agreement. The provisions of this subsection shall survive the execution and delivery of this Agreement and the payment of all other amounts due hereunder.

Section 8.06 CFC Accounts. Borrower agrees that the records of, and all computations by, CFC (in whatever media they are recorded or maintained) as to the amount of principal, interest and fees due on the Line of Credit shall be conclusive in the absence of manifest error.

Section 8.07 Waiver; Modification. No failure on the part of CFC to exercise, and no delay in exercising, any right or power hereunder or under the other Loan Documents shall operate as a waiver thereof, nor shall any single or partial exercise by CFC of any right hereunder, or any abandonment or discontinuance of steps to enforce such right or power, preclude any other or further exercise thereof or the exercise of any other right or power. No modification or waiver of any provision of this Agreement or the other Loan Documents and no consent to any departure by the Borrower therefrom shall in any event be effective unless the same shall be in writing by the party granting such modification, waiver or consent, and then such modification, waiver or consent shall be effective only in the specific instance and for the purpose for which given.

SECTION 8.08 GOVERNING LAW; SUBMISSION TO JURISDICTION; WAIVER OF JURY TRIAL.

(A) THE PERFORMANCE AND CONSTRUCTION OF THIS AGREEMENT SHALL BE GOVERNED BY, AND CONSTRUED IN ACCORDANCE WITH, THE LAWS OF THE COMMONWEALTH OF VIRGINIA.

(B) THE BORROWER HEREBY SUBMITS TO THE NON-EXCLUSIVE JURISDICTION OF THE UNITED STATES COURTS LOCATED IN VIRGINIA AND OF ANY STATE COURT SO LOCATED FOR PURPOSES OF ALL LEGAL PROCEEDINGS ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY. THE BORROWER IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY OBJECTIONS THAT IT MAY NOW OR HEREAFTER HAVE TO THE ESTABLISHING OF THE VENUE OF ANY SUCH PROCEEDINGS BROUGHT IN SUCH A COURT AND ANY CLAIM THAT ANY SUCH PROCEEDING HAS BEEN BROUGHT IN AN INCONVENIENT FORUM.

(C) THE BORROWER AND CFC EACH HEREBY IRREVOCABLY WAIVES, TO THE FULLEST EXTENT PERMITTED BY APPLICABLE LAW, ANY AND ALL RIGHT TO TRIAL BY JURY IN ANY LEGAL PROCEEDING ARISING OUT OF OR RELATING TO THIS AGREEMENT OR THE TRANSACTIONS CONTEMPLATED HEREBY.

SECTION 8.09 INDEMNIFICATION. THE BORROWER HEREBY INDEMNIFIES AND AGREES TO HOLD HARMLESS, AND DEFEND CFC AND ITS MEMBERS, DIRECTORS, OFFICERS, EMPLOYEES, AGENTS, ATTORNEYS AND REPRESENTATIVES (EACH AN "INDEMNITEE") FOR, FROM, AND AGAINST ALL CLAIMS, DAMAGES, LOSSES, LIABILITIES, COSTS, AND EXPENSES (INCLUDING, WITHOUT LIMITATION, COSTS AND EXPENSES OF LITIGATION AND REASONABLE ATTORNEYS' FEES) ARISING FROM ANY CLAIM OR DEMAND IN RESPECT OF THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS OR THE TRANSACTIONS DESCRIBED IN THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS AND ARISING AT ANY TIME, WHETHER BEFORE OR AFTER PAYMENT AND PERFORMANCE OF ALL OBLIGATIONS UNDER THIS AGREEMENT AND THE OTHER LOAN DOCUMENTS IN FULL, EXCEPTING ANY SUCH MATTERS ARISING SOLELY FROM THE GROSS NEGLIGENCE OR WILLFUL MISCONDUCT OF CFC OR ANY INDEMNITEE. NOTWITHSTANDING ANYTHING TO THE CONTRARY CONTAINED IN SECTION 8.11 HEREOF, THE OBLIGATIONS IMPOSED UPON THE BORROWER BY THIS SECTION SHALL SURVIVE THE REPAYMENT OF THE LINE OF CREDIT AND THE TERMINATION OF THIS AGREEMENT.

Section 8.10 Complete Agreement. This Agreement, together with any schedules and exhibits hereto and the other Loan Documents, and the other agreements and matters referred to herein or by their terms referring hereto, is intended by the parties as a final expression of their agreement and is intended as a complete statement of the terms and conditions of their agreement. In the event of any conflict in the terms and provisions of this Agreement and any other Loan Documents, the terms and provisions of this Agreement shall control.

Section 8.11 Survival; Successors and Assigns. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall survive the execution and delivery to CFC of the Loan Documents and the making of the Advances hereunder and shall continue in full force and effect until all of the obligations under the Loan Documents have been paid in full. All covenants, agreements, representations and warranties of the Borrower which are contained in this Agreement shall inure to the benefit of the successors and assigns of CFC. The Borrower shall not have the right to assign its rights or obligations under this Agreement.

Section 8.12 Use of Terms. The use of the singular herein shall also refer to the plural, and vice versa.

Section 8.13 Headings. The headings and sub-headings contained in this Agreement are intended to be used for convenience only and do not constitute part of this Agreement.

Section 8.14 Severability. If any term, provision or condition, or any part thereof, of this Agreement or the other Loan Documents shall for any reason be found or held invalid or unenforceable by any court of competent jurisdiction or other Governmental Authority, such invalidity or unenforceability shall not affect the remainder of such term, provision or condition nor any other term, provision or condition, and this Agreement and the other Loan Documents

shall survive and be construed as if such invalid or unenforceable term, provision or condition had not been contained therein.

Section 8.15 Binding Effect. This Agreement shall become effective when it shall have been executed by both the Borrower and CFC and thereafter shall be binding upon and inure to the benefit of the Borrower and CFC and their respective successors and assigns.

Section 8.16 Counterparts. This Agreement may be executed in one or more counterparts, each of which will be deemed an original and all of which together will constitute one and the same document. Signature pages may be detached from the counterparts and attached to a single copy of this Agreement to physically form one document.

Section 8.17 Schedule 1. Schedule 1 attached hereto is an integral part of this Agreement.

IN WITNESS WHEREOF, the parties hereto have caused this Agreement to be duly executed as of the day and year first above written.

JACKSON PURCHASE ENERGY CORPORATION

(SEAL)

By: [Signature]

Title: [Signature]

Attest: [Signature]
Secretary

NATIONAL RURAL UTILITIES COOPERATIVE
FINANCE CORPORATION

(SEAL)

By: [Signature]
Assistant Secretary-Treasurer

Attest: [Signature]
Assistant Secretary-Treasurer

Ian M. Flanders

Elaine M. MacDonald

Effective Date: November 15, 2018 (to be filled in by CFC)

Loan Number: KY020-R-5108

SCHEDULE 1

1. The purpose of this Line of Credit is to provide funds for the Borrower's general corporate use, consistent with the Borrower's articles of incorporation, bylaws and applicable federal, state and local laws and regulations.
2. The aggregate CFC Commitment shall mean \$5,000,000.00.
3. Maturity Date shall mean the date twenty-three (23) months from the Effective Date.
4. The date of the Borrower's balance sheet referred to in Section 2.01.G is December 31, 2017.
5. The Governmental Authority referred to in Section 2.01.H is: Kentucky Public Service Commission
6. The special conditions of closing referred to in Section 4.01.D are as follows: None
7. The special conditions of advance referred to in Section 4.02.C are as follows: None
8. The special covenants referred to in Section 5.01.G are as follows: None
9. The address for notices to the Borrower referred to in Section 8.01 is:

If by personal delivery (including overnight mail or courier service):

Jackson Purchase Energy Corporation
2900 Irvin Cobb Drive
Paducah, KY 42003
Attention: General Manager
Fax: (270) 441-0866

If by United States mail:

Jackson Purchase Energy Corporation
P.O. Box 4030
Paducah, KY 42002-4030
Attention: General Manager
Fax: (270) 441-0866

Jackson Purchase Energy Corporation
Case No. 2019-00053
Commission Staff's First Request for Information

7. Provide a statement or supporting documentation that reflects the current balance of Jackson Purchase Energy's CFC Line of Credit.

Response:

The CFC Line-of-Credit with Jackson Purchase has a limit of \$5,000,000 (please refer to the document provided in PSC 6). At the end of the Test Period, the balance was \$1,200,000. At the end of February 2019, the balance was \$4,300,000. The wholesale power bill owed by Jackson Purchase to Big Rivers is due toward the end of each month. Usually Jackson Purchase draws on its CFC Line-of-Credit to help pay that wholesale power bill, then pay the Line-of-Credit down as customers' bills are collected by Jackson Purchase.

Jackson Purchase Energy Corporation
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Commission Staff's First Request for Information

8. Refer to the Application, page 2, paragraph 4. Provide all cost-containment activity by Jackson Purchase Energy's management since the last rate case. Include a description of the activity and a quantification of the savings.

Response:

It is not possible to provide all cost-containment activity by management since the last rate case, which was decided in 2008. Since that time Jackson Purchase has hired a new CEO on two different occasions and replaced numerous other management-level employees and key staff. Mr. Grissom assumed the role of CEO in September of 2018. Mr. Williams assumed the role of CFO in April of 2018 after that position was vacant since July 19, 2016. Both individuals were external hires. For these reasons, the current management team does not have the institutional knowledge to report on all cost-containment activity undertaken by management over the last decade.

That being said, Jackson Purchase management can report that cost containment activity including the following:

(1) AMI PLC technology implemented and where it is working well, Jackson Purchase is saving meter reading expenses (estimated at \$1.9 million annually);

(2) Management has extended the life of Jackson Purchase's fleet from ten (10) to twelve (12) years, resulting in an estimated capital savings of \$0.5 million;

(3) Refinancing of RUS long-term debt with lower interest rates (Case No. 2016-00410), with a net present value savings of \$1.3 million;

(4) Conservation Voltage Reduction – Industry best practice program provides Jackson Purchase with information to help manage system peaks and reduce purchased power, resulting in an estimated savings of \$0.2 million annually;

(5) Headcount reductions 2016-2018 saved an estimated \$1.0 million per year; and

(6) Constantly managing budgets and cutting expenditures where possible;

National Rural Utilities Cooperative Finance Corporation's (CFC) Key Ratio Trend Analysis reflects that Jackson Purchase ranks 757th lowest, out of 813 distribution cooperatives in TOTAL CONTROLLABLE EXPENSES PER CONSUMER (RATIO #87) for 2017. Additionally, Jackson Purchase ranks the 62nd lowest of 68 distribution cooperatives based on similar consumer size for 2017.

Jackson Purchase Energy Corporation
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Commission Staff's First Request for Information

9. Refer to the Direct Testimony of Greg Grissom (Grissom Testimony), page 4, line 23. Provide a detailed explanation of the Advanced Metering Infrastructure pilot program.

Response:

In 2008, Jackson Purchase implemented AMI with Power Line Carrier (PLC) technology. After encountering constant issues with failed communications and at the recommendation of our Vendor to fix the issues associated with the PLC technology, Jackson Purchase selected a small test area in Calvert City, Kentucky to test new Radio Frequency (RF) technology. In 2014, Jackson Purchase installed approximately 300 meters, 1 data collector and 3 relays at an approximate cost of \$60,000. Since that time, due to these RF meters being more readily available, Jackson Purchase has installed another 200 meters in the same test area and 3 more relays at an approximate cost of \$40,000. It's important to note that new meters were needed in this area of the service territory and for this reason Jackson Purchase chose to conduct the pilot there. Whether RF or PLC technology was used, the costs would have been close to the same for either option. Jackson Purchase does not conduct remote connections and disconnections with this technology and therefore, no connect/disconnect charges are made. The meter reading savings are approximately \$116,000 for the period 2014 through 2018. Jackson Purchase is not currently seeking Commission approval for a system-wide RF AMI system, nor does it currently intend to install any additional RF meters in the test site.

Jackson Purchase Energy Corporation
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10. Refer to the Grissom Testimony, page 6. Mr. Grissom states the 10 percent contribution from bargaining employees is the total contribution for medical, dental, and vision.
 - a. Provide the contribution percentage for the medical premium and supporting calculations.
 - b. Provide the contribution percent for the dental premium and supporting calculations.
 - c. Provide the contribution for the vision premium and supporting calculations.

Response:

- a.-c. Premiums for Healthcare, Dental and Vision are all included in one premium. The NECA-IBEW Welfare Trust fund is structured such that there is no categorical breakdown of premiums from NECA-IBEW for medical, dental and vision. Please refer to Exhibit 35 to Jackson Purchase's Application for total employee and employer contributions to Healthcare, Vision and Dental premiums.

Jackson Purchase Energy Corporation
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11. Refer to the Direct Testimony of Jeffrey R. Williams (Williams Testimony), page 5, line 15. Mr. Williams states that Jackson Purchase Energy's residential customers comprise 59 percent of its energy usage. Refer to page 7 of the Direct Testimony of John Wolfram (Wolfram Testimony), line 9. Mr. Wolfram states that Jackson Purchase Energy's residential customers contribute 57 percent of the energy purchase. Reconcile this difference.

Response:

The difference stems from the treatment of energy associated with unbilled revenue. The data reported by Mr. Williams includes energy associated with unbilled revenue (i.e. estimates of sales made during the test year but not billed during the test year) but the data reported by Mr. Wolfram does not. The reconciliation follows.

#	Item	Williams (including Unbilled Revenue kWh)	Wolfram (excluding Unbilled Revenue kWh)
1	Residential Energy	355,607,699	347,394,765
2	Total Energy	605,194,563	604,867,806
3	Share	58.7592%	57.4332%
4	Rounded Share	59%	57%

Jackson Purchase Energy Corporation
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Commission Staff's First Request for Information

12. Refer to the Williams Testimony, page 5, line 16. Mr. Williams states that Jackson Purchase Energy's residential customers comprise 62 percent of its total revenue. Refer to page 7 of the Wolfram Testimony, line 9. Mr. Wolfram states that Jackson Purchase Energy's residential customers contribute 60 percent to total revenue. Reconcile this difference.

Response:

The difference stems from the treatment of unbilled revenue. The data reported by Mr. Williams includes unbilled revenue (i.e. estimates of revenue associated with sales made during the test year but not billed during the test year) but the data reported by Mr. Wolfram does not. The reconciliation follows.

#	Item	Williams (including Unbilled Revenues)	Wolfram (excluding Unbilled Revenues)
1	Residential Revenue	\$ 43,054,220	\$ 41,386,469
2	Total Revenue	\$ 69,594,978	\$ 69,287,660
3	Share	61.8640%	59.7314%
4	Rounded Share	62%	60%

Jackson Purchase Energy Corporation
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Commission Staff's First Request for Information

13. Refer to the Wolfram Testimony, Exhibit 35.
- a. Confirm that the non-bargaining employees are contributing a total of 5 percent towards health, dental and vision benefits.
 - b. Provide the contribution percentage for the medical premium and supporting calculations.
 - c. Provide the contribution percent for the dental premium and supporting calculations.
 - d. Provide the contribution for the vision premium and supporting calculations.

Response:

- a. Confirmed.
- b.-d. Premiums for Healthcare, Dental and Vision are all included in one premium. The NECA-IBEW Welfare Trust fund is structured such that there is no categorical breakdown of premiums from NECA-IBEW for medical, dental and vision. Please refer to Exhibit 35 to Jackson Purchase's Application for total employee and employer contributions to Healthcare, Vision and Dental premiums.

Jackson Purchase Energy Corporation
Case No. 2019-00053
Commission Staff's First Request for Information

14. Provide the date that Jackson Purchase Energy employees began contributing to the cost of their healthcare plans.

Response:

In 2006, Jackson Purchase implemented a policy, consistent with the labor contract in force for November 2005 – November 2013, which provided that employees would “share in premium increases on an 80/20 basis (80% company/20% employee)”. In 2009, employees began contributing to the cost of the healthcare plans based upon this policy, and since that time have been responsible for 20% of all premium increases. Presently, non-bargaining employees contribute approximately 5% toward the cost of the premiums and bargaining employees contribute ~10%; as premiums increase, so too does each employee’s proportional share of the total premium. Please see the attached policy.

JPEC MEDICAL INSURANCE PROGRAM

I. OBJECTIVE

Jackson Purchase Energy Corporation (JPEC) provides medical insurance for its employees, retirees, and eligible dependents in accordance with the guidelines established below. The company reserves the right to modify, amend, or terminate its medical insurance coverage at any time outside the conditions as set forth in contractual agreements.

II. POLICY

A. Regular Full-Time Employees

1. JPEC provides medical insurance for regular full-time employees and eligible dependents.
2. Effective January 1, 2006, employees will co-share in future premium increases on an 80/20 basis (80% company/20% employee). The maximum monthly amount an employee will be required to pay in years 2006-2009 is \$0.50 per hour or \$80.00 (\$0.50 x 160 hours). The maximum monthly amount an employee will be required to pay in years 2010-2013 is \$0.75 per hour or \$120.00 (\$0.75 x 160 hours).

B. Retirees

1. Employees who retire at age 55 or older with less than 5 years accumulative service to JPEC **will not** be eligible for **retiree** medical.
2. Employees hired before January 1, 2006, who retire after 30 years' participation in the Retirement Pension Plan or at age 62 (with 10 or more years accumulative service to JPEC) will be eligible for 100% of **retiree** medical (single coverage) for 10 years or until age 65, whichever occurs first.
3. Employees hired before January 1, 2006, who retire at age 55 or older, with 5 to 9 years accumulative service to JPEC, will be eligible for **retiree** medical (single coverage) as scheduled below or until age 65, whichever occurs first:
 - 5 years worked – 100% of medical premium paid for 5 years
 - 6 years worked – 100% of medical premium paid for 6 years
 - 7 years worked – 100% of medical premium paid for 7 years
 - 8 years worked – 100% of medical premium paid for 8 years

- 9 years worked – 100% of medical premium paid for 9 years
 - 10 years worked – 100% of medical premium paid for 10 years
4. Employees hired after December 31, 2005, who retire at age 55 or older, with 5 or more years accumulative service to JPEC, will be eligible for retiree medical (single coverage) according to the schedule below or until age 65, whichever occurs first:
- 5 years worked – 50% of premium in effect at retirement paid for 5 years
 - 6 years worked – 60% of premium in effect at retirement paid for 6 years
 - 7 years worked – 70% of premium in effect at retirement paid for 7 years
 - 8 years worked – 80% of premium in effect at retirement paid for 8 years
 - 9 years worked – 90% of premium in effect at retirement paid for 9 years
 - 10 years worked – 100% of premium in effect at retirement paid for 10 years
5. Any break(s) in service of two weeks or more will have to be made up in order to meet the accumulative service requirements (i.e. absences for sick leave, FMLA, administrative leave, suspensions, terminations, etc.). **This does not apply to breaks in service for work-related illnesses or injuries.**
6. All employer contributions for retiree medical insurance premiums will be paid to the medical insurance provider. If a retiree elects to waive retiree medical insurance, no cash contribution will be made to the retiree.

C. Disabled

1. If an employee becomes totally disabled and has completed one (1) to four (4) years of accumulative service, JPEC will provide medical insurance coverage for six (6) months at the same rate and level of coverage as on the date of disability. The disabled individual will be responsible for paying required employee contributions and all subsequent increases in premiums above the rate at the time of disability. At the end of the six-month period, the disabled individual and eligible dependents may remain on our group under COBRA on a self-pay basis.
2. If an employee becomes totally disabled and has completed five (5) to nine (9) years of accumulative service, JPEC will provide medical insurance coverage for 12 months at the same rate and level of coverage as on the date of disability. The disabled individual will be responsible for paying required employee contributions and all subsequent increases in premiums above the rate at the time of disability. At the end of the 12-month period, the disabled individual and eligible dependents may remain on our group under COBRA on a self-pay basis.

3. If an employee becomes totally disabled and has completed 10 to 15 years of accumulative service, JPEC will provide medical insurance coverage for 18 months at the same rate and level of coverage as on the date of disability. The disabled individual will be responsible for paying required employee contributions and any subsequent increases in premiums above the rate at the time of disability. At the end of the 18-month period, the disabled individual and eligible dependents may remain on our group under COBRA on a self-pay basis.
4. If an employee becomes totally disabled and has completed 16 or more years of accumulative service, JPEC will provide medical insurance coverage for 24 months at the same rate and level of coverage as on the date of disability. The disabled individual will be responsible for paying required employee contributions and any subsequent increases in premiums above the rate at the time of disability. At the end of the 24-month period, the disabled individual and eligible dependents may remain on our group under COBRA on a self-pay basis.
5. Individuals who became disabled prior to January 1, 2006, will be grandfathered under the guidelines as they existed before January 1, 2006.

Note: This does not apply to employees off work due to work-related illnesses or injuries.

III. APPROVED

December 30, 2006


Gary Joiner, Chair
Board of Directors

Jackson Purchase Energy Corporation
Case No. 2019-00053
Commission Staff's First Request for Information

15. Refer to Schedule C-1-Small Commercial Single Phase.
- a. Confirm the Schedule C-1-Small Commercial Single Phase (C-1) Facilities Charge is \$13.86 per month.
 - b. Explain why the proposed Residential Facilities Charge of \$16.78 per month should be higher than the monthly C-1 Facilities Charge.

Response:

- a. Confirmed.
- b. The cost of service study shows that the C-1 fixed monthly cost is \$34.38 and the Residential fixed monthly cost is \$30.24. Thus in theory, the C-1 Facilities Charge should be higher than the Residential Facilities Charge, and both should be much higher than the rates currently in effect. However, Jackson Purchase adopted the proposed rate design as its first rate revision in over a decade and under the new streamlined pilot program. For these reasons Jackson Purchase took a more restrained, incremental approach, proposing to revise only a single per-unit charge for a single rate class in order to rectify the revenue deficiency. The proposed rate revision achieves the revenue requirement while affecting as few members as possible in one step. The C-1 class had 3,356 members at the end of the test period while the Residential class had 25,546 members. Increasing the fixed monthly charge for the C-1 customers a small amount has a much smaller effect on overall

b. (continued)

revenue. Furthermore, the residential fixed cost recovery was Jackson Purchase's primary rate deficiency going into this proceeding, and Jackson Purchase elected to solely address that item in this streamlined case. This incremental approach leaves Jackson Purchase the option of addressing other rate design issues in future, more frequent rate filings under the streamlined procedure.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF JACKSON PURCHASE ENERGY CORPORATION FOR A GENERAL ADJUSTMENT OF RATES PURSUANT TO STREAMLINED PROCEDURE PILOT PROGRAM ESTABLISHED IN CASE NO. 2018-00407) Case No. 2019-00053

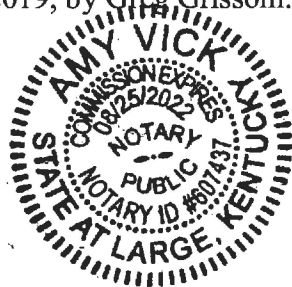
VERIFICATION OF GREG GRISSOM

COMMONWEALTH OF KENTUCKY) COUNTY OF McCracken)

Greg Grissom, President and Chief Executive Officer of Jackson Purchase Energy Corporation, being duly sworn, states that he personally prepared or supervised the preparation of certain of the responses provided by Jackson Purchase Energy Corporation to Commission Staff's First Request for Information propounded in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

[Signature] Greg Grissom

The foregoing Verification was signed, acknowledged and sworn to before me this 17th day of May, 2019, by Greg Grissom.



[Signature] Commission expiration: 8-25-2022

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

THE ELECTRONIC APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION FOR A GENERAL ADJUSTMENT) Case No.
OF RATES PURSUANT TO STREAMLINED PROCEDURE PILOT) 2019-00053
PROGRAM ESTABLISHED IN CASE NO. 2018-00407)

VERIFICATION OF JEFFREY R. WILLIAMS

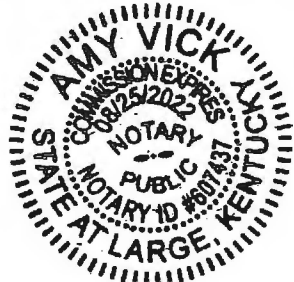
COMMONWEALTH OF KENTUCKY)
COUNTY OF Mc Cracken)


Jeffrey R. Williams, CFO-VP, Accounting, Finance and Member Services of Jackson Purchase Energy Corporation, being duly sworn, states that he personally prepared or supervised the preparation of certain of the responses provided by Jackson Purchase Energy Corporation to Commission Staff's First Request for Information propounded in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Jeffrey R. Williams

The foregoing Verification was signed, acknowledged and sworn to before me this 6th day of May, 2019, by Jeffrey R. Williams.





Commission expiration: 8-25-2022

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION FOR A GENERAL ADJUSTMENT) Case No.
OF RATES PURSUANT TO STREAMLINED PROCEDURE PILOT) 2019-00053
PROGRAM ESTABLISHED IN CASE NO. 2018-00407)

VERIFICATION OF JOHN WOLFRAM

COMMONWEALTH OF KENTUCKY)
)
COUNTY OF Jefferson)

John Wolfram, being duly sworn, states that he personally prepared or supervised the preparation of certain of the responses provided by Jackson Purchase Energy Corporation to Commission Staff's First Request for Information propounded in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

[Signature]
John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 3rd day of May, 2019, by John Wolfram.

Joseph Sinclair Newton
Commission expiration: July 27, 2022

JOSEPH SINCLAIR NEWTON
Notary Public
State at Large
Kentucky
My Commission Expires July 27, 2022

