

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

AN ELECTRONIC APPLICATION OF JACKSON)	
PURCHASE ENERGY CORPORATION FOR A)	
CERTIFICATE OF PUBLIC CONVENIENCE AND)	CASE NO.
NECESSITY TO CONSTRUCT A NEW)	2019-00326
HEADQUARTERS FACILITY)	

APPLICATION

Comes now Jackson Purchase Energy Corporation (“Jackson Purchase” or “Applicant”), by and through the undersigned counsel, pursuant to KRS 278.020(1), 807 KAR 5:001 Sections 14 and 15, and other applicable law, and for its Application requesting that the Kentucky Public Service Commission (“Commission”) enter an Order (i) granting Applicant a Certificate of Public Convenience and Necessity (“CPCN”) to construct a new headquarters facility; and, (ii) awarding Applicant the relief requested herein on an expedited basis, *to wit*, on or before January 15, 2020, Applicant respectfully pleads as follows:

I. INTRODUCTION

1. Jackson Purchase is a not-for-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279. Jackson Purchase is engaged in the business of distributing retail electric power to approximately 30,000 members in the Kentucky counties of Ballard, Carlisle, Graves, Livingston, Marshall and McCracken.

2. Pursuant to 807 KAR 5:001 Section 14(1), Jackson Purchase’s mailing address is 2900 Irvin Cobb Dr., P.O. Box 4030, Paducah, Kentucky, 42002, and its electronic mail address

Purchase to provide safe and reliable service which its members have come to expect, and this Commission requires, from such antiquated facilities.

9. Because these buildings are at or near the end of their useful lives it is neither cost-effective nor feasible to sufficiently renovate, expand, and retrofit the Existing Headquarters campus to adequately satisfy the current and future needs of Applicant and the consumers Applicant serves.

III. THE PROJECT

10. Because of the infeasibility of renovating the Existing Headquarters, Applicant proposes to construct a new headquarters facility (“Proposed Headquarters”) that will adequately satisfy the current and future needs of Applicant and the Applicant’s members.

11. Because it provides a significantly more cost-effective and logistically feasible option than the renovation of the Existing Headquarters, Applicant intends to relocate the Proposed Headquarters to 6525 U.S. Highway 60, Paducah, Kentucky 42001 (“Sports Plex Property”). The Sports Plex Property is presently owned by Paducah Regional Sports Plex, LLC (“Sports Plex, LLC”).

12. On or about May 24, 2019, Applicant and Sports Plex, LLC entered into a Letter of Intent (“LOI”) for the purchase of the real estate, fixtures and appurtenances associated with the Sports Plex Property. The total purchase price Applicant proposes to pay to Sports Plex, LLC for the Sports Plex Property is [REDACTED] cash. A commercial appraisal determined that the current fair market value of the Sports Plex Property is [REDACTED].

13. The Sports Plex Property is located in an area of Jackson Purchase’s service territory that is very convenient and conducive to the provision of quality service to its members. In its current state, the Sports Plex Property consists of approximately 40 acres of developed real estate

improved with a large commercial building (79,700 sq. ft.), constructed in 2008. The site includes approximately three acres of paved area which is available for parking and outside operations. If the CPCN is granted by the Commission, Jackson Purchase intends to modify/remodel the entire 79,700 sq. ft. building to accommodate its needs for administrative offices, warehouse, material storage, operations, maintenance, and covered parking area. Approximately 14,600 sq. ft. will be renovated for administration offices, 10,300 sq. ft for engineering and operations support, 24,000 sq. ft. for vehicle storage, 22,000 sq. ft. for warehouse and material storage and 8,000 sq. ft. for vehicle maintenance. An office entry addition of 800 sq. ft. will also be provided. Please refer to Exhibit 2 to this Application for a visual representation of these modifications.

14. Applicant has employed Cooperative Building Solutions (“CBS”) St. Louis, Missouri, to provide a comprehensive facilities planning study and to provide design, pre-construction and construction administration services for the Proposed Headquarters. CBS works with electric cooperatives throughout the country to document their goals regarding facilities and performs Facility Planning Studies that provide an objective tool allowing the clients to make prudent business decisions concerning facility conditions, functionality and needs that affect the quality of service to their members, life safety of their employees and overall operational efficiencies. Once a decision is made regarding facility improvements, CBS is then able to provide the turnkey services of planning, design and construction management required to complete the facility project. CBS estimates that the construction cost of the Proposed Headquarters, including architect’s fee, insurance and contingency, will be \$ [REDACTED]. When the [REDACTED] cost of acquiring the Sports Plex Property is taken into account, the total estimated net cost of the Proposed Headquarters is [REDACTED].

22. Pursuant to 807 KAR 5:001 Section 15(2)(e), Applicant states that it intends to finance the entire Proposed Headquarters project initially by a [REDACTED] short-term “bridge” loan, in the form of a variable-rate supplemental line-of-credit (“LOC”) from either National Rural Utilities Cooperative Finance Corporation (“CFC”) or CoBank. The LOC’s terms will require it to be payable within a period of not more than two (2) years. Currently, Jackson Purchase intends to include the Proposed Headquarters in its 2020 Construction Work Plan and borrow from RUS on a 35-year long-term note with level debt service. Because the project has an 18-24-month timeline, the LOC will be drawn down as needed to supply capital to complete the project. Upon completion, the long-term loan through RUS will then be utilized to pay off the LOC. Commission approval for the financing associated with construction of the Proposed Headquarters is not being requested by Applicant because of the exemptions contained in KRS 278.300(8) and (10).

23. Pursuant to 807 KAR 5:001 Section 15(2)(f), Applicant states the estimated annual cost of the operation of the Proposed Headquarters after it is placed into service will be \$1,311,251.

24. For all of the reasons stated above, construction of the Proposed Headquarters is necessary, is in the public interest, and will not result in wasteful duplication of facilities. The Commission is therefore respectfully requested to issue a CPCN to Applicant as set forth herein.

V. REQUEST FOR RELIEF ON AN EXPEDITED BASIS

28. By its terms, the LOI entered into by and between Applicant and Sports Plex, LLC requires that a Definitive Agreement be entered into by November 15, 2019, with one extension to February 15, 2020, upon request by Jackson Purchase, but no later than 10 days following Jackson Purchase obtaining all necessary regulatory approvals.

29. Applicant requests that the relief prayed for herein be awarded by the Commission on an expedited basis, *to wit*, on or before January 15, 2020 in order to meet the February 15, 2020

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**DIRECT TESTIMONY OF GREG GRISSOM,
PRESIDENT AND CHIEF EXECUTIVE OFFICER
ON BEHALF OF JACKSON PURCHASE ENERGY CORPORATION**

Filed: September 13, 2019

1 consistent with good business practices, established policies, regulatory oversight
2 and the direction provided by Jackson Purchase's eight-member Board of
3 Directors.

4 **Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS**
5 **PROCEEDING?**

6 A. The purpose of my testimony is to describe the condition of Jackson Purchase's
7 current headquarters facility (the "Existing Headquarters") and why it no longer
8 meets Jackson Purchase's needs; to describe the need and space requirements for
9 the new headquarters facility that Jackson Purchase proposes to construct (the
10 "Proposed Headquarters"); to describe the reasons why the construction of the
11 Proposed Headquarters on the Sports Plex Property (as that term is later defined
12 herein) is the most reasonable, least cost option for Jackson Purchase; and, finally,
13 to describe the advantages to Jackson Purchase's members of construction of the
14 Proposed Headquarters.

15 **Q. ARE YOU SPONSORING ANY EXHIBITS?**

16 A. No.

17 **Q. PLEASE GENERALLY DESCRIBE THE BUSINESS OPERATIONS OF**
18 **JACKSON PURCHASE.**

19 A. Jackson Purchase is a not-for-profit, member-owned rural electric cooperative
20 corporation with its headquarters in Paducah, Kentucky. The Cooperative provides
21 retail electric service to approximately 30,000 customers in all or a portion of
22 Ballard, Carlisle, Graves, Livingston, Marshall and McCracken Counties. The
23 Cooperative is one of three (3) member-owners of Big Rivers Electric Corporation

1 **Q. GENERALLY SPEAKING WHAT WERE THE RESULTS OF CBS's**
2 **PLANNING AND FEASIBILITY STUDY?**

3 A. The details of how the study was conducted is more particularly discussed in Mr.
4 Masa's testimony. However, CBS's "Facility Planning Study" determined that
5 there were three viable options available to Jackson Purchase to address its Existing
6 Headquarters obsolescence issues. First, Jackson Purchase could remodel the
7 Existing Headquarters facility to bring it up to current occupancy codes and space
8 needs; second, it could construct a completely new headquarters facility on a
9 hypothetical greenfield site somewhere in its service territory; or third, it could
10 construct and repurpose an existing multi-use facility conveniently located for
11 Jackson Purchase's purposes ("Sports Plex Option"). Following several months of
12 site visits, interviews with Jackson Purchase management and staff about space
13 needs, and consultation with third-party engineers, architects and commercial
14 construction experts, CBS developed estimated cost information for each option
15 which was further refined and discussed with Jackson Purchase's Board of
16 Directors via several virtual and in-person presentations.

17 **Q. WHAT DID CBS DETERMINE AND RECOMMEND TO THE JACKSON**
18 **PURCHASE BOARD OF DIRECTORS AS THE MOST COST-EFFICIENT**
19 **AND PREFERABLE OPTION?**

20 A. CBS's cost analysis of the three options available to Jackson Purchase are
21 summarized in the table below:

22

23

OPTION	ESTIMATE COST (AVERAGE OF HIGH AND LOW)
Refurbish Existing Headquarters	\$22,303,500
New Construction on Greenfield Site (Includes Property Acquisition)	\$21,685,000
Repurpose Sports Plex Building (Includes Property Acquisition)	[REDACTED]

1

2 Following extensive discussion at a special Board of Directors meeting held on
3 August 27, 2019, Jackson Purchase’s Board voted to proceed with the Sports Plex
4 Option both because it was the lowest cost option and provided for a more favorable
5 construction timeline since the main building to be used for the Proposed
6 Headquarters is already constructed, basic grade and drain has already been
7 performed and a large concrete parking lot is in place and ready for use.

8 **Q. PLEASE GENERALLY DESCRIBE THE SPORTS PLEX PROPERTY.**

9 A. In its current state, the Sports Plex Property consists of approximately 40 acres of
10 developed real estate and 79,700 sq. ft. of useable space.

11 **Q. DOES JACKSON PURCHASE CURRENTLY OWN THE SPORTS PLEX
12 PROPERTY?**

13 A. No. The Sports Plex Property is presently owned by Paducah Regional Sports Plex,
14 LLC (“Sports Plex LLC”)

15 **Q. DOES JACKSON PURCHASE INTEND TO ACQUIRE THE SPORTS
16 PLEX PROPERTY?**

17 A. Yes. On May 24, 2019, Jackson Purchase and Sports Plex, LLC entered into a
18 Letter of Intent for Purchase of Real Estate with respect to the Sports Plex Property
19 (the “LOI”). The total purchase price Applicant proposes to pay to Sports Plex,

1 LLC for the Sports Plex Property is [REDACTED] less than a recent
2 commercial appraisal of the property. Among other things, the LOI provides that
3 purchase of the property is conditional upon approval of the CPCN by the
4 Commission.

5 **Q. WHY DID JACKSON PURCHASE CHOOSE THE SPORTS PLEX**
6 **PROPERTY AS THE LOCATION FOR ITS PROPOSED**
7 **HEADQUARTERS?**

8 A. As stated previously, the Sports Plex option was the least-cost and most reasonable
9 option available. Moreover, the existing building on the Sports Plex Property
10 adapts very nicely to all of Jackson Purchase's warehousing, transportation,
11 maintenance, storage, and fleet parking needs. Additionally, due to its location and
12 footprint, the Sports Plex Property includes room for future expansion which is
13 important to Jackson Purchase since it does not have district offices elsewhere in
14 its service territory to absorb future customer growth. For these reasons and others
15 discussed herein, the Sports Plex Property is an excellent location for Jackson
16 Purchase's Proposed Headquarters.

17 **Q. DOES JACKSON PURCHASE INTEND TO MODIFY AND/OR REMODEL**
18 **THE SPORTS PLEX PROPERTY?**

19 A. Yes. Jackson Purchase intends to modify/remodel approximately 79,700 sq. ft. of
20 the existing large building to enable its use as warehouse, storage, operations,
21 maintenance, and covered parking area. Further discussion of the size and design
22 of the Proposed Headquarters is contained in Mr. Masa's testimony, attached as
23 Exhibit 5 to Jackson Purchase's Application.

1 A. No, the structure of the financing package needed for construction of the Proposed
2 Headquarters does not require Commission approval under KRS 278.300(8) and
3 (10).

4 **Q. PLEASE DESCRIBE ANY ADDITIONAL RELIEF SOUGHT BY**
5 **JACKSON PURCHASE IN THIS PROCEEDING.**

6 A. Besides the CPCN to construct the Proposed Headquarters Jackson Purchase
7 requests that the Commission consider and adjudge this case on an expedited basis,
8 *to wit*, on or before January 15, 2020. Jackson Purchase requests this relief because
9 the Letter of Intent to purchase the Sports Plex Property expires on February 15,
10 2020. While it is possible that the owners of the property could agree to extend the
11 purchasing deadline beyond February 15, 2020 that is certainly not guaranteed, and
12 Jackson Purchase believes the opportunity presented to it and its members from this
13 project should not be lost because of a technical contractual deadline. Jackson
14 Purchase is certainly aware of the Commission's current resource challenges and
15 makes this request with all humility and respect to the Commission, its processes
16 and caseload.

17 **Q. UPON WHAT FACTS DOES JACKSON PURCHASE RELY TO SHOW**
18 **THAT THE PROPOSED HEADQUARTERS IS REQUIRED FOR THE**
19 **PUBLIC'S CONVENIENCE AND NECESSITY?**

20 A. As stated in the Application to which this testimony is attached and as supported
21 by the other testimony submitted, (1) due to its size, inefficiencies, design, and
22 location, the Existing Headquarters cannot adequately satisfy the current and future
23 needs of Jackson Purchase and its owner-members; (2) it is neither cost-effective

1 new headquarters facility. Jackson Purchase, in conjunction with its chosen
2 facilities consultant, has determined that the Proposed Headquarters represents the
3 most reasonable, least cost solution for addressing its needs. If approved by the
4 Commission, the Proposed Headquarters will be constructed at the Sports Plex
5 Property site, which is well-suited for the project with an estimated all-in cost of
6 [REDACTED]. Furthermore, the Sports Plex Property will provide ease of access to
7 Jackson Purchase's members in light of its location near schools, shopping and
8 residential areas. This is a unique opportunity for Jackson Purchase to positively
9 impact its community while creating more efficient operations, enhancing services
10 to members, and allowing Jackson Purchase to utilize the energy-efficient
11 technologies that it promotes to its members, all at a very attractive cost considering
12 the sizeable project scope and demonstrable benefits to the cooperative and its
13 members.

14 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

15 **A. Yes.**

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DIRECT TESTIMONY OF
TIM E. MASA
PRESIDENT, COOPERATIVE BUILDING SOLUTIONS
ON BEHALF OF JACKSON PURCHASE ENERGY CORPORATION

Filed: September 13, 2019

1 A. The Facility Planning Study for Jackson Purchase was conducted in order to
2 provide information for Jackson Purchase to make prudent business decisions
3 concerning current and future facility needs. Jackson Purchase's existing facilities
4 have been maintained well, as described in detail in the testimony of Ronald S.
5 Bacon who performed a structural assessment of the existing facilities,¹ but are in
6 poor condition due to structural settling and age. The Facility Planning Study
7 evaluated the buildings using three industry standard components to assess and
8 identify current and future facility needs for Jackson Purchase. As discussed
9 previously three options were identified and analyzed and the following conclusion
10 was collectively reached by Jackson Purchase's Board, management and
11 consultants. Renovation of the Existing Headquarters is not feasible. The current
12 buildings and site space restrictions prohibit the efficient use of the existing
13 facilities without major building and site modifications at an extremely high cost.
14 Construction of a new headquarters on a greenfield site would have also been an
15 expensive option. The availability of suitable land in the area is also very limited
16 or nonexistent. Therefore, it was collectively decided that the purchase and
17 repurposing of the Sports Plex property ("Sports Plex Property") would be Jackson
18 Purchase's best option. This decision was supported by CBS' cost analysis of the
19 three options as discussed in Mr. Greg Grissom's testimony.²

20 **Q. NOW THAT JACKSON PURCHASE HAS CHOSEN TO PROCEED WITH**
21 **THE PROPOSED HEADQUARTERS OPTION DESCRIBE THE NATURE**

¹ See Exhibit 6 to the Application.

² See Exhibit 3 to the Application.

1 **OF THE SERVICES CBS WILL PROVIDE TO JACKSON PURCHASE**
2 **GOING FORWARD.**

3 A. CBS provided a proposal dated June 17, 2019 to provide services for the schematic
4 design phase and preconstruction for the Proposed Headquarters project. CBS will
5 continue to provide design and preconstruction services for design development
6 phase, construction documents phase, bidding phase, and construction phase.
7 These services include programming, architecture, interior design, civil
8 engineering, landscape design, structural design, mechanical design, and electrical
9 design. Services will be provided through the design, bidding and construction
10 contract administration phases where the individual subcontracted work will be
11 competitively bid on the project.

12 **Q. IS THE SPORTS PLEX PROPERTY A DESIRABLE LOCATION FOR THE**
13 **PROPOSED HEADQUARTERS?**

14 A. Yes. The Sports Plex Property is located in an area of Jackson Purchase’s service
15 territory that is very convenient and conducive to the provision of quality service
16 to its members.

17 **Q. PLEASE GENERALLY DESCRIBE THE SPORTS PLEX PROPERTY.**

18 A. In its current state, the Sports Plex Property consists of approximately 40 acres of
19 developed real estate improved with a large commercial building (79,700 sq. ft.),
20 constructed in 2008. The site includes approximately three acres of paved area
21 which is available for parking and outside operations.

22 **Q. DOES JACKSON PURCHASE INTEND TO MODIFY AND/OR REMODEL**
23 **THE SPORTS PLEX PROPERTY?**

1 A. Yes. Jackson Purchase intends to modify/remodel the entire 79,700 sq. ft. building
2 to accommodate its needs for administrative offices, warehouse, material storage,
3 operations, maintenance, and covered parking area. Approximately 14,600 sq. ft.
4 will be renovated for administration offices, 10,300 sq. ft for engineering and
5 operations support, 24,000 sq. ft. for vehicle storage, 22,000 sq. ft. for warehouse
6 and material storage and 8,000 sq. ft. for vehicle maintenance. An office entry
7 addition of 800 sq. ft. will also be provided. Please refer to Exhibit 2 to the
8 Application for a visual representation of these modifications.

9 **Q. PLEASE DESCRIBE IN DETAIL THE UNCOVERED PARKING AREA**
10 **THAT JACKSON PURCHASE WILL UTILIZE AS PART OF THE**
11 **PROJECT.**

12 A. The uncovered parking area is already constructed as part of the previous facility.
13 Extensive areas of the site are already paved. A total of 76 parking spaces will be
14 marked at the front and the sides of the office building. The final site design will
15 look to utilize as much of the existing site paving as possible.

16 **Q. IS THE TOTAL SQUARE FOOTAGE AREA OF THE ADMINISTRATIVE**
17 **OFFICES, WAREHOUSE, STORAGE, OPERATIONS, MAINTENANCE,**
18 **AND COVERED PARKING AREA SLIGHTLY GREATER THAN**
19 **JACKSON PURCHASE'S NEEDS?**

20 A. The total square footage of the existing Sports Plex facilities will be able to
21 accommodate the current office and operations of Jackson Purchase. It will also
22 accommodate some of the future needs of Jackson Purchase's employees,
23 equipment and materials. The warehouse space will provide 1,144 sq. ft. more

1 space than the Needs Assessment spreadsheet identified in the Facility Planning
2 Study. This extra space will be used for additional warehouse shelving, material
3 storage and forklift maneuvering. Because of its size the Sports Plex Property
4 allows for future expansion of the existing building should the needs of Jackson
5 Purchase change in the future.

6 **Q. PLEASE DESCRIBE THE PROCESS EMPLOYED TO DETERMINE THE**
7 **DESIGN AND LAYOUT FOR THE PROPOSED HEADQUARTERS.**

8 A. CBS held several design coordination meetings with Jackson Purchase to
9 understand the square footage needs of the different spaces for the Company. CBS
10 evaluated the Company's organizational chart to make sure all employees were
11 accounted for in the design. CBS also reviewed Jackson Purchase's vehicle
12 equipment list to determine what vehicles needed to be parked inside of the
13 building. Finally, CBS quantified the amount of material storage required to be
14 included inside of the building.

15 **Q. PLEASE DESCRIBE IN DETAIL THE MANNER IN WHICH THE**
16 **PROPOSED HEADQUARTERS WILL BE CONSTRUCTED.**

17 A. The Proposed Headquarters building will be renovated to accommodate the floor
18 plan design. A new office entry will be built with a partial masonry façade at the
19 south elevation in order to provide an appropriate appearance for Jackson
20 Purchase's members who will visit the facility. The remaining building elevations
21 will have the existing metal panels repaired as required and painted. New windows
22 will be installed. The existing high roof will remain and the low roof will be
23 replaced. A security fence will be installed to protect materials in the yard area and

1 quantity take off of the project scope of work and then applied our pricing from
2 either our cost history database or from subcontractor budget proposals.

3 **Q. PLEASE SUMMARIZE YOUR TESTIMONY.**

4 A. CBS has been engaged by Jackson Purchase to serve as the Facility Consultant and
5 Design/Builder (planning, design and construction) for the Proposed Headquarters.
6 Upon analysis of Jackson Purchase's existing headquarters facility, discussion with
7 Jackson Purchase, and review of similar projects, CBS has prepared a preliminary
8 design of the Proposed Headquarters and preliminarily estimates its total
9 construction cost at \$[REDACTED] and with property acquisition \$[REDACTED]. The
10 Proposed Headquarters is to be sited upon the Sports Plex Property, which property
11 is well-suited for the project. Jackson Purchase is the beneficiary of a large amount
12 of additional warehouse/operations space by virtue of it already being in place as
13 part of the facility. Jackson Purchase also benefits from a greatly-reduced scope
14 for site work and paving as that part of the project is also in place. CBS estimates
15 that upon completion of the project, Jackson Purchase will have a very functional,
16 convenient and attractive headquarters facility for only roughly \$175/SF. This cost
17 is much less than the current average cost per sq. ft. for new construction of similar
18 facilities by other organizations. It is CBS's opinion that, by any measure, a cost-
19 benefit analysis of this project strongly favors the construction of the Proposed
20 Headquarters as requested by Jackson Purchase.

21 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

22 A. Yes.

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DIRECT TESTIMONY OF JEFFREY R. WILLIAMS,
CHIEF FINANCIAL OFFICER AND VICE PRESIDENT OF FINANCE,
ACCOUNTING & MEMBER SERVICES, ON BEHALF OF
JACKSON PURCHASE ENERGY CORPORATION

Filed: September 13, 2019

1 **Q. WHERE DOES JACKSON PURCHASE INTEND TO CONSTRUCT THE**
2 **PROPOSED HEADQUARTERS?**

3 A. Jackson Purchase intends to purchase and construct the Proposed Headquarters on
4 approximately 40 acres of real estate located at 6525 US Highway 60 in Paducah,
5 McCracken County, Kentucky (the “Sports Plex Property”). The details surrounding
6 the decision to construct the Proposed Headquarters is contained in the testimonies
7 of Greg Grissom, Tim Masa and Ronald Bacon and not addressed in my testimony.

8 **Q. WHAT IS THE ESTIMATED TOTAL COST OF THE PROPOSED**
9 **HEADQUARTERS?**

10 A. The total estimated net cost to purchase the Sports Plex Property and construct the
11 Proposed Headquarters is [REDACTED] the two main components of this amount
12 are design and construction costs of [REDACTED], and property acquisition costs of
13 [REDACTED].

14 **Q. DOES JACKSON PURCHASE INTEND TO FINANCE THE COSTS**
15 **ASSOCIATED WITH THE PROPOSED HEADQUARTERS?**

16 A. Yes. Jackson Purchase intends to finance the full cost for construction of the
17 Proposed Headquarters, including the cost of acquiring the Sports Plex Property.

18 **Q. PLEASE DESCRIBE HOW JACKSON PURCHASE INTENDS TO**
19 **FINANCE THE COSTS ASSOCIATED WITH THE PROPOSED**
20 **HEADQUARTERS.**

21 A. Jackson Purchase has engaged in detailed conversations with CFC and CoBank to
22 provide [REDACTED] of short-term “bridge” financing, in the form of a
23 supplemental variable-rate line-of-credit (LOC). Currently, Jackson Purchase

1 A. As described in the testimony of Mr. Grissom and Mr. Bacon, the Existing
2 Headquarters is in disrepair both structurally and cosmetically, is woefully
3 inadequate from a space perspective for office and field staff, rolling fleet and
4 materials storage, is unable to accept installation of new desperately needed
5 technology and is not a candidate for remodel or expansion due to unreasonably
6 high cost.

7 The Sports Plex Property is well-suited to be transformed into Jackson Purchase's
8 new headquarters because of the infrastructure and site-improvements already in
9 place and will result in decreased capital expenditures for construction such that it
10 is the clear choice to meet the company's future facilities' needs.

11 It is estimated that the all-in cost of the Proposed Headquarters Project is
12 [REDACTED]. Jackson Purchase intends to finance the project's cost by utilizing a
13 short-term variable-rate line of credit with CFC or Co-Bank to draw against as
14 construction costs arise which would later be paid off after project completion by a
15 long-term fixed-rate loan with RUS.

16 Jackson Purchase's 10-year Financial Forecast demonstrates a need for very modest
17 rate increases totaling approximately 4% over that period in both the (1) Base Case
18 As-is scenario or the (2) HQ build scenario. While annual margins will be less in
19 the HQ build scenario, they will be sufficient to meet loan covenant requirements
20 with RUS. Additionally, JPEC can borrow at very low rates to lock in interest for
21 the next 35 years for our members.