

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:**

<b>THE ELECTRONIC APPLICATION OF JACKSON</b>	)	
<b>PURCHASE ENERGY CORPORATION FOR A</b>	)	<b>CASE NO.</b>
<b>GENERAL ADJUSTMENT OF RATES AND</b>	)	<b>2024-00085</b>
<b>OTHER GENERAL RELIEF</b>	)	

---

**POST HEARING BRIEF**

---

Comes now, Jackson Purchase Energy Corporation (“Jackson Purchase” or the “Company”), by counsel, pursuant to the Kentucky Public Service Commission’s (“Commission”) December 18, 2024 Order in this proceeding setting forth the post-hearing procedural schedule and the deadline for submitting a post-hearing brief in support of its position in this matter, and respectfully states as follows:

**INTRODUCTION**

This case presents the request for a rate adjustment by Jackson Purchase that is necessitated by substantial increases in general operating expenses coupled with stagnant energy sales. Thanks in part to aggressive cost control measures coupled with diligent management and board oversight Jackson Purchase has been able to maintain its financial position. However, the combination of increased expenses and loss of sales has resulted in a degradation of Jackson Purchase’s financial condition. In order to prevent an untenable financial situation, the Cooperative’s Board of Directors, in conjunction with management, determined that a general adjustment of retail rates was necessary to account for increased costs of conducting day-to-day activity. Jackson Purchase

seeks approval to increase its annual revenues by \$ \$4,578,388 .<sup>1</sup> This will allow Jackson Purchase to achieve a Times Interest Earned Ratio (“TIER”) of 2.00. Jackson Purchase bases its proposed rates on a twelve-month historic test period ending August 31, 2023. Included in the request is an increase of the monthly customer charge from \$20.35 to \$30.35. These rates are based on the results of a comprehensive cost of service study (“COSS”). The rates are appropriately adjusted for known and measurable changes consistent with Commission regulations and precedent.

Through extensive discovery and a formal hearing, each of Jackson Purchase’s assertions and claims have been explored stringently by Commission Staff (“Staff”) and the Kentucky Attorney General’s Office of Rate Intervention (“Attorney General”). As is normal in any contested rate case, there are differing positions on the revenue requirement, customer charge, and pro forma adjustments. However, in the end Jackson Purchase has supported its position with a COSS and the methodologies employed for calculation of its requested pro forma adjustments are accurate and reliable and should provide the basis for a Commission decision granting the requests in this case.

### **PROCEDURAL HISTORY**

Jackson Purchase filed its Notice of Intent to file this rate proceeding on April 1, 2024.<sup>2</sup> Jackson Purchase filed its Application on May 1, 2024.<sup>3</sup> The Attorney General’s Office of Rate Intervention (“Attorney General”) was granted intervention on May 21, 2024.<sup>4</sup> The Commission

---

<sup>1</sup> Jackson Purchase’s Response to the Attorney General’s Post-Hearing Response, Item 3(a) (filed January 6, 2025). The revised amount after an acknowledged error in the original calculation and taking into consideration the 2024 negotiated labor contract and loss of large industrial customer.

<sup>2</sup> Notice of Intent (filed April 1, 2024).

<sup>3</sup> Application (filed May 1, 2024).

<sup>4</sup> May 21, 2024 Order (Ky. PSC. May 21, 2024).

entered an Order on May 14, 2024, suspending the rates proposed by Jackson Purchase until November 1, 2024.<sup>5</sup> Jackson Purchase responded to four rounds of discovery from Commission Staff<sup>6</sup> and three rounds of discovery from the Attorney General.<sup>7</sup> The Attorney General filed its Direct Testimony and responded to discovery requests.<sup>8</sup> Subsequently, Jackson Purchase filed its rebuttal testimony.<sup>9</sup> A hearing was held on December 16, 2024.<sup>10</sup> A post-hearing procedural schedule was entered on December 18, 2024,<sup>11</sup> and Jackson Purchase responded to post-hearing requests for information from Commission Staff and the Attorney General.

## **ARGUMENT**

### **Jackson Purchase’s Pro Forma Adjustments Are Reasonable and Should be Accepted By The Commission**

#### ***Jackson Purchase’s Right-Of-Way (Vegetation Management ) Pro Forma Adjustment Is Reasonable And Should Be Accepted By The Commission***

As the Commission is aware, Jackson Purchase has been grappling with right-of-way (“ROW”) management since 2020.<sup>12</sup> Jackson Purchase has been facing increased costs for

---

<sup>5</sup> May 14, 2024 Order (Ky. PSC. May 14, 2024).

<sup>6</sup> Jackson Purchase’s Response to Staff’s First Request for Information (filed May 14, 2024); Responses to Staff’s Second Request for Information (filed June 12, 2024); Responses to Staff’s Third Request for Information (filed July 10, 2024); and Jackson Purchase’s Responses to Staff’s Post-Hearing Request for Information (filed January 6, 2025).

<sup>7</sup> Jackson Purchase’s Response to the Attorney General’s First Request (filed June 12, 2024); Responses to the Attorney General’s Second Request (filed July 10, 2024); and Jackson Purchase’s Response to the Attorney General’s Post-Hearing Request (filed January 6, 2025).

<sup>8</sup> Direct Testimony of Greg R. Meyer (filed July 17, 2024) and OAG Response to Jackson Purchase Energy Corporation’s First Request for Information (filed August 13, 2024).

<sup>9</sup> Grissom Rebuttal Testimony (filed August 21, 2024); Kendall Rebuttal Testimony (filed August 21, 2024); and, Wolfram Rebuttal Testimony (filed August 21, 2024).

<sup>10</sup> Hearing Video Transcript (HVT) of the December 16, 2024 Hearing.

<sup>11</sup> December 18, 2024 Order (Ky. PSC. December 18, 2024).

<sup>12</sup> See Case No. 2021-00358, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief* for the ongoing history of Jackson Purchase’s vegetation management.

vegetation management for multiple years. The rising costs of vegetative management has been seen amongst all electric utilities that come before the Commission. Based upon the issues with vegetative management, Jackson Purchase requested \$4.7 million for ROW management, including an additional increase of \$758,989 in its Application. Jackson Purchase maintains approximately 1,800 miles of ROW and attempts to clear these circuits in a five-year cycle and should clear 358 miles of circuit line per year.

As noted in the discovery in this case, Jackson Purchase has fallen behind on the five-year cycle.<sup>13</sup> In 2020, Jackson Purchase budgeted for 203 miles and cleared 203 miles. In 2021, Jackson Purchase budgeted for 80 miles and cleared 80 miles. In 2022, Jackson Purchase budgeted 309 miles and cleared 242 miles. In 2023, Jackson Purchase budgeted 175 miles and cleared 170. In 2024, Jackson Purchase budgeted for 190 miles and through October 31, 2024, had cleared 186 miles.<sup>14</sup> While not clearing the anticipated mileage per year, Jackson Purchase has been able to maintain safety and reliability of its system by trimming the most needed areas and applying additional herbicide to keep weeds from growing.<sup>15</sup>

Jackson Purchase explained that vegetation management is an expense that is controllable by Jackson Purchase and when money was needed for other portions of the cooperative business, money was pulled from the vegetation management program.<sup>16</sup> As revenue decreases because sales are declining, vegetative management is the only area where Jackson Purchase has the ability to reduce its spending to manage other areas. Jackson Purchase needs the additional \$758,989 to

---

<sup>13</sup> Jackson Purchase's Response to the Attorney General's Second Request for Information, Item 53 and HVT at 9:27:04.

<sup>14</sup> Jackson Purchase's December Monthly Rate Case Filing, ROW Expenses.

<sup>15</sup> HVT at 10:07:21.

<sup>16</sup> HVT at 9:28:26.

ensure the appropriate circuit miles can be cut per year. Not allowing the requested increase in this area will cause Jackson Purchase to fall further and further behind. Additionally, the importance of moving to cost-based rates by moving the customer charge to the requested \$30.35 will all Jackson Purchase to not be as dependent on energy sales to generate the income needed to complete the 358 yearly cycle.<sup>17</sup>

Jackson Purchase has taken the Commission's directive in Case No. 2021-00358, to address vegetative management seriously.<sup>18</sup> Jackson Purchase has discussed regional bids with Big Rivers Electric Corporation ("Big Rivers") and the two other Big Rivers member distribution cooperatives.<sup>19</sup> The outcome was that the contractors simply do not have the resources to take on large scale projects.<sup>20</sup> The economies of scale do not provide any savings because the cost of materials and labor for the ROW contractors do not decrease no matter how many miles are to be cleared.

The Attorney General's recommendation was to base Jackson Purchase's ROW clearing on an average of 266 miles per year and assume costs of \$13,374/mile. This would reduce Jackson Purchase's proposed ROW expense by \$1,113,716.<sup>21</sup> The Attorney General also proposed a one-way ROW expense tracker.<sup>22</sup> The Attorney General proposed that any unspent money from ROW

---

<sup>17</sup> HVT at 10:25:01.

<sup>18</sup> Case No. 2021-00358, April 8, 2022 Order.

<sup>19</sup> Jackson Purchase's Response to the Attorney General's First Request for Information, Item 26; Jackson Purchase's Response to the Attorney General's Second Request for Information, Item 13; and HVT 9:31:04 – 9:39:00.

<sup>20</sup> Jackson Purchase's Response to the Attorney General's Second Request for Information, Item 13 and HVT 9:31:04-9:39:00.

<sup>21</sup> Direct Testimony of Gregory Meyer at 9-10.

<sup>22</sup> Direct Testimony of Gregory Meyer at 10.

should be recorded as a regulatory liability, with any lesser annual amount spent below the Commission authorized amount to be used for future ROW expenses or returned to the members.<sup>23</sup>

The Commission should not accept either of the Attorney General's positions. First, the way to ensure Jackson Purchase is able to complete the five-year cycle is to allow Jackson Purchase the requested amount for ROW maintenance. Not allowing Jackson Purchase the additional revenue for ROW maintenance will ensure that it will not meet its goal of a five-year cycle. The costs for vegetative management continue to rise, through no fault of Jackson Purchase. The lack of additional money will actually cause Jackson Purchase to fall further and further behind. This will ultimately harm the members because safety and reliability could be compromised.

Second, no other electric cooperative in Kentucky is subject to a one-way ROW tracker, a fact the Attorney General recognizes.<sup>24</sup> There is no evidence in the record to assume that Jackson Purchase is making imprudent decisions regarding ROW management. Jackson Purchase is responding to the local and national pressures regarding ROW for electric utilities. Jackson Purchase is managing its ROW maintenance in an adequate, efficient and reasonable manner. The proposed ROW expense tracker mechanism constitutes single-issue ratemaking and should not be approved. The Commission should accept Jackson Purchase's requested pro forma increase of \$758,989 for a total of \$4.7million in ROW expenses.

***Jackson Purchase's Wages and Benefits Pro Forma Adjustments Are Reasonable and Should Be Accepted By The Commission***

Jackson Purchase based its revenue requirement on 70 full time employees even though it only currently had 68 employees.<sup>25</sup> This results in a pro forma payroll adjustment for regular

---

<sup>23</sup> Direct Testimony of Gregory Meyer at 10-11.

<sup>24</sup> Attorney General's Response to Jackson Purchase's Request for Information, Item 3.

<sup>25</sup> Application, Exhibit 10, Exhibit JW-2, Reference Schedule 1.11. Please note, at the time the Application was filed Jackson Purchase had 66 employees.

salary of \$5.9 million which is an increase of \$600,000.<sup>26</sup> Jackson Purchase provided testimony that it ranks 65<sup>th</sup> out of 67 cooperatives of its size for employment levels.<sup>27</sup> Jackson Purchase maintained throughout the proceeding it needs 70 employees to continue to provide safe and reliable service to its members.<sup>28</sup> The Attorney General never provided evidence that Jackson Purchase does not need 70 employees, it merely stated that Jackson Purchase admitted staffing was low.<sup>29</sup> The Commission should not accept this argument from the Attorney General. Just because Jackson Purchase has kept staffing low as a way to minimize costs, does not mean this is what should be done going forward. Jackson Purchase has been able to sustain and provide safe and reliable service to its members with a lean workforce, but Jackson Purchase does not believe that is sustainable long-term. Jackson Purchase wishes to have a healthy cooperative.<sup>30</sup> One of the best ways to ensure the health of the cooperative is to allow and account for the number of employees Jackson Purchase believes is necessary to serve the needs of the cooperative.

Similar to wages is overtime. Jackson Purchase's pro forma adjustment for overtime was \$1,504,559.<sup>31</sup> Jackson Purchase provided in written testimony and at the hearing that the low level of employees results in a large amount of overtime.<sup>32</sup> Instead of agreeing with the amount of overtime the Attorney General also claims Jackson Purchase is overstating the pro forma

---

<sup>26</sup> Application, Exhibit 10, Exhibit JW-2, Reference Schedule 1.11.

<sup>27</sup> Application, Exhibit 8 at 5 and HVT at 10:18:26.

<sup>28</sup> Jackson Purchase's Response to the Attorney General's Second Request, Item 20 and HVT at 10:18:26

<sup>29</sup> Direct Testimony of Gregory Meyer at 14.

<sup>30</sup> HVT at 10:16:01.

<sup>31</sup> Application, Exhibit 10, Direct Testimony of John Wolfram, Exhibit JW-2, Reference Schedule 1.11.

<sup>32</sup> HVT 11:24:01.

adjustment for overtime wages and asserts the adjustment should be reduced by \$268,038.<sup>33</sup> The Attorney General cannot have this both ways, it either must accept the overtime or increase the headcount. Additionally, even if the Commission grants Jackson Purchase the increased headcount, the pro forma adjustment for overtime wages still should be approved. Overtime wages are necessary. Outages do not always occur during normal working hours and must be addressed as quickly as possible. Jackson Purchase has to be able to pay its employees overtime wages when necessary to provide safe and reliable service to its members. The Commission should accept Jackson Purchase's pro forma adjustment because it is reasonable and takes into account known and measurable changes.

Finally, Jackson Purchase's health insurance benefits are reasonable and should be accepted by the Commission. Jackson Purchase pays 82.5% of the health insurance premiums for union employees and 92% of the cost for non-union employees.<sup>34</sup> This health insurance policy is specifically negotiated in the contract with the union employees. Jackson Purchase has also provided information that the health insurance policy it provides to its employees are of such a quality that it can maintain a highly skilled staff.<sup>35</sup> Jackson Purchase provided evidence that it competes for a staff with a very particular skill set. The ability to provide the best insurance benefits while also ensuring its members it is not overpaying is very important. As evidenced by the comparison provided by Jackson Purchase, the current health insurance does that without

---

<sup>33</sup> Direct Testimony of Gregory Meyer at 16-18.

<sup>34</sup> Application, Exhibit 9, Direct Testimony of Meredith Kendall at 9.

<sup>35</sup> Jackson Purchase's Response to the Attorney General's First Request for Information, Item 33c, Part 2; Jackson Purchase's Responses to Commission Staff's Post-Hearing Request for Information, Item 5; and HVT at 11:14:42.



overpaying for health insurance.<sup>36</sup> The Commission should accept these costs are reasonable and allow Jackson Purchase to recover the cost of providing health insurance benefits to its employees.

**Jackson Purchase's Rate Design is Reasonable And It Is Supported**  
**By The Cost Of Service Study**

Jackson Purchase engaged the services of Catalyst Consulting LLC (“Catalyst”) to perform a comprehensive cost of service study (“COSS”) to assist Jackson Purchase in designing its proposed rates. Mr. John Wolfram, Principal of Catalyst, conducted the COSS which showed that residential and small commercial class warranted increases.<sup>37</sup> The original COSS supported a residential customer charge of up to \$53.45<sup>38</sup> and the latest revision supports \$51.71.<sup>39</sup> Jackson Purchase chose to gradually move towards the cost-based rates and not seek the entire \$53.45 customer charge that was supported. Instead, Jackson Purchase proposed to increase the current customer charge of \$20.35 to \$30.35.<sup>40</sup>

In addition, Jackson Purchase chose to distribute the required rate increase with more of the increase accounted for in the customer charge, as opposed to the energy charge, because it was consistent with the COSS and would create the least negative impact to its members in the most vulnerable economic situations. Applying more of the rate increase to the customer charge, which is fixed, means that it is the least volatile option and based upon Jackson Purchase’s experience, members who can least afford an increase use more energy likely due to poorly insulated homes

---

<sup>36</sup> Jackson Purchase’s Response to the Attorney General’s First Request for information, Item 33c, Part 2; and Jackson Purchase’s Response to Commission Staff’s Post-Hearing Request for Information, Item 5.

<sup>37</sup> Application, Exhibit 10, Direct Testimony of John Wolfram, at 20.

<sup>38</sup> Application, Exhibit 10, Direct Testimony of John Wolfram, at 20.

<sup>39</sup> Jackson Purchase’s Response to the Attorney General’s Post-Hearing Request for Information, Item 3(a).

<sup>40</sup> Application, Paragraph 5.

which use more energy. As stated above, the COSS supported much more of an increase and Jackson Purchase chose to reduce the requested customer charge increase in order to make the rate increase more gradual, despite the fact that any increase will be met with some level of objection, and Jackson Purchase is cognizant of the increasing economic demands on its members.

The Attorney General has questioned the increase in the customer charge throughout the proceedings.<sup>41</sup> However, the Attorney General did not provide any evidence in written testimony, responses to requests for information, or hearing testimony that the COSS was incorrect or should not be relied upon by the Commission for rate design. Additionally, the Attorney General seemed to place great weight on the fact that Jackson Purchase would be the only cooperative with a customer charge around \$30. However, the Commission has multiple pending rate cases where a cooperative is requesting a customer charge near what Jackson Purchase is requesting.<sup>42</sup> This is because most cooperatives are attempting to move toward cost-based rates.

**Jackson Purchase's Use of 2.0 TIER Calculation is Reasonable and Should Be Accepted by the Commission**

For decades virtually every electric distribution cooperative appearing before the Commission seeking rate relief has based its underlying request on the ability to earn revenues sufficient to achieve a 2.00 TIER. Jackson Purchase is no different. However, the Attorney General has inexplicably requested that the Commission abandon decades of precedent and only authorize a 1.85 TIER.<sup>43</sup> A 1.85 TIER is unreasonable because it does not account for financial

---

<sup>41</sup> Jackson Purchase's Responses to the Attorney General's First Request for Information, Item 1 and Item 13; and Jackson Purchase's Responses to the Attorney General's Second Request for Information, Item 10 and Item 11.

<sup>42</sup> Case No. 2024-00351, *Electronic Application of Shelby Energy Cooperative, Inc. for a General Adjustment of Rates* (filed December 5, 2024); Case No. 2024-00287, *Electronic Application of Big Sandy Rural Electric Cooperative Corporation for a General Adjustment of Rates* (filed October 1, 2024); Case No. 2024-00211, *Electronic Application of Licking Valley Rural Electric Cooperative Corporation for a General Adjustment of Rates and Other General Relief* (filed August 8, 2024).

<sup>43</sup> Direct Testimony of Gregory Meyer at 26-27 and HVT at 3:11:06.

contingencies or other financial metrics. If the Commission were to authorize a TIER lower than 2.00, Jackson Purchase would have less cash working capital which could impair Jackson Purchase's ability to have sufficient cash flow to respond to unforeseen expenses. As the Commission is aware, even though Jackson Purchase's rates are currently set to achieve a 2.0 TIER Jackson Purchase does not achieve a 2.0 TIER. In fact, Jackson Purchase has not achieved a 2.0 TIER in over 10 years and as of October 2024 had only achieved a 1.82 TIER.<sup>44</sup> Decreasing the TIER will put Jackson Purchase in jeopardy of not meeting its debt covenant requirements. Additionally, if the Commission were to deviate from the 2.00 TIER it would be abandoning many years of precedent that cooperatives have come to rely upon.<sup>45</sup>

### **CONCLUSION**

Jackson Purchase has proposed fair, just and reasonable rates in this proceeding that are supported by a fully allocated COSS. The COSS supports an increase to the residential class alone and in particular to the residential customer charge. Jackson Purchase also increased the small commercial customer charge to align with the COSS. The pro forma adjustments that have been proposed by Jackson Purchase in this proceeding are known and measurable and should be approved by the Commission. In developing this case, Jackson Purchase has expended substantial energy to ensure that each adjustment would withstand Commission scrutiny under the known and measurable standard. Jackson Purchase's management and Board of Directors have pulled all the levers at their disposal to contain recurring costs to delay and mitigate the effect of this rate increase on residential members. As demonstrated by Mr. Wolfram's comprehensive COSS

---

<sup>44</sup> Jackson Purchase Response to the Attorney General's First Request, Item 17(a) and Jackson Purchase's December 2024 Rate Case Monthly Update, TIER/OTIER (filed December 26, 2024).

<sup>45</sup> Case No. 2023-00223, *Electric Application of Fleming-Mason Energy Cooperative, Inc. for a General Adjustment of Rates*, June 28, 2024 Order at 16 (Ky. PSC June 28, 2024) citing historical cases utilizing a 2.00 TIER.

Jackson Purchase seeks to align its rates so that the customer class causing it to incur costs is the same customer class that pays them. While this rate adjustment will not fully address this disparity, the proposed rate design change will reduce the current misallocation of cost to cost-causer.

Jackson Purchase's proposal in this case is both measured and necessary for its continued financial health. It is based upon a comprehensive and reliable COSS employing both known and measurable changes to the test year. It is fair, just and reasonable both in terms of the revenue request and the rate design. Jackson Purchase respectfully requests the Commission enter a final order adopting its request in full, including the recovery of rate case expense amortized over a three-year period.

This 13<sup>th</sup> day of January, 2025.

Respectfully submitted,

*Heather S. Temple*

---

L. Allyson Honaker  
Heather S. Temple  
HONAKER LAW OFFICE, PLLC  
1795 Alysheba Way, Suite 1203  
Lexington, KY 40509  
(859) 368-8803  
allyson@hloky.com  
heather@hloky.com

*Counsel for Jackson Purchase Energy Corporation*

**CERTIFICATE OF SERVICE**

This is to certify that the electronic filing was transmitted to the Commission on January 13, 2025 and that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding. Pursuant to the Commission's July 22, 2021 Order in Case No. 2020-00085 no paper copies of this filing will be made.

*Heather S. Temple*  
\_\_\_\_\_  
*Counsel for Jackson Purchase Energy Corporation*