

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

In the Matter of:

Electronic Application of Jackson Purchase)	
Energy Corporation for a General)	
Adjustment of Rates and Other General)	Case No. 2024-00085
Relief)	

JACKSON PURCHASE ENERGY CORPORATION'S VERIFIED RESPONSE TO
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION
ENTERED MAY 28, 2024

Comes now Jackson Purchase Energy Corporation (Jackson Purchase), by counsel, and does hereby tender its Verified Response to Commission Staff's Second Request for Information entered May 28, 2024.

Entered June 12, 2024

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

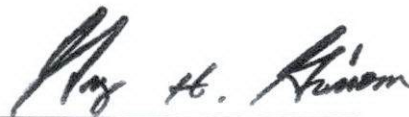
THE ELECTRONIC APPLICATION OF)
JACKSON PURCHASE ENERGY)
CORPORATION FOR A GENERAL)
ADJUSTMENT OF RATES)
)

Case No. 2024-00085

VERIFICATION OF GREG GRISSOM

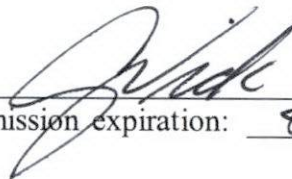
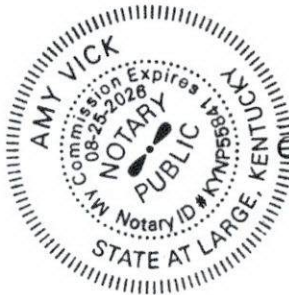
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF McCRACKEN)

Greg Grissom, Chief Executive Officer of Jackson Purchase Energy Corporation, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff’s Second Request for Information 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.



Greg Grissom

The foregoing Verification was signed, acknowledged and sworn to before me this 11th day of June, 2024, by Greg Grissom.



Commission expiration: 8/25/2026

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)

Case No. 2024-00085

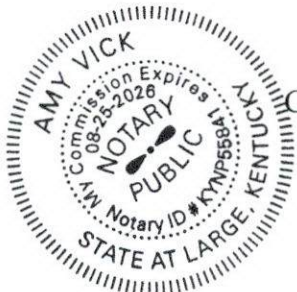
VERIFICATION OF TRAVIS SPICELAND

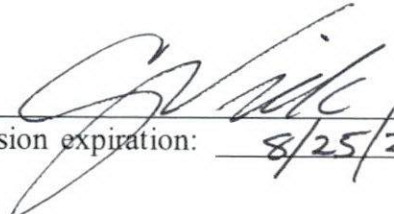
COMMONWEALTH OF KENTUCKY)
COUNTY OF McCracken)

Travis Spiceland, Vice-President of Engineering of Jackson Purchase Energy Corporation, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Second Request for Information 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.


Travis Spiceland

The foregoing Verification was signed, acknowledged and sworn to before me this 11th day of June, 2024, by Travis Spiceland.




Commission expiration: 8/25/2026

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)

Case No. 2024-00085

VERIFICATION OF MEREDITH KENDALL

COMMONWEALTH OF KENTUCKY)
COUNTY OF McCracken)

Meredith Kendall, Vice-President and Chief Financial Officer of Jackson Purchase Energy Corporation, being duly sworn, states that she has supervised the preparation of certain responses to Commission Staff's Second Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Meredith Kendall
Meredith Kendall

The foregoing Verification was signed, acknowledged and sworn to before me this 11th day of June, 2024, by Meredith Kendall.



[Signature]
Commission expiration: 8/25/2026

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

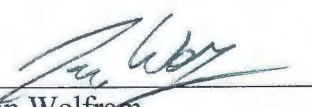
THE ELECTRONIC APPLICATION OF)
JACKSON PURCHASE ENERGY)
CORPORATION FOR A GENERAL)
ADJUSTMENT OF RATES)
)

Case No. 2024-00085

VERIFICATION OF JOHN WOLFRAM

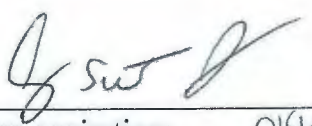
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF JEFFERSON)

John Wolfram, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Second Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.



John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 3rd day of June, 2024, by John Wolfram



Commission expiration: 04/08/2026

COREY SCOTT JONES
Notary Public - State at Large
Kentucky
My Commission Expires April 08, 2026
Notary ID KYNP48750

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 1: Refer to the Application, Direct Testimony of John Wolfram (Wolfram Direct Testimony), page 21.

- a. Explain why Jackson Purchase Energy decided to increase all customer charges by \$10.
- b. Considering Jackson Purchase Energy relied on the cost-of-service study (COSS) to allocate the revenue increase, explain how the revenue increase appropriately addresses any interclass subsidization and classes with a negative Rate of Return.

Response 1a and 1b: The COSS for Jackson Purchase shows that the current customer charges for all rate classes are lower than the cost-based customer charges. For Residential Rate R, the current charge is \$20.35 per month and the cost-based charge is \$53.45 per month. The increase of \$10 per month represents a movement of 30% or just under 1/3 of the way across the gap between the current rate and the cost-based rate, while the resultant rate remains just 57% of the actual fixed cost to serve.

Furthermore, because the rates of return for nearly all classes are negative or relatively low, Jackson Purchase elected to spread the increase to all rate classes (except the direct serve Rate D, Rate L which currently has no members taking service, and Lighting which has no customer charges). Jackson Purchase elected to spread the revenue increase across the classes in this more general way, to mitigate rate shock for any one class. For this reason, the increase of \$10 per month was applied to all of the aforementioned rate classes.

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 2: Refer to the Wolfram Direct Testimony, page 22. Explain how a scalar factor of 1.0309 percent or 3.09 percent increase was calculated.

Response 2: Jackson Purchase proposed first to increase all customer charges by \$10 per month, and then to allocate the remaining revenue increase proportionately across all demand and energy charges until the target revenue increase is reached. The scalar factor of 1.0309 was calculated in Exhibit JW-9, on the Present and Proposed Rates worksheet. First the relevant customer charges were increased by \$10. This resulted in an overall increase of \$3,659,925. Because the target increase is \$5,586,197, the remaining increase of \$1,926,273 must be achieved by increasing all of the relevant energy charges. The scalar that achieves that increase, when applied to each of the relevant energy charges, is 1.0309, which is equivalent to a 3.09% increase in all relevant energy charges.

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 3: Refer to the Wolfram Direct Testimony, page 23. Provide an explanation for how changing Rate L's customer charge and energy charge does not have an impact on Jackson Purchase Energy's revenues.

Response 3: No members currently take service under Rate L. Since the rate class generates no revenue, revising the rates does not have an impact on overall revenues.

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 4: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 1. Provide a breakdown of the test-year balance for Interest-Other.

Response 4: Please see the Excel file provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 5: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 9. Provide the total test-year expenses for donations, promotional advertising, and dues in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

Response 5: Please see the Excel file provided separately.

**ATTACHMENTS
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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 6: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 13. Confirm that Jackson Purchase Energy estimates that the remaining regulatory asset balance of its rate case expenses from its last rate case will be \$58,881 as of November 1, 2024. If this cannot be confirmed, explain and provide the estimated balance as of November 1, 2024.

Response 6: This is not confirmed. The \$58,881 represents the amount as of the effective date of the revised rates as proposed by Jackson Purchase in its Application, which is May 1, 2024. The balance as of November 1, 2024, will be \$23,552 (or $\$5,888 \times 4$ instead of $\$5,888 * 10$ on line 9 of Exhibit JW-2, Reference Schedule 1.08).

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 7: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 14.

- a. Explain why the ending balance as of December 31, 2023, is the appropriate period to normalize interest expense.
- b. Provide the outstanding principal balance and interest rates as of August 31, 2023. Provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.
- c. Confirm that the short-term interest expense of \$3,575 is the test-year interest expense. If this cannot be confirmed, explain.

Response 7a: The appropriate period for normalizing interest expense is the ending balance as of August 31, 2023, the end of the 12-month test period.

Response 7b: Please see the Excel file provided separately.

Response 7c: The short-term interest expense of \$3,575 is the interest expense incurred on Jackson Purchase's line of credit during the test period.

**ATTACHMENTS
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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 8: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 16. Provide a breakdown of the test-year and pro forma wages and salaries, showing each employee's regular and overtime hours, wage rates, and total wages in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.

Response 8: Please see the Excel file provided separately.

**ATTACHMENTS
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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 9: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 18, and Jackson Purchase Energy's response to Commission Staff's First Request for Information (Staff's First Request), Item 47. Provide an itemized breakdown of total test-year expenses for the Board of Directors in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible. The response should group expenses by director and category, such as per diems, industry association meetings, etc.

Response 9: Please see the Excel file provided separately.

**ATTACHMENTS
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**Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information**

Request 10: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 19.

- a. Provide supporting documentation for the pro forma right-of-way maintenance expense.
Provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible.
- b. Provide the annual number of miles and cycle over which right-of-way maintenance is routinely conducted. Include in the response the total miles of right-of-way that Jackson Purchase Energy maintains.
- c. Provide a breakdown of routine clearing, non-routine clearing, and spraying expenses for the test year and the pro forma.

Response 10a: Please see the attached Excel spreadsheet.

Response 10b: Please see the response to the Attorney General's First Request for Information, Item 53(d) for a history of ROW clearing. In total, Jackson Purchase maintains approximately 1,800 miles of right-of-way.

Response 10c: Please see the Excel spreadsheet attached in response to Request 10(a) for the breakdown of the pro-forma right-of-way expenses. During the test year, expenses were as follows:

Tree trimming/routine clearing:	\$779,966.14
ROW/non-routine clearing:	\$3,842,065.80
Spraying:	\$72,814.50
Total:	\$4,694,846.44

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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Response 11: Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 20 and Case No. 2019-00053, final Order, page 9.

- a. Provide the adjustment necessary to reduce Jackson Purchase Energy's contribution to employee insurance premiums to the Bureau of Labor Statistics' average.
- b. Provide the capitalization ratio for the test year.

Response 11a and 11b: Please see the attached worksheet based on a revised Exhibit JW-2, Reference Schedule 1.15.

**ATTACHMENTS
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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 12: Refer to the Wolfram Direct Testimony, Exhibit JW-3.

- a. Provide the Rate of Return for each rate class after the proposed revenue increase is applied.
- b. Refer also to Table 5, page 23. The notice showed that the Small Commercial Single Phase has an average usage of 642 kWh, and the Small Commercial Three Phase has an average usage of 1,885 kWh. While there is a significant difference between the billing determinants between the classes, explain why it is reasonable that the Small Commercial Single Phase energy charge is significantly lower than the Small Commercial Three Phase when considering cost-based rates, the COSS rates, and differentiating the rates between the classes.

Response 12a:

#	Rate	Code	Pro Forma Rate of Return on Rate Base
1	R - Residential	R	4.37%
2	C-1 Small Commercial Single Phase	C1	-3.06%
3	C-3 Small Commercial Three Phase	C3	-0.35%
4	D - Commercial and Industrial Demand < 3,000 kW	D	4.62%
5	D - Commercial and Industrial - DIRECT SERVED	D	NA
6	I-E - Large Commercial Existing	I-E	2.97%
7	OL - Outdoor Lighting	OL	9.06%
8	Total		3.63%

Response 12b: The difference in the cost-based energy charges for C1 and C3 is mostly driven by the effects of the year-end customer adjustment presented in the Application, Exhibit 10, Direct

Testimony of John Wolfram, Exhibit JW-2, Reference Schedule 1.10. The number of customers in C1 declined during the test period: the average number was 4,844 but the test-year-end number was 3,852. This drives a test year *reduction* in expense of \$649,372 and in revenue of \$1,117,448. The number of customers in C3 increased during the test period, from an average of 515 to a test-period ending count of 518. This difference is largely negligible. Overall, this means that on an adjusted basis, the expense used to determine the energy charge is reduced by a sizable amount for C1 but not for C3, which means that the per-unit energy charge for C1 is similarly reduced relative to that of C3. If the effects of the year-end customer adjustment on expenses were ignored, the per-unit charges for C1 and C3 would be as follows:

C1: \$ 0.084737 per kWh
C3: \$ 0.093001 per kWh

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Response 13: Refer to the Wolfram Direct Testimony, Exhibit JW9, page 1. Explain why it is reasonable that the Small Commercial Single Phase and the Residential class have the same customer charge and energy charge.

Request 13: The customer charges for Residential and Small Commercial Single Phase have been the same since before the 2021 rate filing in Case No. 2021-00358. In that same case, Jackson Purchase proposed slightly different energy charges for the two classes, but in the Commission's April 8, 2022 Order¹, the two energy charges were set to the same amount. It is likely that the two rate classes have had similar or equivalent rates for some time because of the similar usage patterns between residential and small commercial customers, but this is just speculation; it is largely a legacy issue. In the cost-of-service study, the resultant cost-based rates for the two classes differ, for both the customer charge and the energy charge. The rates as proposed are the same only because of the existing status and the approach of spreading the revenue increase more broadly across the classes as undertaken in this Application.

¹ Case No. 2021-00358, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief*, April 8, 2022 Order (KY PSC Apr. 8, 2022).

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 14: Refer to Jackson Purchase Energy's response to Staff's First Request, Item 18, Attachment H1. Confirm that the employee numbers on tab "Test Year1" are provided for the test-year. If confirmed, provide the correct months and explain why the information does not match the corresponding months provided for 2022 and 2023.

Response 14: The information previously provided in response to Staff's First Request, Item 18, Attachment H1, tab "Test Year", is correct. The previous workbook listed the information in calendar-year order (January-December) rather than chronological order (September 2022-August 2023). The spreadsheet has been updated and is attached separately to show the information in chronological order.

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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 15: Refer to Jackson Purchase Energy's response to Staff's First Request, Items 23 and 25.

- a. Explain whether dental and vision insurance are identifiable components of the insurance premium. If so, provide the portion of each premium that is attributable to dental and vision insurance.
- b. Provide the number of employees that participated in each plan type as of the end of the test year.
- c. Provide a breakdown of employee contribution rates per plan type.
- d. Provide a breakdown of test-year and pro forma total health insurance expenses and Jackson Purchase Energy's contribution for each plan type.

Response 15a: Jackson Purchase's health, vision and dental insurance are all provided under one premium; there are no separate identifiable components.

Response 15b: At the end of the test year, there were 66 employees on Jackson Purchase's medical insurance plan.

Response 15c: Please see the Excel sheet provided separately.

Response 15d: Please see the response to Item 16.

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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 16: Refer to Jackson Purchase Energy's response to Staff's First Request, Item 3. The information provided is unresponsive for the test year. As originally requested, provide the requested information for the test year.

Response 16: Please see Excel sheet provided separately.

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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 17: Refer to Jackson Purchase Energy's response to Staff's First Request, Item 44, Attachment, Analysis of Professional Services.

- a. Describe in detail the services provided by Patterson & Dewar Engineers totaling \$57,964.42 that are designated "Engineering Technician - includes meals, travel, lodging." State whether any of the amounts presented should have been capitalized.
- b. Describe in detail the services provided by Allen & Hoshall totaling \$142,896.62 that are designated "Substation re-build." State whether any of the amounts presented should have been capitalized.
- c. Describe in detail the services provided by Allen & Hoshall totaling \$37,557.50 that are designated "System engineering design & planning." State whether any of the amounts presented should have been capitalized.

Response 17a: Patterson and Dewar provided an Engineering Technician to stake and draw work orders for pole replacements. After consideration in the preparation of these responses, Jackson Purchase does believe this expense should have been capitalized.

Response 17b: Allen & Hoshall provided consulting services for the rebuilding of one of Jackson Purchase's substations. These services included substation design, project management, and device programming. These amounts were capitalized to account 107.100 - WIP.

Response 17c: These services provided by Allen & Hoshall consist of device programming and system coordination assistance. Due to the nature of these services, Jackson Purchase does not believe that the amounts paid for the services should have been capitalized.

Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 18: Refer to Case No 2021-00358,³ April 8, 2022 Order, page 12, which states in part,

[T]he Commission places Jackson Purchase on notice that Jackson Purchase cannot continue in its approach to [right-of-way] ROW management. In finding the proposed ROW management expense reasonable, the Commission is not excusing Jackson Purchase's past decisions. The Commission strongly encourages Jackson Purchase to take significant steps to address ROW management expenses, such as working with other electric utilities to develop regional bids for ROW management contracts. Merely taking the position that 'the costs are what the costs are,' is inexcusable. In any future rate case, whether a streamlined case or a general rate adjustment case, Jackson Purchase should provide in specific detail what actions it has taken to address the ROW management expenses.

Also, refer to Application, Direct Testimony of Greg Grissom, page 6 beginning at line 1. Also refer to Wolfram Direct Testimony, Exhibit JW-2, page 19. Provide the following information:

- a. Provide specific detail of any actions Jackson Purchase Energy has taken to address ROW management and expenses.
- b. State whether Jackson Purchase Energy has initiated any effort to work with other electric utilities to develop regional bids for ROW management contracts.
- c. Provide the number of miles of right-of-way maintenance, cost per mile, and total cost expended for each year 2020, 2021, 2022, 2023, projected 2024 and the test year in the following format.

Request 18a: Please see the response to the Attorney General's First Request for Information, Item 26(g).

Request 18b: Please see the response to the Attorney General's First Request for Information,

Item 26(f).

Request 18c: Please see the Excel sheet provided separately.

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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 19: Provide Jackson Purchase Energy's annual reliability metrics for 2016 to the most recent available data for 2024 and separately show outages caused by ROW vegetation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible. Include in the response, the System Average Interruption Duration, System Average Interruption Frequency, Customer Average Interruption Frequency, Customer Average Interruption Duration, and Customer Minutes of Interruption.

Response 19: Please see the Excel file provided separately. Jackson Purchase switched OMS vendors between 2020 and 2021, so the available data and formatting between those years are different.

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Jackson Purchase Energy Corporation
Case No. 2024-00085
Commission Staff's First Request for Information

Request 20: Refer to Case No 2021-00358,4 April 8, 2022 Order, pages 12 and 14, which states, “The Commission puts Jackson Purchase on further notice that, in future streamlined or general rate adjustment cases, Jackson Purchase must be prepared to demonstrate the cost savings from the new headquarters or to provide evidence, in sufficient detail, why the cost savings have not materialized.” Provide a detailed analysis of the cost of electricity for the headquarters for the test year compared to the asserted savings.

Response 20: Please see the attached spreadsheet for calculations and additional details. Since moving to its new headquarters within its own service territory, Jackson Purchase has utilized a blended rural rate/kWh purchased to derive a monthly energy expense, which is then booked to Account 555.1 on the general ledger. This blended rural rate is calculated by dividing Jackson Purchase's total monthly wholesale power cost (less direct-serve members) by the total kWh purchased on the wholesale power bill (less direct-serve kWh purchases). Jackson Purchase also accrues Utility Gross Receipts License tax (3%) and Sales tax (6%) expense, which are booked to Account 930.2 on the general ledger. During the test year, Jackson Purchase incurred \$100,182.03 in energy expenses, including taxes, at its headquarters. In the last full 12-month period in which Jackson Purchase resided in its old headquarters, Jackson Purchase incurred total energy expenses of \$134,745.61 under Paducah Power's rates. While the annual cost savings of \$34,564 is not as much as estimated originally, both the average electric expense per square foot of the headquarters facility and the average electric expense per kWh purchased have decreased since Jackson Purchase moved to its own service territory, as illustrated in the attachment.

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