

**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 )	

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JACKSON PURCHASE ENERGY CORPORATION'S VERIFIED RESPONSE TO  
COMMISSION STAFF'S SECOND REQUEST FOR INFORMATION  
ENTERED JUNE 26, 2024

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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 June 26, 2024.

Entered July 10, 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

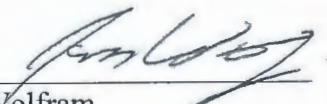
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**VERIFICATION OF JOHN WOLFRAM**

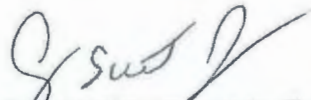
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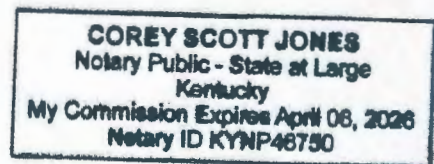
COMMONWEALTH OF KENTUCKY )  
)  
COUNTY OF JEFFERSON )

John Wolfram, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's Third 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 8th  
day of July, 2024, by John Wolfram

  
\_\_\_\_\_  
Commission expiration: 04/08/2026



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

**Request 1:** Refer to the Application, Direct Testimony of John Wolfram (Wolfram Direct Testimony), Exhibit JW-2, page 15. Confirm that the proposed adjustment uses December 2022 as the year end customer count. If confirmed, provide the adjustment that uses the end of the test year, August 2023, to calculate the year end customer normalization.

**Response 1:** Not confirmed. The year end customer adjustment in Exhibit JW-2, page 15 uses the twelve months ending August 2023 to calculate the adjustment. (The column lists January through December in order, but the year changes by row – it is 2023 for January through August but is 2022 for September through December.)

**Jackson Purchase Energy Corporation**  
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**Request 2:** Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 16. Provide a breakdown of the test-year and pro forma wages and salaries used to calculate the proposed adjustment, 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. Include the employee position in the response.

**Response 2:** Please Excel spreadsheet filed separately.

**ATTACHMENT  
IS AN EXCEL  
SPREADSHEET  
AND UPLOADED  
SEPARATELY**

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

**Request 3:** 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, regular board meeting payments, etc. Identify expenses that are removed by Jackson Purchase Energy's proposed adjustment.

**Response 3:** Please see the Excel spreadsheet provided separately. Note there is a different tab for each Director as well as a tab labeled "Other" that has all non-specific Board expenses for the test year.



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**Request 4:** Refer to Jackson Purchase Energy's response to Staff's First Request, Item 18. Explain any variance exceeding 5 percent in the schedule of salaries and compensation of each executive officer.

**Response 4:** Please see the Excel file provided separately. Note there is a separate tab for each calendar year.

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

**Request 5:** Refer to Jackson Purchase Energy's response to Staff's First Request Item 31. Attached Excel Spreadsheet Response\_1-31.xlsx. Explain the employer paid defined benefit and employer paid IBEW defined benefit referenced in spreadsheets.

**Response 5:** Please refer to the responses to the Attorney General's Second Request for Information, Item 17 for information pertaining to Jackson Purchase's retirement benefits.

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**Request 6:** Refer to Jackson Purchase Energy's response to Staff's First Request, Item 47.

Confirm that expenses for spouses of Directors are removed for ratemaking purposes.

**Response 6:** Confirmed. Please refer to the response to the Attorney General's First Request for Information, Item 67.

**Jackson Purchase Energy Corporation**  
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**Request 7:** Refer to Jackson Purchase Energy's response to Commission Staff's Second Request for Information (Staff's Second Request), Item 5. For all expenses not removed in Jackson Purchase Energy's proposed adjustment, provide the justification for rate recovery.

**Response 7:** The adjustment removes all amounts booked in Accounts 426.1, 930.2, 930.3, 580.0, 588.2, 930.208, 930.209, 930.41, 930.42, 912.7, 912.8, and 925. For all other amounts, the portions removed are non-recurring but the portions that remain are related to routine, on-going, or typical activities for the cooperative in a normal 12-month period.

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**Request 8:** Refer to Jackson Purchase Energy's response to Staff's Second Request, Item 10. Explain the increase in spraying expenses from \$72,814.50 in the test year to the 2024 projected expense of \$225,000.

**Response 8:** In January of 2020, Jackson Purchase established a five-year right of way (ROW) schedule to maintain 1,800 miles of distribution line. ROW clearing and maintenance activities consist of cutting, trimming, mowing, and an herbicide/spraying program. Due to budget constraints and prioritization of safety and reliability, Jackson Purchase decided to cut as many miles as possible in 2022 and 2023 and then spray the circuits that had been cut in late 2021, 2022, 2023 during mid-summer of 2024. The herbicide program is a very important part of vegetation management, but cutting ROW immediately increases reliability.

**Jackson Purchase Energy Corporation**  
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**Request 9:** Refer to Jackson Purchase Energy's response to Staff's Second Request, Item 11. Provide the 2024 premiums and the number of employees participating in each plan type, separate by union and non-union employees.

**Response 9:** As of July 8, 2024, Jackson Purchase has 37 active non-bargaining employees and 29 active bargaining employees who participate in the company's medical insurance plan. In July 2024, medical insurance premiums increased, resulting in annual contributions for non-bargaining employees of \$1,324.80 employee/\$15,187.20 employer, and \$2,889.60 employee/\$13,622.40 employer annual contributions for bargaining employees.



**Jackson Purchase Energy Corporation**  
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**Request 10:** Refer to Jackson Purchase Energy's response to the Attorney General's First Request for Information (Attorney General's First Request), Item 53. Explain the steep decline in budgeted miles cleared from 2014-2019 compared to 2020-2024. Include in the explanation when Jackson Purchase Energy expects to return to a 5-year cycle.

**Response 10:** In January 2020, Jackson Purchase established a five-year ROW schedule to maintain 1,800 miles of distribution line. ROW clearing and maintenance activities consist of cutting, trimming, mowing and an herbicide/spraying program. The increased cost of tree trimming, and tree removals, directly impacted the number of miles trimmed each year. Prior to January 2020, the ROW trimming specifications were not as aggressive and ROW-related outages were common and reliability had begun to decline. Until an increase in ROW budget allows for 360 miles to be maintained annually, Jackson Purchase will not be able to accomplish maintenance of a five-year cycle.

**Jackson Purchase Energy Corporation**  
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**Response 11:** Refer Jackson Purchase Energy's response to Attorney General's First Request, Item 3 attached Excel Spreadsheet AG\_1-3\_AG\_1-4\_AG\_1-5.xlsx.

- a. Explain the criteria used to determine the amount of incentive compensation given to executive staff for the years 2014-2024;
- b. Explain the requirements for the executive staff to earn the incentive compensation.

**Response 11a:** Please see the responses to the Attorney General's Second Request for Information, Item 2 for information regarding incentive compensation.

**Response 11b:** Please see the responses to the Attorney General's Second Request for Information, Item 2 for information regarding incentive compensation.

**Jackson Purchase Energy Corporation**  
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**Request 12:** Refer to Jackson Purchase Energy's response to Staff's Second Request, Item 12.

- a. Provide a rate design, in Excel format with all formulas, columns, and rows unprotected and fully accessible, that allocates Jackson Purchase Energy's proposed revenue requirement that properly addresses the C1 and C3 classes' negative rate of returns (ROR).
- b. Provide a further explanation for how the C1 class reduced its customer count by 11,906 and the R class increased its customer count by 11,452. Include in the response if Jackson Purchase Energy reclassified its C1 customers to other rate classes. If so, then explain why.

**Response 12a:** There are numerous alternative rate designs that could address the negative rates of return noted in the request. One rate design that might be considered theoretically optimal is to adjust each underperforming rate class such that the resulting rates of return are equal. See the electronically uploaded files with names ending with "...PSC3-12-a-i." Here the originally proposed revisions to the customer charges are maintained, and the energy charges are adjusted such that the resultant rates of return for each class (except Direct Served and Lighting, which were not underperforming) are equal. The challenge here is that currently, the rates for classes R and C1 are equivalent, and the cooperative is interested in maintaining this equivalency for now, because of the customer shift that recently took place between R and C1 as described in the response to part b below. The cooperative believes that further refinement of the classification of these members may take place and if that occurs, a rate equivalency will eliminate any adverse

financial effects. For this reason, Jackson Purchase suggests that the rates for R and C1 be kept equivalent, at least for now, and commits to review whether or not that equivalence is appropriate prospectively in its next rate case. A rate design that adopts that approach is provided in the files with names ending with "...PSC3-12-a-ii" and this approach reverses the negative rate of return for C3 and mitigates the negative rate of return for C1, while maintaining (for now) the rate equivalency between C1 and R. It also provides for more levelized percentage increases across all affected classes, avoiding a much larger percentage increase on C1 than would be experienced under the first option. Please note, Also all files provided in this response include the revisions to the revenue requirement resulting from the correction noted in the response to the Attorney General's Second Request for Information, Item 30.

**Response 12b:** The customer counts stated in the question appear large because they are annual totals of monthly counts. On a monthly basis, the R class increased from average to year-end by 954 customers per month, and the C1 decreased by 992. This shift resulted from a review conducted by Jackson Purchase Energy following the passage of Kentucky House Bill 8, which codified in state law a process to phase out Kentucky's individual income tax, in particular for allowing an exemption of residential utilities for the resident's place of domicile. Jackson Purchase reviewed the classification of metered premises and surveyed members to ensure that each metered premise was properly classified, and the effort resulted in the reclassification of just under 1,000 accounts from Small Commercial Single-Phase rate C1 to Residential rate R. Because the present rates for R and C1 are identical, the adjustment does not drive net margin differences for the cooperative.

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