

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

**THE ATTORNEY GENERAL’S RESPONSE TO JACKSON PURCHASE ENERGY
CORPORATION’S FIRST REQUEST FOR INFORMATION**

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, through his Office of Rate Intervention (“Attorney General”), and submits the following response to Jackson Purchase Energy Corporation’s (hereinafter “Jackson Purchase Energy” or the “Company”) First Request for Information in the above-styled matter.

Respectfully submitted,

RUSSELL COLEMAN
ATTORNEY GENERAL



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Certificate of Service and Filing

Pursuant to the Commission's Orders and in accord with all other applicable law, Counsel certifies that the foregoing electronic filing was transmitted to the Commission on August 13, 2024, and there are currently no parties that the Commission has excused from participation by electronic means in this proceeding.

This 13th day of August, 2024,



Assistant Attorney General

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 1
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Refer to the Direct Testimony of Greg R. Meyer (Meyer Direct Testimony). Provide a list of all proceedings in which Mr. Meyer has provided testimony before the Commission.

RESPONSE:

- Electronic Application of Kentucky-American Water Company for an Adjustment of Rates, A Certificate of Public Convenience and Necessity for Installation of Advanced Metering Infrastructure, Approval of Regulatory and Accounting Treatments, and Tariff Revisions, Case No. 2023-00191.
- Electronic Application of Fleming-Mason Energy Cooperative, Inc. for a General Adjustment of Rates, Case No. 2023-00223.
- Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief, Case No. 2024-00085.

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 2
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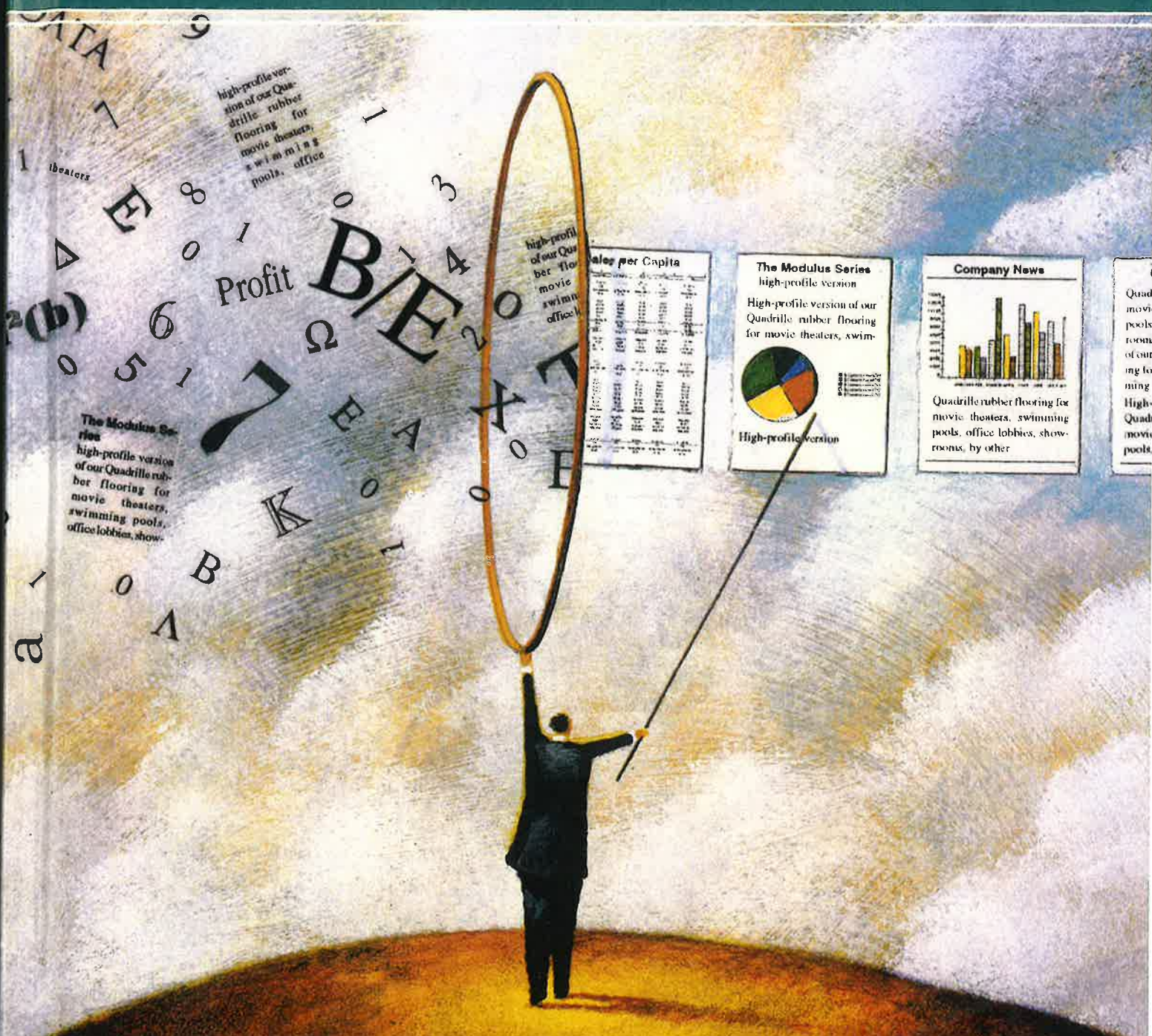
Refer to the Meyer Direct Testimony. Provide all workpapers, source documents, and electronic spreadsheets with all formulas, columns, and rows unprotected and accessible that were used in the development of Mr. Meyer's recommendations and conclusions.

RESPONSE:

Please refer to the excel spreadsheets and documents filed contemporaneously with this discovery response.

Eugene F. Brigham / Michael C. Ehrhardt

Financial Management ^{12e}



THEORY AND PRACTICE

stock dividend Increases the number of shares outstanding, but at a slower rate than splits. Current shareholders receive additional shares on some proportional basis. Thus, a holder of 100 shares would receive 5 additional shares at no cost if a 5% stock dividend were declared.

stock option Allows its owner to purchase a share of stock at a fixed price, called the exercise price, no matter what the actual price of the stock is. Stock options always have an expiration date, after which they cannot be exercised.

stock repurchase Occurs when a firm repurchases its own stock. These shares of stock are then referred to as treasury stock.

stock split Current shareholders are given some number (or fraction) of shares for each stock share owned. Thus, in a three-for-one split, each shareholder would receive three new shares in exchange for each old share, thereby tripling the number of shares outstanding. Stock splits usually occur when the stock price is outside of the optimal trading range.

strategic options Options that often deal with strategic issues. Also called real options, managerial options, or embedded options.

stretching accounts payable The practice of deliberately paying accounts late.

strike price The price stated in the option contract at which the security can be bought (or sold). For example, if the underlying stock sells for \$50 and the strike price is \$20, the exercise value of the option would be \$30. Also called the exercise price.

strong form of market efficiency Assumes that all information pertaining to a stock, whether public or inside information, is reflected in current market prices. Thus, no investors would be able to earn abnormal returns in the stock market.

structured note A debt obligation derived from another debt obligation. Permits a partitioning of risks to give investors what they want.

subordinated debenture Debentures that have claims on assets, in the event of bankruptcy, only after senior debt as named in the subordinated debt's indenture has been paid off. Subordinated debentures may be subordinated to designated notes payable or to all other debt.

sunk cost A cost that has already occurred and is not affected by the capital project decision. Sunk costs are not relevant to capital budgeting decisions.

swap An exchange of cash payment obligations. Usually occurs because the parties involved prefer someone else's payment pattern or type.

sweetener A feature that makes a security more attractive to some investors, thereby inducing them to accept a lower current yield. Convertible features and warrants are examples of sweeteners.

synergy Occurs when the whole is greater than the sum of its parts. When applied to mergers, a synergistic merger occurs when the postmerger earnings exceed the sum of the separate companies' premerger earnings.

takeover An action whereby a person or group succeeds in ousting a firm's management and taking control of the company.

target capital structure The relative amount of debt, preferred stock, and common equity that the firm desires. The weighted average cost of capital should be based on these target weights.

target cash balance The desired cash balance that a firm plans to maintain in order to conduct business.

target company A firm that another company seeks to acquire.

tax loss carryback and carryforward Ordinary corporate operating losses can be carried backward for 2 years or forward for 20 years to offset taxable income in a given year.

tax preference theory Proposes that investors prefer capital gains over dividends, because capital gains taxes can be deferred into the future but taxes on dividends must be paid as the dividends are received.

taxable income Gross income less a set of exemptions and deductions that are spelled out in the instructions to the tax forms individuals must file.

temporary net operating working capital The NOWC required above the permanent level when the economy is strong and/or seasonal sales are high.

tender offer The offer of one firm to buy the stock of another by going directly to the stockholders, frequently over the opposition of the target company's management.

term structure of interest rates The relationship between yield to maturity and term to maturity for bonds of a single risk class.

time line A graphical representation used to show the timing of cash flows.

times-interest-earned (TIE) ratio Determined by dividing earnings before interest and taxes by the interest charges. This ratio measures the extent to which operating income can decline before the firm is unable to meet its annual interest costs.

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WITNESSES RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 3
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Refer to the Meyer Direct Testimony at 10 – 11.

- a. Provide any examples of Mr. Meyer recommending the one-way right of way (“ROW”) tracker in any other electric cooperative proceeding in which he has testified.
- b. If Mr. Meyer has recommended this tracker in any other proceeding, provide any examples of the one-way ROW expense tracker recommended that have been accepted by any regulatory commission.
- c. Provide examples of a one-way ROW expense tracker utilized by other electric cooperatives in Kentucky.

RESPONSE:

- a. Mr. Meyer has not made that recommendation in any other electric cooperative proceeding.
- b. Mr. Meyer negotiated a one-way vegetation management (similar to ROW expense in this case) expense tracker for Union Electric Company in MO PSC Case No. ER-2007-0002.
- c. Mr. Meyer has not performed the necessary research to answer this question, and is not required to do so because the requested information would be publicly available to the Company for review.

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 4
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Refer to the Application, Direct Testimony of Greg Grissom (Grissom Direct Testimony) at 5. Also refer to the Meyer Direct Testimony at 7 – 8. Explain the recommendation of reducing the ROW expense given Mr. Grissom’s testimony that ROW budget had to be used elsewhere to maintain financial health of Jackson Purchase.

RESPONSE:

The Application made no direct mention of ROW expenses as it relates to Jackson Purchase’s financial health. Mr. Grissom’s testimony, at page 5, dedicates one sentence alleging Jackson Purchase spent less on ROW maintenance for 2022 and 2023 because the allocated amounts were needed elsewhere to maintain financial health. Mr. Grissom’s testimony is lacking in detail describing whether Jackson Purchase could have met its obligation for 358 miles of ROW expense were those funds not shifted to other needs of the utility. Please see the Meyer Direct Testimony at page 7, line 14 through page 9, line 9.

Additionally, fair, just, and reasonable rates are not achieved by allocating away monies that are supposed to be dedicated to ROW maintenance cost and approved by the Commission as such, especially when the Commission has expressed its concern with the Company’s handling of these costs.

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 5
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Refer to the Meyer Direct Testimony at 7. Explain why, “there is no reasonable basis to believe that JPEC is capable of meeting their target of ROW coverage for 358 miles per year” if Jackson Purchase receives the requested ROW increase.

RESPONSE:

Refer to the Meyer Direct Testimony at page 7, line 14 through page 9, line 9 in the pending case.

WITNESS RESPONSIBLE:
GREG R. MEYER

QUESTION NO. 6
Page 1 of 1

Refer to Case No. 2023-00223, Electronic Application of Fleming-Mason Energy Cooperative, Inc. for a General Adjustment of Rates, June 6, 2024 Order page 15-16. Also refer to the Meyer Direct Testimony filed in this proceeding. In Case No. 2023-00223, the Commission did not accept Mr. Meyer's recommendation of a 1.50 times interest earned ratio ("TIER") and cited Commission precedent for a 2.0 TIER for electric cooperatives. Explain why Mr. Meyer again recommends a lower TIER than Commission precedent.

RESPONSE:

Mr. Meyer disagrees with the Company's assertion of Commission precedent. As Mr. Meyer stated in his testimony in the pending case, the Commission held in Case No. 2021-00407 that the appropriate TIER should be decided "on a case by case basis ..."¹ Refer to the Meyer Direct Testimony at page 27, lines 3-5.

¹ Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief* (Ky. PSC June 30, 2022), Order at 18.

AFFIDAVIT

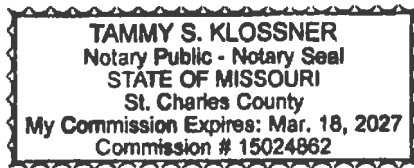
STATE OF MISSOURI)

COUNTY OF ST. LOUIS)

GREG R. MEYER, being duly sworn, deposes and states that the attached are his data responses and that the statements contained are true and correct to the best of his knowledge, information and belief.

Greg R Meyer

Sworn to and subscribed before me on this 9th day of August, 2024.



Tammy S Klossner
Notary Public