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August 10, 2009

FEDEX

Mr. Jeff DeRouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RECEIVED

AUG 11 2009

PUBLIC SERVICE
COMMISSION

Re: Meade County Rural Electric
Cooperative Corporation
Case No. 2007-00470

Kenergy Corp.
Case No. 2008-00009

Jackson Purchase Energy Corporation
Case No. 2008-00010

Dear Mr. DeRouen:

Enclosed for filing in each of the above three (3) cases is a statement addressing the implementation of the retail Unwind tariff riders on bills for nondirect serve customers beginning with September 2009 billings. This statement was prepared by Jack Gaines, President of JDG Consulting LLC and is provided pursuant to request of Staff Counsel Richard Raff during the July 14, 2009, informal conference in Case No. 2007-00455.

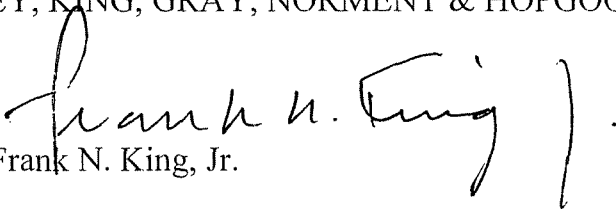
Your assistance in this matter is appreciated.

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Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.

FNKJr/cds

COPY/w/encls: Mr. Burns Mercer
Mr. Sandy Novick
Mr. Kelly Nuckols
Mr. Jack D. Gaines
Mr. Richard Raff

**Jackson Purchase Energy Corporation, Kenergy Corp., and Meade County RECC
Discussion of the Implementation of the Retail Unwind Tariff Riders to
Bills for Customers Served under Non-Direct Served Tariffs**

Introduction

With the closing of the Unwind, Big Rivers' Fuel Adjustment Clause ("FAC"), Environmental Surcharge ("ES"), Unwind Surcredit ("US"), Rebate Adjustment, Member Stability Mechanism ("MRSM"), and Rural Economic Reserve Rider ("RER") (collectively the "wholesale Unwind Tariff Riders") were effective July 17, 2009. July 17, 2009 is also the effective date of the retail pass through versions of the wholesale Unwind Tariff Riders (the "retail Unwind Tariff Riders") approved by the Commission for Jackson Purchase Energy Corporation ("JPEC"), Kenergy Corp. ("Kenergy"), and Meade County RECC ("Meade"), (collectively the "Members").

As planned by Big Rivers and per the understating of the Members, Big Rivers has included charges or credits for the FAC, the ES, the US, and the MRSM on the August 1, 2009 invoices to the Members for service from July 17, 2009 through July 31, 2009. There was no rebate or draw from the Rural Economic Reserve for the period so no Rebate Adjustment or RER appear on the invoices. Furthermore, the net of the four wholesale Unwind Tariff Riders billed for July 2009 service will be zero by design. The following explains the Members' implementation procedures for applying the retail Unwind Riders pursuant to their terms

Retail Implementation

Each of the retail Unwind Tariff Riders includes the applicable variation of the following definition that is contained in each Member's retail FAC formula:

"W_FAC = the fuel adjustment amount charged by the Corporation's wholesale power supplier on the power bill for the second month preceding the month in which F is applied." [Emphasis Added]

Therefore, the initial billing of the retail FAC and other retail Unwind Tariff Riders will first appear on retail bills rendered in September 2009, the second month following the initial billing of the wholesale Unwind Tariff Riders for the post closing part of July 2009 service.

A possible complicating factor for the initial implementation of the retail Unwind Tariff Riders is how to reflect a partial wholesale billing month (i.e. July 17 – July 31) on retail

bills rendered for a full billing month (approximately 30 days depending upon the retail billing cycle and meter reading dates). The Members plan to avoid this complication by calculating and applying the initial retail Unwind Tariff Rider billing factors just as stated in the tariffs. Therefore, using the retail FAC as an example, the Members will divide the fuel adjustment amount charged by Big Rivers for July (reflecting July 17 through July 31 service) by the total kWh purchased from Big Rivers for the entire month of July. This will serve to prorate a partial month of FAC charge over an entire month producing retail billing factors that, when applied to retail bills for a full month of service, will as accurately as possible pass through only the partial month of costs or credits. The Members believe that averaging the partial month charges and credits over an entire month to calculate the retail factors is the simplest approach. Furthermore, it may well be the only approach that makes sense because for JPEC and Meade, 100% of the retail usage for bills rendered in September falls after July 17th. And, only about 5% of Kenergy's sales for bills rendered in September are for usage prior to July 17, 2009. Kenergy bills 12 cycles per month. Cycle 1 has about 8 days of usage prior to July 17. Cycles 2, 3, and 4 have about 6, 3, and 1 days, respectively. All of the usage of cycles 5 through 12 falls on or after July 17.

As a result, prorating the individual retail bills could not apply to JPEC, Meade and 95% of Kenergy retail bills where all of the retail usage to be billed in September will fall after the July 17 effective date of the retail Unwind Tariff Riders.

Just as significant, the sum of the retail factors will be zero since the wholesale charges and credits sum to zero. Therefore, even if prorating the retail bills was appropriate, it would be a proration of zero, which is equal to zero.

Direct Served Customers

For direct served customers, the charges or credits under the wholesale Unwind Tariff Riders will be passed through directly to each customer on the bills rendered in August for July 17 through July 31 service.

Prepared by Jack Gaines, President
JDG Consulting, LLC
Dated: August 3, 2009
770-392-9971