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March 16, 2012

**VIA FAX at (502-564-3460) and FEDERAL EXPRESS**

MR. JEFF DEROUEN  
EXECUTIVE DIRECTOR  
PUBLIC SERVICE COMMISSION OF KENTUCKY  
211 SOWER BOULEVARD  
FRANKFORT KY 40602

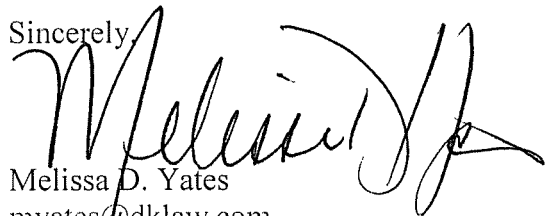
***Re: Case No. 2011-0057***

Dear Mr. Derouen:

Please find enclosed an original and ten (10) copies of Jackson Purchase Energy Corporation's response to your letter dated March 7, 2012, in the above-referenced matter.

If you should need additional information concerning this filing, please contact me.

Sincerely,



Melissa D. Yates  
[myates@dklaw.com](mailto:myates@dklaw.com)

Enclosure

RECEIVED

MAR 19 2012

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY

In the Matter of: )  
 )  
The Application of Jackson Purchase ) CASE NO. 2011-00057  
Energy Corporation for Approval of )  
Flow Through Rates Pursuant to )  
KRS 278.455 )

RECEIVED  
MAR 19 2012  
PUBLIC SERVICE  
COMMISSION

JACKSON PURCHASE ENERGY CORPORATION'S RESPONSE  
TO LETTER DATED MARCH 7, 2011

1. The amount of customer charge billing determinants, kWh, and kW billed during the refund period for each billing cycle by rate class.

RESPONSE: Please see Exhibit "1" attached hereto and incorporated herein by reference as if set forth in full.

2. JPEC's February 21, 2012 filing shows that the amount it refunded to "Rural" customers was based on a total of 109,582,075 kWh (both light and meter kWh). A January 30, 2012, filing by Big Rivers Electric Corporation ("Big Rivers") in Case Number 2011-00036 shows that its refund for Jackson Purchase was based on a total of 91,986,690 kWh (both September and October 2011) for the Jackson Purchase "Rural" Customers. Explain the circumstances that would cause the amount refunded by Jackson Purchase to be based on almost 20 percent more kWh than the amount refunded to Jackson Purchase from Big Rivers.

RESPONSE: The simple answer is that the difference in kWh between BREC and Jackson Purchase Energy Corporation ("JPEC") is a result of the distribution systems use of cycle billing. The PSC ordered interim rates into effect on September 1, 2011 and issued final rates on November 17, 2011. Because BREC does not bill its November usage until early December, it

had the luxury of revising its rates for the entire month of November. The seventeen days of November under the interim rates were not included in BREC's kWh numbers because the November usage could be changed in time for the billing in early December.

Unfortunately, JPEC was not and is not in a position to read all members' bills as of September 1. Accordingly, JPEC, like the two other distribution cooperatives, had to prorate the refund rate based on the number of days after August 31, 2012 in each of its billing cycles.

Exhibit A of JPEC's Initial Report detailed the estimated day length of that particular cycle and the number of days with the new rate. The number of days for each prorated cycle are days after August 31, 2011. For example, the Cycle 2 file, which was billed on September 9, 2011, had an estimated total day count of 29 days and had an average estimated read date of September 1, 2011. The total rate differential (for Schedule R) was a facilities charge adjustment of \$0.18 and a kWh rate adjustment of \$0.001471 as shown in the "Full Cycle" column of Exhibit A, of JPEC's Initial Refund Report. Each of the rates was divided by the days in the cycle for Cycle 2, 29 days and multiplied by the days after August 31, 2011, 1. This resulted in a Facilities charge adjustment of \$.01 and a kWh adjustment of \$0.000051. This was applied to the total billing determinants for each cycle. Accordingly, the entire kWh was reported as a billing determinant for the cycle even though the rate was 1/29 of the full rate.

JPEC processed prorated cycles for Cycles 2, 3, 4 and 1. Because JPEC's Cycle 9 bills coincide with calendar month read dates, like BREC's, JPEC did not have to prorate any of those cycles. Also like BREC, JPEC did not have to allow for 17 days of November's interim rates because JPEC was able to enter the final rates for Cycle 9 before November usage was billed in early December.

In total, we billed one prorated cycle for each of Cycles 2, 3, 4 and 1. We billed one full amount of refunds for Cycle 4 and two full cycles each for Cycles 9, 1, 2 and 3. Exhibit 2, attached hereto and incorporated herein by reference, details each cycle, date billed, estimated read date, effective date (which is how JPEC's system identifies each cycle,) estimated number of days in the bill, penalty date, refund date, number of days for calculating interest on the bill and number of days used for calculating interest on any penalties. It also indicates in the far margin which cycles were refunded either with a prorated cycle or with a full refund.

JPEC also believes the following information will be useful to the Commission Staff as it considers the refund process implemented and utilized by JPEC. In order to meet the 60-day refund requirements, JPEC had to begin applying the refunds by the December 9, 2011 billing for Cycle 2. This allowed just 22 days including weekends and holidays to finalize the programs and check and verify the approximately 250,000 individual adjustments. In the process, BREC's IT staff produced reports for each cycle in an electronic file dump and large paper summary which, for JPEC's purposes, was broken down for each cycle by rate code and class code. Because other BREC distribution cooperatives may have their paper reports set up in a different manner and may have fewer cycles, they may have elected to summarize their paper documents instead of utilizing the electronic files. With all the combinations, JPEC quickly determined that it could not summarize the paper reports in a timely manner and instead focused its effort on utilizing the electronic files. The electronic files, once formatted, listed each account for that cycle and all billing information for that account. JPEC felt like this electronic method was more useful because it allowed the user to sort by rate code and scan for any facility adjustment differences or other field anomalies within the cycle. JPEC was also able to take the total kWh from the paper reports and multiply by the appropriate rate to determine whether each generated

total for the rate class was reasonable. Additionally, JPEC selected at least one account from each rate class or other billing difference and hand calculated those refunds which allowed JPEC to fine tune the factors considered, making the refunds as accurate as possible. Finally, the electronic totals were verified to the totals on the paper sheet to see that they matched billing determinant by billing determinant and dollar for dollar.

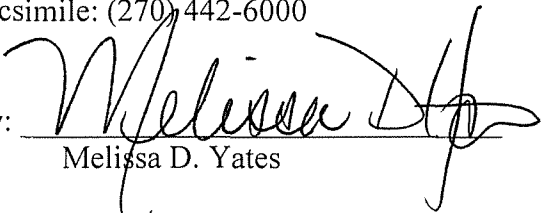
This process was repeated for each of twelve prorated or full cycles. JPEC's programming is provided by BREC and BREC programmers worked around the clock and also performed the same process for the other two distribution cooperatives. In many cases, files were ready late night or early morning on holidays and weekends and JPEC staff would come into the office whenever the file was ready regardless of time, process the files and give their approval or disapproval to BREC IT staff. This approval or disapproval had to be done immediately so that next test cycle could be run.

Because of the tight time frame, reports were only produced by cycle total and subtotals for each month were not made within each cycle. JPEC was unsure what would need to be included in the report on the refund to the PSC and accordingly used its best judgment as to information that would be required. JPEC has not provided this monthly information because the process would be extremely time intensive and likely could not be done within a standard 10-day request period even with several employees devoted full time to such a task.

Respectfully submitted,

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By:

  
Melissa D. Yates

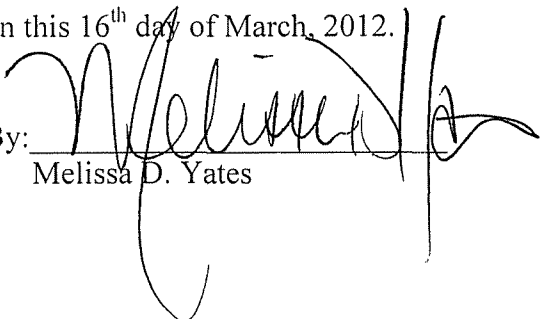
ATTORNEYS FOR JACKSON PURCHASE  
ENERGY CORPORATION

I hereby certify that a true and  
correct copy of the foregoing has  
been served via Federal Express to:

MR JEFF DEROUEN  
EXECUTIVE DIRECTOR  
KENTUCKY PUBLIC SERVICE COMMISSION  
211 SOWER BLVD.  
FRANKFORT KY 40602

on this 16<sup>th</sup> day of March, 2012.

By:

  
Melissa D. Yates

**Exhibit 1**  
**Schedule of All Refunds**  
**Jackson Purchase Energy Corporation PSC Case # 2011-00057**

Rate Code	Cycle	# of Bills	Light kWh	Meter kWh	kW	Facility Charge	kWh Charge	kW Charge	Light Charge	Primary Discount	Sch G-1 Ren Resource	School Tax	Sales Tax	Interest Refund	Penalty Refund	Total
Lights Only	9	2	160	-	-	-	-	-	(0.64)	-	-	(0.02)	(0.04)	-	-	(0.70)
	2	50	8,691	-	-	-	-	-	(14.39)	-	-	(0.51)	(0.02)	-	-	(14.92)
	3	72	134,226	-	-	-	-	-	(265.58)	-	-	(8.02)	(1.18)	(0.05)	(0.07)	(274.90)
	4	44	10,534	-	-	-	-	-	(17.20)	-	-	(0.54)	(0.39)	-	(0.08)	(18.21)
	1	42	57,384	-	-	-	-	-	(144.79)	-	-	(4.36)	(1.56)	(0.02)	(0.63)	(151.36)
Manual 1	1	64	-	-	-	-	-	-	(0.16)	-	-	-	-	-	-	(0.16)
Manual 2	-	-	-	-	-	(16.74)	(63.77)	-	(3.82)	-	-	(2.86)	(0.03)	-	-	(87.22)
Lights Only		211.00	211,059.00	-	-	(16.74)	(63.77)	-	(446.58)	-	-	(16.31)	(3.22)	(0.07)	(0.78)	(547.47)
Schedule R	9	2	-	145	-	(0.36)	(0.22)	-	-	-	-	(0.02)	-	-	-	(0.60)
	2	20,107	422,842	23,188,082	-	(2,481.62)	(19,757.57)	-	(735.46)	-	-	(687.97)	(2.17)	-	(261.14)	(23,925.93)
	3	20,813	325,533	23,575,257	-	(2,848.56)	(23,785.09)	-	(627.61)	-	-	(824.69)	(1.42)	-	(149.67)	(28,237.04)
	4	12,975	243,800	14,477,191	-	(1,817.66)	(15,399.28)	-	(472.42)	-	-	(524.90)	(1.42)	-	(175.24)	(18,190.92)
	1	11,372	231,844	9,309,660	-	(1,819.56)	(11,930.09)	-	(522.80)	-	-	(430.17)	(1.73)	(0.02)	(78.21)	(14,782.58)
Manual 1	110	165	33,800	-	-	(19.47)	(46.53)	-	(2.85)	-	(10.00)	(8.44)	-	-	-	(87.29)
Manual 2	93	1,360	43,183	-	-	-	-	-	-	-	-	-	-	-	-	-
Schedule R		65,472	1,225,544	70,627,318	-	(8,987.23)	(70,718.78)	-	(2,361.14)	-	(10.00)	(2,476.19)	(6.74)	(0.02)	(664.26)	(85,224.36)
Schedule C-1	9	258	13,843	299,070	-	(54.18)	(447.17)	-	(28.57)	-	-	(16.07)	(23.63)	-	(3.83)	(573.45)
	2	1,172	38,585	1,070,396	-	(169.72)	(1,001.24)	-	(54.07)	-	-	(37.12)	(68.18)	-	(3.88)	(1,334.21)
	3	1,786	43,993	1,497,929	-	(286.86)	(1,621.15)	-	(77.71)	-	-	(60.11)	(111.73)	-	(3.07)	(2,160.63)
	4	1,117	57,736	1,107,312	-	(179.07)	(1,227.58)	-	(88.16)	-	-	(45.06)	(83.60)	-	(9.19)	(1,632.66)
	1	1,183	40,001	1,164,583	-	(219.03)	(1,518.95)	-	(80.19)	-	-	(55.47)	(91.49)	-	(3.92)	(1,969.05)
Manual 1	15	-	1,131	-	-	(3.06)	(1.66)	-	-	-	-	(0.17)	(0.29)	-	-	(5.18)
Manual 2	29	110	5,673	-	-	(6.12)	(8.74)	-	(0.33)	-	-	(0.48)	(0.89)	-	-	(16.56)
Schedule C-1		5,560	194,268	5,146,094	-	(918.04)	(5,826.49)	-	(329.03)	-	-	(214.48)	(379.81)	-	(23.89)	(7,691.74)
Schedule C-3	9	512	20,018	1,135,458	-	(189.44)	(1,609.19)	-	(39.42)	-	-	(55.26)	(102.13)	(0.01)	(7.04)	(2,002.49)
	2	78	3,285	127,949	-	(19.50)	(119.59)	-	(4.52)	-	-	(4.29)	(4.72)	-	(1.13)	(153.75)
	3	117	7,367	162,859	-	(33.15)	(163.28)	-	(11.75)	-	-	(6.19)	(9.02)	-	(0.73)	(224.12)
	4	62	5,866	121,892	-	(17.67)	(127.69)	-	(9.87)	-	-	(4.62)	(5.34)	-	(0.75)	(165.94)
	1	68	4,336	102,224	-	(22.10)	(125.94)	-	(8.03)	-	-	(4.77)	(4.88)	-	-	(165.72)
Manual 1	2	-	3,638	-	-	(6.49)	(5.27)	-	-	-	-	(7.34)	(0.71)	-	-	(19.81)
Manual 2	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Schedule C-3		839	40,872	1,654,020	-	(288.35)	(2,150.96)	-	(73.59)	-	-	(82.47)	(126.80)	(0.01)	(9.65)	(2,731.83)
Schedule D	9	1,187	159,859	28,224,658	108,040.713	(842.77)	(23,916.66)	(14,045.46)	(314.42)	103.67	-	(1,149.74)	(2,030.49)	(12.15)	(35.46)	(42,243.48)
Manual 1	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-	-
Manual 2	1	-	991	-	-	(0.71)	(0.90)	-	-	-	-	(0.05)	(0.10)	-	-	(1.76)
Schedule D		1,188	159,859	28,225,649	108,040.713	(843.48)	(23,917.56)	(14,045.46)	(314.42)	103.67	-	(1,149.79)	(2,030.59)	(12.15)	(35.46)	(42,245.24)
Schedule I-E	6	2	-	2,097,392	6,735.000	(12.12)	(1,168.25)	(1,562.27)	-	-	-	-	-	(1.12)	-	(2,743.76)
Schedule I-E (not direct serve)	2	-	-	2,097,392	6,735.000	(12.12)	(1,168.25)	(1,562.27)	-	-	-	-	-	(1.12)	-	(2,743.76)
Totals	9	1,961	193,880	29,659,331	108,040.713	(1,086.75)	(25,973.24)	(14,045.46)	(383.05)	103.67	-	(1,221.11)	(2,156.29)	(12.16)	(46.33)	(44,820.72)
	2	21,407	473,403	24,386,427	-	(2,670.84)	(20,878.40)	-	(808.44)	-	-	(729.89)	(75.09)	-	(266.15)	(25,428.81)
	3	22,788	511,119	25,236,045	-	(3,168.57)	(25,569.52)	-	(982.65)	-	-	(899.01)	(123.35)	(0.05)	(153.54)	(30,896.69)
	4	14,198	317,936	15,706,395	-	(2,014.40)	(16,554.55)	-	(587.65)	-	-	(575.12)	(90.75)	-	(185.26)	(20,007.73)
	1	12,665	333,565	10,576,467	-	(2,060.69)	(13,574.98)	-	(755.81)	-	-	(494.77)	(99.66)	(0.04)	(82.76)	(17,068.71)
Manual 1	128	229	38,569	-	-	(29.02)	(53.46)	-	(3.01)	-	(10.00)	(15.95)	(1.00)	-	-	(112.44)
Manual 2	123	1,470	49,847	-	-	(23.57)	(73.41)	-	(4.15)	-	-	(3.39)	(1.02)	-	-	(105.54)
6	2	-	2,097,392	6,735.000	-	(12.12)	(1,168.25)	(1,562.27)	-	-	-	-	-	(1.12)	-	(2,743.76)
Total "Rural"		73,272	1,831,602	107,750,473	114,775.713	(11,065.96)	(103,845.81)	(15,607.73)	(3,524.76)	103.67	(10.00)	(3,939.24)	(2,547.16)	(13.37)	(734.04)	(141,184.40)
Schedule I-E Direct Serve	2	-	782,460	3,813.000	-	(12.12)	(435.83)	(1,393.22)	-	-	-	(55.24)	(113.79)	(0.84)	-	(2,011.04)
Total "Rural" and Direct Serve		73,274	1,831,602	108,532,933	118,588.713	(11,078.08)	(104,281.64)	(17,000.95)	(3,524.76)	103.67	(10.00)	(3,994.48)	(2,660.95)	(14.21)	(734.04)	(143,195.44)

**Chart Detailing Regular, Prorated Refund, Full Refund and Cycles when Refunds will be Applied**  
**Jackson Purchase Energy Corporation**  
**PSC Case 2011-00057**  
**Exhibit 2, Page 1 of 1**

	<b>Date Billed</b>	<b>Prob Bill Read</b>	<b>Effective Billing Date</b>	<b>Days in Bill</b>	<b>Days Unbilled</b>	<b>Penalty Date</b>	<b>Due Date</b>	<b>Refund Date</b>	<b>Bill Interest Days</b>	<b>Penalty Interest Days</b>	
<b>9/30/2011</b>											
Cycle 1	8/29/2011	8/24/2011		32	7	9/20/11					
Cycle 2	9/9/2011	9/1/2011	9/12/2011	29	28	9/29/11	9/27/11	12/9/2011	91	71	Prorated Refund Cycle - First Cycle for Refund
Cycle 3	9/14/2011	9/9/2011	9/20/2011	30	21	10/4/11	9/30/11	12/12/2011	89	69	Prorated Refund Cycle
Cycle 4	9/21/2011	9/16/2011	9/27/2011	30	14	10/12/11	10/10/11	12/19/2011	89	68	Prorated Refund Cycle
Cycle 9	10/6/2011	9/30/2011	10/2/2011			10/27/11	10/25/11	1/6/2012	92	71	Full Refund Cycle
<b>10/31/2011</b>											
	<b>Bill</b>	<b>Bill Read</b>	<b>Effective</b>								
Cycle 1	9/29/2011	9/23/2011	10/5/2011	30	7	10/20/11	10/18/11	12/29/2011	91	70	Prorated Refund Cycle
Cycle 2	10/10/2011	10/3/2011	10/12/2011	32	29	10/28/11	10/26/11	12/9/2011	60	42	Full Refund Cycle
Cycle 3	10/13/2011	10/10/2011	10/20/2011	31	21	11/4/11	11/2/11	12/12/2011	60	38	Full Refund Cycle
Cycle 4	10/24/2011	10/17/2011	10/27/2011	31	14	11/14/11	11/10/11	12/19/2011	56	35	Full Refund Cycle
Cycle 9	11/4/2011	11/1/2011	11/2/2011			11/29/11	11/25/11	1/6/2012	63	38	Full Refund Cycle
<b>11/30/2011</b>											
	<b>Bill</b>	<b>Bill Read</b>	<b>Effective</b>								
Cycle 1	10/26/2011	10/24/2011	11/5/2011	31	7	11/22/11	11/18/11	12/29/2011	64	37	Full Refund Cycle
Cycle 2	11/8/2011	10/31/2011	11/12/2011	28	28	11/30/11	11/28/11	12/9/2011	31	9	Full Refund Cycle
Cycle 3	11/15/2011	11/7/2011	11/20/2011	28	23	12/6/11	12/2/11	12/12/2011	27	6	Full Refund Cycle - Last Cycle for refunds
Cycle 4	11/21/2011	11/15/2011		29	15	12/13/11					First Cycle for final rates
Cycle 9	12/7/2011	12/2/2011				12/29/11					
<b>12/31/2011</b>											
	<b>Bill</b>	<b>Bill Read</b>	<b>Effective</b>								
Cycle 1	11/28/2011	11/22/2011		29	8	12/20/11					
Cycle 2	12/9/2011	12/1/2011	12/12/2011	31	30	12/29/11					Refund Apply Cycle
Cycle 3	12/12/2011	12/9/2011	12/20/2011	32	22	1/4/12					Refund Apply Cycle
Cycle 4	12/19/2011	12/16/2011	12/27/2011	31	15	1/11/12					Refund Apply Cycle
Cycle 9	1/6/2012	12/31/2011	1/2/2012			12/25/11					Refund Apply Cycle
<b>1/1/2012</b>											
	<b>Bill</b>	<b>Bill Read</b>	<b>Effective</b>								
Cycle 1	12/29/2011	12/22/2011	1/5/2012	30	9	1/20/12					Refund Apply Cycle
Cycle 2	1/11/2012	1/3/2012		33	30	1/30/12					

Order Date is 11/17/2011