



**Jackson Purchase Energy**  
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PUBLIC SERVICE  
COMMISSION

June 11, 2010

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

RE: ***In Re the Matter of General Adjustment of Rates  
of Jackson Purchase Energy Corporation  
Case Number 2007-0116***

Dear Mr. DeRouen:

Please find enclosed a copy of the equity management plan required to be filed pursuant to Order of the Commission dated June 17, 2008 in the above referenced matter.

If you should need any additional information, please do not hesitate to contact me and/or JPEC's attorney, Melissa D. Yates.

Sincerely,

G. Kelly Nuckols

Enclosure



## EQUITY MANAGEMENT

### I. OBJECTIVE

To document the Corporation's goals and plans to achieve an optimum equity level that allows the system to provide service to its members at the lowest possible cost, while maintaining its ability to access additional debt capital when needed.

### II. POLICY

- A. Equity of Jackson Purchase Energy Corporation shall be managed in such a way as to insure the financial well being of the corporation which will allow it to continue to meet its members' needs. The Corporation has established the following financial targets and guidelines as a measure of meeting its equity goals:
1. TIER (Time Interest Earned Ratio) shall be targeted at 2.0 or higher. This target is normally set when developing changes to existing rates. If budgeted TIER is projected to be in the range of 1.25 and 1.35 then plans should be developed to raise TIER above this level in future years after determination that the lower TIER is not a temporary occurrence. Items considered in the plan to raise TIER shall include (but not be limited to) growth, expense reductions and rate relief.
  2. Jackson Purchase Energy Corporation shall monitor its equity to total asset ratio and maintain an equity ratio of between 30% and 40%. Should equity to total assets fall outside that range JPEC shall develop plans to bring it within that range.
  3. As part of its equity plan Jackson Purchase Energy Corporation shall review the issue of capital credit retirement at least on an annual basis. The board shall consider at a minimum, projected TIER, equity levels, borrowing costs and any other criteria that the board deems appropriate.
  4. The board shall develop and make capital credit retirements in any annual period that a 2.0 TIER is exceeded. Those retirements shall be at a minimum the amount by which a 2.0 TIER is exceeded.

III. RESPONSIBILITY

The Board and CEO shall be jointly responsible for compliance with this policy. The CEO shall be responsible to ensure that all financial calculations, including projections, are promptly prepared and presented to the Board.

IV. APPROVED

5/27/2010

  
Gary Joiner, Chair