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August 11, 2011

VIA FEDEX

RECEIVED

AUG 12 2011

PUBLIC SERVICE
COMMISSION

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

Re: Case No. 2011-00196
Kenergy Corp.

Dear Mr. Derouen:

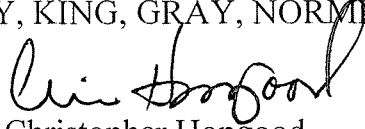
Enclosed you will find the original and 10 copies of Kenergy's Supplemental Responses to Commission Staff's First Request for Information Dated July 25, 2011.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


J. Christopher Hopgood
Counsel for Kenergy Corp.

JCH/cds

Encls.

COPY/w/encls: Mr. Sanford Novick, Kenergy

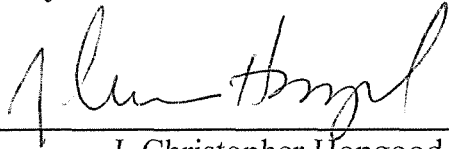
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

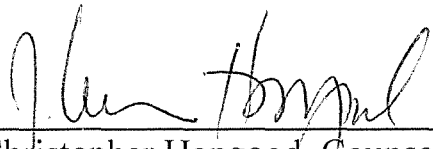
APPLICATION OF KENERGY CORP.)
FOR CERTIFICATE OF CONVENIENCE) CASE NO. 2011-00196
AND NECESSITY)

SUPPLEMENTAL RESPONSES TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION DATED JULY 25, 2011

DORSEY, KING, GRAY, NORMENT & HOPGOOD
318 Second Street
Henderson, Kentucky 42420
Telephone 270-826-3965
Telefax 270-826-6672
Attorneys for KENERGY CORP.

By 
_____ J. Christopher Hopgood

I hereby certify that the original and 10 copies of this document were placed with FedEx to be delivered to Mr. Jeff Derouen, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601, this 11th day of August, 2011.



_____ J. Christopher Hopgood, Counsel for Kenergy Corp.

**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

VERIFICATION

I, **STEVE THOMPSON**, verify, state and affirm that the data request responses filed with this verification and for which I am listed as a witness are true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.



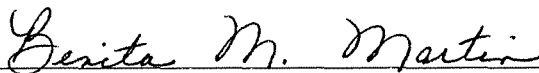
Steve Thompson, Vice President - Finance

STATE OF KENTUCKY

COUNTY OF Barren

The foregoing was signed, acknowledged and sworn to before me by **STEVE THOMPSON**, this 11th day of August, 2011.

My commission expires Oct. 16, 2012



Notary Public, State of Kentucky at Large

(seal)

**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

VERIFICATION

I, **GERALD FORD**, verify, state and affirm that the data request responses filed with this verification and for which I am listed as a witness are true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.



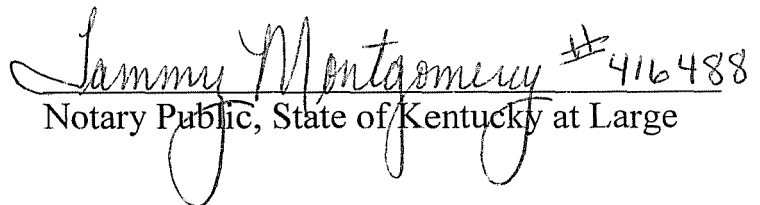
Gerald Ford, Vice President - Operations

STATE OF KENTUCKY

COUNTY OF: DAVIESS

The foregoing was signed, acknowledged and sworn to before me by **GERALD FORD**, this 11 day of August, 2011.

My commission expires April 24, 2014



Notary Public, State of Kentucky at Large

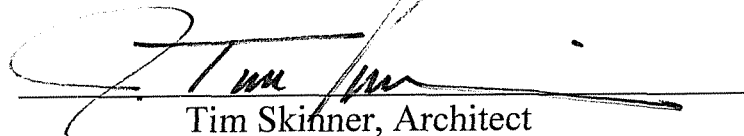
(seal)

**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

VERIFICATION

I, **TIM SKINNER**, verify, state and affirm that the data request responses filed with this verification and for which I am listed as a witness are true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.



Tim Skinner, Architect

STATE OF KENTUCKY

COUNTY OF: HENDERSON

The foregoing was signed, acknowledged and sworn to before me by **TIM SKINNER**, this 11th day of August, 2011.

My commission expires September 29, 2013


Notary Public, State of Kentucky at Large

(seal)

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**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

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Item 4) State whether the estimated cost of the project of \$2,000,000.00 includes all costs of the project, such as, the land, grading and other site preparation, utility installation, paving, fencing, landscaping, security features, lighting, etc. If no, provide a listing of all items not included and the estimated cost of those items.

RESPONSE:

The \$2,000,000.00 includes all construction costs associated with the project with the exception of the cost of the land, an oil containment system, communication equipment, engineering and architecture fees. (ex: Grading and other site preparation, utility installation, paving, fencing, landscaping, security features, lighting, etc. are included.) Land costs will be \$50,000.00, an oil containment system is estimated to be \$20,000.00, a communication system is estimated to cost \$39,520.00, engineering fees are estimated to be \$17,770.00, and architect fees are \$160,000.00.

WITNESS: Tim Skinner and Gerald Ford

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**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

8 **Item 16)** Provide the amount of fees paid to date and the amount that will be
9 paid before completion for professional services performed by the architect and
10 engineers.

11 **RESPONSE:**

12 **The table attached to the original Item 16, page 2 of 2, is**
13 **correct. The additional amount of architect and engineering**
14 **fees is expected to be \$96,000.00 and \$2,000.00 respectively.**
15 **Legal fees are estimated to be \$5,800.00.**

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17 **WITNESS: Gerald Ford**

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**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

Item 19) Provide an analysis of the financial impact to Kenergy as result of
the proposed Marion branch office project.

RESPONSE:

See attached page 2 of 2.

WITNESS: Steve Thompson

KENERGY CORP.
CASE NO. 2011-00196 - 1st DATA REQUEST
ITEMS 19 - 21

FINANCIAL IMPACT

1	Increase	Utility Plant in Service	\$2,287,290		
2	Decrease	RUS Advance Payments on Debt		\$ 2,287,290	
3		Explanation: Purchase of new Marion operations center at projected cost			
4		utilizing the funds in the RUS Cushion of Credit account.			
5					
6	Decrease	Utility Plant in Service		\$ 184,869	
7	Decrease	Accumulated Provision for Depreciation	\$ 96,444		
8	Increase	RUS Advance Payments on Debt	\$ 88,425		
9		Explanation: Sale of existing Marion operations center projected at book			
10		value.			
11				New	Old
13	Increase	Utilities Expense	\$ 3,263	(\$ 15,500 - \$12,237)	
14	Increase	Cleaning, Waste Disposal & Other	23,661	(\$ 48,000 - \$24,339)	
15	Increase	Taxes	14,711	(\$ 16,240 - \$ 1,529)	
16	Increase	Insurance	4,565	(\$ 5,500 - \$ 935)	
17	Increase	Depreciation	42,072	(\$ 44,746 - \$ 2,674)	
18	Decrease	Interest Income	109,943	(\$2,287,290 - \$88,425) x 5%	
19	Decrease	Margins	<u>\$ 198,215</u>		

20
21 Explanation:
22 Projected increase in expenses or interest income due to new Marion operations center.
23

RATE IMPACT

25 The projected rate impact in the next general rate application proceeding (excluding power cost and
26 direct serve accounts) forecasted to be filed in 2014 is to change the percent increase from 2.1% to 2.3%.

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**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

Item 20) Refer to pages 5 and 6 of the application, paragraphs (i) and (j).

Kenergy states in paragraph (i) that cash reserves will be used to finance the new construction. However, paragraph (j) shows an increase in interest expense from \$4,421 to \$100,000 when comparing expenses from the existing facility to the proposed facility. Given that Kenergy is not proposing to borrow money for the new facility, explain the reason for the increase in interest expense.

RESPONSE:

See Item 19, page 2 of 2, line 18. The RUS cushion of credit account, which earns 5%, will be decreased by \$2,198,865.00.

Therefore, interest income will be decreased by \$109,943.00.

WITNESS: Steve Thompson

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**KENERGY CORP.
RESPONSE TO COMMISSION STAFF'S
FIRST REQUEST FOR INFORMATION**

CASE NO. 2011-00196

9 **Item 21)** Provide an analysis of the rate impact of the proposed Marion branch
10 office project.

11 **RESPONSE:**

12 **Item 21 information in the original application is correct. The**

13 **Item 21 data request response should reflect that.**

14 **WITNESS: Steve Thompson**