

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. FOR)	
APPROVAL OF FLOW THROUGH RATES)	CASE NO.
PURSUANT TO KRS 278.455)	2013-00385

ORDER

On December 3, 2013, Kenergy Corp. ("Kenergy") tendered for filing an application to pass through the effects of any wholesale rate adjustment granted to its wholesale power supplier, Big Rivers Electric Corporation ("Big Rivers"), in Case No. 2013-00199.¹ Kenergy submitted its application pursuant to the authority of KRS 278.455(2) and 807 KAR 5:007. Kenergy proposed that its new rates become effective the same day as Big Rivers' rates in Case No. 2013-00199.

On December 6, 2013, the Commission issued an Order which established a procedural schedule for this proceeding and suspended the operation of the proposed rates up to and including April 27, 2014. The December 6, 2013 Order also provided that if Big Rivers lawfully placed its proposed rates into effect subject to refund after the end of its suspension period as established in Case No. 2013-00199, Kenergy could simultaneously put its proposed rates into effect subject to refund. In Case No. 2013-00199, Big Rivers' proposed rates were suspended up to and including January 27, 2014.

¹ Case No. 2013-00199, Application of Big Rivers Electric Corporation for a General Adjustment in Rates Supported by Fully Forecasted Test Year (Ky. PSC Apr. 25, 2014).

On January 30, 2014, Kenergy notified the Commission of its intent to place the proposed rates into effect for service rendered on and after February 1, 2014. By Order issued February 4, 2014, we approved Kenergy's rates to be effective, subject to refund, for service rendered on and after February 1, 2014. We further directed Kenergy to maintain its records in such a manner as will allow it, the Commission, or any customer to determine the amounts to be refunded, and to whom, in the event a refund is ordered upon final resolution of this matter.

Commission Staff issued, and Kenergy responded to, four information requests. The Kentucky Industrial Utility Customers, Inc. ("KIUC") and the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), were granted intervention in this case. The matter now stands submitted for a decision based on the evidentiary record.

DISCUSSION

In its application, Kenergy described how its proposed pass-through rates were developed.

Kenergy's proposed rates set forth herein allocate said increase to each class and within each tariff on a proportional basis that will result in no change in the rate design currently in effect.²

KRS 278.455(2) provides that a distribution cooperative may change its rates to reflect a change in the rate of its wholesale supplier if the effects of an increase or decrease are allocated to each class and within each tariff on a proportional basis that will result in no change in the rate design currently in effect. Further, 807 KAR 5:007, Section 1(5), provides that the distribution cooperative shall file an analysis

² Application, p. 2, paragraph (d).

demonstrating that the rate change does not alter the rate design currently in effect and that the revenue change has been allocated to each class and within each tariff on a proportional basis.

On November 7, 2013, KIUC³ filed a Motion to Treat All Consumers Equally with Respect to the Commission-Created Reserve Funds, or in the Alternative to Require a Full-Blown Distribution Rate Case ("Motion"). KIUC argued that approval of Big Rivers' proposal in Case No. 2013-00199 to use the Rural Economic Reserve ("RER") funds to offset the impact of its proposed wholesale rate increase could disproportionately change Kenergy's current rate design because the RER funds, as established by the Commission in Case No. 2007-00455,⁴ would provide a "rate credit" to Big Rivers' Rural class but not to the Big Rivers' Large Industrial class. Accordingly, KIUC argued that the flow-through of a wholesale rate increase authorized in KRS 278.455(2) is not applicable if the rate design is changed.

Kenergy filed a response on November 15, 2013, to KIUC's Motion arguing that it was proposing to pass through the wholesale increase proportionately to its customers without altering the rate design and that the issue raised by KIUC as to the use of the RER funds was before the Commission in Case No. 2013-00199 and should be decided in that case.

KIUC filed a reply on November 21, 2013, contending that unless the Commission remedied this purported undue discrimination in Case No. 2013-00199 by

³ KIUC is also an intervenor in Case No. 2013-00199.

⁴ Case No. 2007-00455, The Applications of Big Rivers Electric Corporation for: (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation; (2) Approval of Transactions; (3) Approval to Issue Evidences of Indebtedness; and (4) Approval of Amendments to Contracts; and of E.ON U.S., LLC, Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. for Approval of Transactions (Ky. PSC Mar. 6, 2009).

requiring the RER funds to be applied to all of Big Rivers' customers, the Commission should require Kenergy to file a full-scale distribution rate case.

On December 11, 2013, the AG filed a response to KIUC's Motion stating that the Commission should not alter the purpose for which the RER funds were created. The AG also agreed with Kenergy that the issue surrounding the use of the RER funds should be decided solely within the confines of Case No. 2013-00199.

In an Order issued on December 30, 2013, the Commission found that the use of the RER funds was an issue raised by KIUC in Case No. 2013-00199 and that issue should be determined in that case. The Commission also found that the issue of the appropriateness of a flow-through proceeding was not ripe because a final determination had not been made in Case No. 2013-00199 concerning how the RER funds are to be applied. KIUC's Motion was deferred until this case was submitted for a decision on the record.

FINDINGS

In an Order issued today in Case No. 2013-00199, the Commission accepted a proposal by KIUC which requires a sharing of a portion of the RER funds with Big Rivers' Large Industrial customers.⁵ Therefore, the Commission finds that KIUC's Motion should be denied as moot.

The Commission has reviewed the approach proposed by Kenergy to pass through the increase in the wholesale rates of Big Rivers and to allocate such increase to its retail rates. Based upon this review, the Commission finds that Kenergy's

⁵ In its post-hearing brief in Case No. 2013-00199, the AG expressed support for KIUC's proposal.

approach complies with the provisions of KRS 278.455(2) and 807 KAR 5:007, Section 1(5), and, therefore, should be accepted.

In the Order issued today in Case No. 2013-00199, the Commission is authorizing a \$36,159,928 million annualized increase in Big Rivers' wholesale rates effective for service rendered on and after February 1, 2014. Using the test-year information contained in its application, Kenergy will pass-through an increase in its wholesale power cost of \$21,946,905⁶ annually.

REFUNDS

As previously stated, Kenergy placed its proposed rates into effect on February 1, 2014, subject to refund. However, because the wholesale increase put into effect by Big Rivers on February 1, 2014, was fully mitigated by the use of Big Rivers' Economic Reserve ("ER") fund, the Commission finds that refunds by Kenergy are not required.

TARIFFS

As part of its application, Kenergy proposed to make changes to its tariff based on Big Rivers' proposals to discontinue its Large Industrial Customer Expansion tariff and to accelerate the use of the Economic Reserve fund and Rural Economic Reserve funds to mitigate 100 percent of the wholesale increase. Kenergy is also proposing changes to its Schedule 33, Smelter Customers Served Under Special Contract – Class A.⁷ The Commission finds that the proposed tariff changes should be approved with the exception that the "MRSM/RER percentage" provided in Kenergy's proposed Schedule 29, Rural Economic Reserve Adjustment Rider, should be recalculated to provide for

⁶ This amount excludes an amount of \$29,519 attributable to Kenergy's own use and represents a pass-through of \$14,259,857 to its non-direct served customers and \$7,687,048 to its direct-served customers.

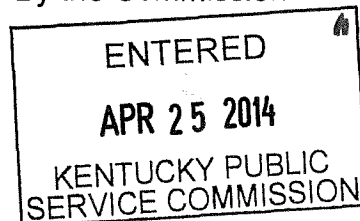
⁷ See Kenergy's response to Item 1 of Commission Staff's Fourth Request for Information.

the mitigation of the amount of the wholesale increase granted to Big Rivers in Case No. 2013-00199. In addition, the Commission finds that Kenergy should make any additional tariff changes that may be necessary as a result of the Commission's decisions in Case No. 2013-00199 that relate to the use of the ER and RER funds.

IT IS THEREFORE ORDERED that:

1. The proposed rates submitted with Kenergy's application are denied.
2. The approach proposed by Kenergy to allocate its portion of the increase in wholesale rates authorized in Case No. 2013-00199 is accepted.
3. The rates set forth in the appendix hereto are approved for service rendered on and after February 1, 2014.
4. Within 20 days of the date of this Order, Kenergy shall file with this Commission, using the Commission's electronic Tariff Filing System, its revised tariffs setting out the rates and tariff modifications approved or as required herein and stating that they were approved pursuant to this Order.
5. KIUC's Motion is denied as moot.

By the Commission



ATTEST:



Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00385 DATED **APR 25 2014**

The following rates and charges are prescribed for the customers in the area served by Kenergy Corp. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

SCHEDULE 1
RESIDENTIAL SERVICE - SINGLE AND THREE PHASE

Customer Charge per Delivery Point	\$ 15.60
Energy Charge per kWh	\$.101304

SCHEDULE 3
ALL NON-RESIDENTIAL - SINGLE PHASE

Customer Charge per Delivery Point	\$ 22.10
Energy Charge per kWh	\$.09959

SCHEDULE 5
THREE PHASE DEMAND – NON-RESIDENTIAL
NON-DEDICATED DELIVERY POINTS - 0 – 1,000 kW

Customer Charge per Delivery Point	\$ 45.52
Demand Charge per kW	\$ 5.78
Primary Discount	\$.65
Energy Charge per kWh:	
First 200 kWh per kW	\$.08749
Next 200 kWh per kW	\$.06710
All over 400 kWh per kW	\$.05940

SCHEDULE 7
THREE PHASE DEMAND
NON-DEDICATED DELIVERY POINTS – 1,001 kW And Over

Option A – High Load Factor:	
Customer Charge per Delivery Point	\$ 975.27
Demand Charge per kW	\$ 12.20
Energy Charge per kWh:	
First 200 kWh per kW	\$.05219
Next 200 kWh per kW	\$.04794
All over 400 kWh per kW	\$.04538
Option B – Low Load Factor:	
Customer Charge per Delivery Point	\$ 975.27
Demand Charge per kW	\$ 6.87
Energy Charge per kWh	
First 150 kWh per kW	\$.07231
Over 150 kWh per kW	\$.06333
Primary Discount	\$.65

SCHEDULE 15
PRIVATE OUTDOOR LIGHTING

Flat rate per light per month as follows:

Standard:	
175 Watt M.V.	\$ 11.06
250 Watt M.V.	\$ 13.24
400 Watt M.V.	\$ 16.19
100 Watt H.P.S.	\$ 10.41
100 Watt M.H.	\$ 9.82
400 Watt M.H.	\$ 21.07
60 Watt LED NEMA	\$ 8.89
200/250 Watt H.P.S.	\$ 15.46
400 Watt H.P.S. - Flood	\$ 18.18

Commercial and Industrial Lighting:

Flood Lighting Fixture:	
250 Watt H.P.S.	\$ 14.06
400 Watt H.P.S.	\$ 18.19
1,000 Watt H.P.S.	\$ 41.94
250 Watt M.H.	\$ 13.46

400 Watt M.H.	\$	18.11
1,000 Watt M.H.	\$	41.87

Contemporary (Shoebox):

250 Watt H.P.S.	\$	15.90
400 Watt H.P.S.	\$	20.13
1,000 Watt H.P.S.	\$	41.94
250 Watt M.H.	\$	15.29
400 Watt M.H.	\$	19.73
1,000 Watt M.H.	\$	41.87

Decorative Lighting:

100 Watt M.H. – Acorn Globe	\$	14.26
175 Watt M.H. – Acorn Globe	\$	17.57
100 Watt M.H. – Round Globe	\$	13.99
175 Watt M.H. – Round Globe	\$	16.30
175 Watt M.H. – Lantern Globe	\$	16.47
100 Watt H.P.S. – Acorn Globe	\$	16.09

Pedestal Mounted Pole:

Steel 25 Ft. Pedestal Mt. Pole	\$	9.03
Steel 30 Ft. Pedestal Mt. Pole	\$	10.15
Steel 39 Ft. Pedestal Mt. Pole	\$	17.07
Wood 30 Ft. Direct Burial Pole	\$	5.65
Aluminum 28 Ft. Direct Burial Pole	\$	11.62
Fluted Fiberglass 15 Ft. Pole	\$	12.42
Fluted Aluminum 14 Ft. Pole	\$	13.64

SCHEDULE 16
STREET LIGHTING SERVICE

Flat rate per light per month as follows:

175 Watt M.V.	\$	11.06
400 Watt M.V.	\$	16.19
100 Watt H.P.S.	\$	10.41
250 Watt H.P.S.	\$	15.46
100 Watt M.H.	\$	9.82
400 Watt M.H.	\$	20.78

Underground Service with Non-Standard Pole:

Governmental Entities and Street Lighting Districts, per Pole	\$	7.27
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Overhead Service to Street Lighting Districts:		
Street Lighting District, per Pole	\$	3.04

Decorative Underground With Non-standard Pole:		
70 Watt H.P.S. – Acorn Globe	\$	14.35
70 Watt H.P.S. – Lantern Globe	\$	14.35
140 Watt H.P.S.	\$	25.43
100 Watt H.P.S. – Acorn Globe	\$	27.52

SPECIAL STREET LIGHTING DISTRICTS

Flat rate per light per month as follows:

Baskett	\$	3.83
Meadow Hill	\$	3.49
Spottsville	\$	4.32

SCHEDULE 23
RENEWABLE RESOURCE ENERGY SERVICE RIDER

Non-Direct Served Customers:		
Premium per kWh	\$.010435
Direct Served Customers (excluding Class A):		
Premium per kWh	\$.01695

SCHEDULE 34
LARGE INDUSTRIAL CUSTOMERS SERVED UNDER SPECIAL CONTRACT
DEDICATED DELIVERY POINTS (CLASS B)

Demand Charge per kW	\$	10.715
Energy Charge per kWh	\$.038216

SCHEDULE 35
LARGE INDUSTRIAL CUSTOMERS SERVED UNDER SPECIAL CONTRACT
DEDICATED DELIVERY POINTS (CLASS C)

Demand Charge per kW	\$	10.715
Energy Charge per kWh	\$.041050

SCHEDULE 43
SMALL POWER PRODUCTION OR COGENERATION (UNDER 100 kW)
CUSTOMER SELLS POWER TO KENERGY

Base payment per kWh \$.0450

SCHEDULE 45
SMALL POWER PRODUCTION OR COGENERATION (OVER 100 kW)
CUSTOMER BUYS POWER FROM KENERGY

The Charges for On-peak Maintenance Service shall be the greater of:

(1) Per kW of Scheduled Maintenance Demand per Week \$ 3.22
Plus per kWh of Maintenance Energy \$.0450

OR

(2) Percent of Market Price 110%

The Charges for Off-peak Maintenance Service shall be:

Per kW of Scheduled Maintenance Demand per Week \$ 3.22

Excess Demand:

To Import from a 3rd Party:
Percent of Actual Cost 110%

Not Imported, the greater of:

(1) Charge per kW times the highest Excess Demand \$ 13.805

OR

(2) Percent of Highest Price received during an Off-System
Sales Transaction times the sum of Excess Demands 110%

SCHEDULE 162
DEPOSITS

Residential Customer Deposit:

With Accelerated Use of Reserve Funds \$ 251.00
After Expiration of Reserve Funds \$ 315.00

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