



P.O. Box 18 • 6402 Old Corydon Road
Henderson, Kentucky 42419-0018
1.800.844.4832

April 23, 2015

Mr. Jeff Derouen
Kentucky Public Service Commission
211 Sower Boulevard
Post Office Box 615
Frankfort, Kentucky 40601

RECEIVED

APR 27 2015

PUBLIC SERVICE
COMMISSION

Dear Mr. Derouen: Case No. 2015-00141

Please find enclosed a copy of the approval letter from the Rural Utilities Service (RUS) to implement the Kenergy Corp. ("Kenergy") proposed plan for amortizing the write-off of the mechanical meters associated with Kenergy's Advanced Metering Infrastructure ("AMI") project. As provided within the letter from RUS, the authorization is contingent upon the approval of the Kentucky Public Service Commission ("KPSC").

Kenergy's request for a regulatory asset was submitted to RUS on March 11, 2015. A copy of the request is enclosed with this letter for your reference. Based on the decision of RUS, Kenergy respectfully requests approval from the KPSC to establish a regulatory asset in the amount of \$3,884,717 and to amortize the amount over a ten (10) year period.

Sincerely,

Gregory J. Starheim
President and CEO

Enclosure



United States Department of Agriculture
Rural Development

APR 15 2015

Mr. Gregory J. Starheim
President & CEO
Kenergy
6402 Old Corydon Road
Henderson, Kentucky 42419-0018

Dear Mr. Starheim:

In response to your letter dated March 11, 2015, we have reviewed the information submitted regarding Kenergy's regulatory asset plan. Kenergy plans to establish a regulatory asset in the amount of \$3,884,717 for the write-off of its current meters which are being replaced by Automated Meter Information (AMI) meters. This amount is to be amortized over a ten year period.

All of the required information was submitted in the letter; therefore, the Rural Utilities Service's approval to implement the plan is given. It should be noted, however, that our approval is based upon the understanding that the deferral and amortization of these costs are being specifically addressed in Kenergy's rate filing with the Kentucky Public Service Commission (Commission) and that the Commission authorizes the deferral and subsequent recovery of these costs. If the Commission does not allow the recovery of these costs, any remaining deferred amount must be written off immediately in its entirety.

Please contact the Technical Accounting and Auditing Staff at (202) 720-5227 if you have any questions or if we can be of any further assistance.

Sincerely,

A handwritten signature in blue ink, appearing to read "Vu".

VICTOR T. VU
Deputy Assistant Administrator
Office of Portfolio Management and Risk Assessment

1400 Independence Ave. S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

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March 11, 2015

Mr. Victor Vu
Deputy Assistant Administrator
Rural Utilities Service
STOP 1568, Room 0270
1400 Independence Ave., SW
Washington, D.C. 20250-1568

Dear Mr. Vu:

Kenergy Corp is implementing an Advanced Metering Infrastructure ("AMI") system where all of its current mechanical meters are being replaced with AMI meters. In conjunction with the meter replacement project, Kenergy is proposing to write-off its existing meters and the associated accumulated depreciation. This will result in a large adjustment that Kenergy is proposing to amortize. This adjustment resulted from the premature retirement of existing meters, and it is Kenergy's opinion that this one-time amount should not be expensed in a single year since it is the result of years of accumulating meters and then retiring all these meters in a single project.

The proposed adjustment to retire meters, remove the accumulated depreciation, and establish a regulatory asset is as follows:

Debit Acct. 108.6 Accumulated Depreciation	\$ 525,127	
Debit Acct. 182.2 Unrecovered Plant	\$3,884,717	
		Credit Acct. 370.0 Meters
		\$4,409,844

Kenergy is proposing to amortize the regulatory asset over a 10-year period. The proposed annual adjustment to amortize the net retirement of meters is as follows:

Debit Acct. 407.0 Amortization of Property Losses	\$ 388,472	
		Credit Acct. 182.2 Unrecovered Plant
		\$ 388,472

Attached is a certified board resolution approving the proposal.

Should you have any questions, or need additional information, please do not hesitate to contact us.

Respectfully submitted,

Gregory J. Starheim
President and CEO



BOARD RESOLUTION

WHEREAS, Kenergy Corp. is implementing an Advanced Metering Infrastructure ("AMI") system where all of the current mechanical meters are being replaced with AMI meters. In conjunction with the meter replacement project, Kenergy is proposing to write-off approximately \$4,409,844 of original meter costs and approximately \$525,127 of accumulated depreciation. The resulting estimated loss of \$3,884,717 will be amortized over a period of ten (10) years.

NOW THEREFORE BE IT RESOLVED, the proposal to retire the current mechanical meters, remove accumulated depreciation and amortize the resulting loss over ten (10) years is approved and management is authorized to seek the approval of the Rural Utilities Service and the Kentucky Public Service Commission to establish a regulatory asset.

CERTIFICATION OF SECRETARY

I, Debra Hayden, Assistant Corporate Secretary of Kenergy Corp., do hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Kenergy Corp., held on the 10th day of March, 2015, at which meeting a quorum was present.

A handwritten signature in cursive script that reads "Debra Hayden".

Debra Hayden, Assistant Corporate Secretary

