COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. FOR AN ADJUSTMENT IN EXISTING RATES	))	CASE NO. 2011-00035

SECOND DATA REQUEST OF COMMISSION STAFF TO KENERGY CORP.

Kenergy Corp. ("Kenergy"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 8, 2011. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided. If any of the information requested herein is included in Kenergy's rate application, an index of such information shall be filed along with the rate application.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kenergy shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kenergy fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Exhibit 3B of the Application.

a. Refer to First Revised Sheet No. 15. State whether Kenergy included the footnote at the bottom of this tariff page solely to provide explanation to assist in the processing of this Application or if Kenergy intends for the footnote to be part of its tariff.

b. Refer to First Revised Sheet No. 15A through Second Revised Sheet No. 16B. On each of these pages, Kenergy has added the language "Not Available for New Installations after April 1, 2011." Explain why this language was added.

c. Refer to First Revised Sheet No. 16. The "Availability of Service" section refers to a service agreement for the subdivisions of Baskett, Meadow Hills, and Spottsville. Provide a copy of the agreement.

d. Refer to First Revised Sheet No. 23D. In the middle of the page, relating to the kWh adder, did Kenergy intend to reference 3.5476 cents, rather than 3.46 cents?

e. Refer to Second Revised Sheet No. 32, the "Special Meter Reading Charge" section. Explain the reason for the text change from three months to six months.

f. Refer to Original Sheet No. 33B and First Revised Sheet No. 35B. Excluding differences in dollar amounts, explain the differences in the calculation of the facilities charge between these two pages.

g. Refer to First Revised Sheet No. 76E. Kenergy is proposing a text change to allow for electronic notification to cable television operators for abandonment of facilities. State how Kenergy will retain proof of any electronic notification.

h. Refer to Original Sheet No. 76 (Exhibit A), pages 1 and 2, and First Revised Sheet No. 76 (Exhibit A), pages 1 and 2, specifically the sections containing the calculation of the weighted average cost of poles and anchors.

(1) Page 1 of the tariff sheets shows that the cost for 35' - 40' poles increased $2,709,494, from $25,722,873 on December 31, 2007, to $28,432,367 on June 30, 2010. During this same period, the number of poles increased from 71,524 to 71,965, an increase of 441. Dividing the increase in cost of $2,709,494 by the increase in poles of 441 produces an average cost of $6,144 per pole. Is it correct that Kenergy has paid an average of $6,144 for each new 35' - 40' pole purchased since December 31, 2007? Explain.

(2) Page 1 of the tariff sheets shows that the cost for 40' - 45' poles increased $2,734,995, from $22,827,781 on December 31, 2007, to $25,562,776 on June 30, 2010. During this same period, the number of poles increased from 50,135 to 51,720, an increase of 1,585. Dividing the increase in cost of $2,734,995 by the increase in poles of 1,585 produces an average cost of $1,725 per pole. Is it correct that Kenergy has paid an average of $1,725 for each new 40' - 45' pole purchased since December 31, 2007? Explain.

(3) Page 2 of the tariff sheets shows that the cost for anchors increased $2,996,036, from $14,797,194 on December 31, 2007, to $17,793,230 on June 30, 2010. During this same period, the number of anchors increased from 101,155 to 102,513, an increase of 1,358. Dividing the increase in cost of $2,996,036 by the increase in anchors of 1,358 produces an average cost of $2,206 per anchor. Is it correct that Kenergy has paid an average of $2,206 for each new anchor purchased since December 31, 2007? Explain.

i. Refer to First Revised Sheet No. 76 (Exhibit A), pages 1 to 3. Provide revised pages 1 to 3 using the rate of return requested in this case.

j. Refer to First Revised Sheet No. 137. Provide the reasons for the proposed text changes to this page.

k. Refer to First Revised Sheet No. 139A. Provide the supporting calculations for the following:

(1) Underground cost per foot of $12.37.

(2) Overhead cost per foot of $13.28.

(3) Differential (trenching by contractor) of $8 per foot.

(4) Differential (trenching by Kenergy) of $12 per foot.

l. Refer to Original Sheet No. 153 and First Revised Sheet No. 153. Explain why Kenergy is proposing to delete language stating that there will be no meter test fee if the meter has not been tested in eight years.

2. Refer to Exhibit 4 of the Application.

a. The present rate for the 20,000 Lumen-200W-HPS is shown on page 2 as $9.69. This is identified in the proposed tariffs as a light that was inadvertently omitted in Kenergy's most recent rate case. Provide cost justification for the current rate of $9.69.

b. Refer to page 4. The Non-fuel Adjustment Charge Purchase Power Adjustment is shown as -$.001005024. Provide the supporting calculation for this amount.

3. Refer to Exhibit 5 of the Application, page 1.

a. Provide the supporting calculations for the following adjustments to normalize purchase power costs (column C) or provide their location in the Application:

(1) Non-Direct Served - Base Rate of ($634,289).

(2) Direct Served (excluding smelters) - Base Rate of $248,676.

(3) Smelters - Base Rate of $1,755,058.

b. Provide Exhibit 5 electronically with all formulas intact and unprotected.

c. Provide the supporting calculations for the amounts entered on Exhibit 5, page 4, line 15, or provide their location in the Application.

4. Refer to the table starting at the bottom of page 11 and continuing on page 12 of the Direct Testimony of Jack D. Gaines ("Gaines Testimony") which presents rates of return for the non-direct served classes at present rates. The rates of return for the Three Phase 0 - 1,000 kW and Three Phase - Over 1,000 kW are shown as 17.83 percent and 12.45 percent, respectively. Given that the average return for all the classes presented is 4.95 percent, explain why these two classes should receive any allocation of the proposed increase.

5. Page 13, starting at line 2, the Gaines Testimony, refers to a $10,037 increase in the Class C facilities charge. Should this refer to the increase as $10,327?

6. Refer to pages 15 and 16 of the Gaines Testimony in which he refers to "facilities" charges. Are the "facilities" charges referred to identified as customer charges in Kenergy's tariff?

7. Refer to the Gaines Testimony, page 15 at lines 16 to 20, which states, "[b]y comparison to the proposed Facilities Charges of $12.00 and $16.00…." Confirm that these amounts refer to the proposed Residential Facilities Charge and the proposed Non-Residential Single Phase Facilities Charge, respectively. Further confirm that these amounts should be $13.00 and $17.00, respectively.

8. Refer to page 16 of the Gaines Testimony and Exhibit 16, page 8. The Gaines Testimony states that Kenergy is proposing to increase the customer charge from $575 to $750 for the Three Phase - Over 1,000 kW customers. Provide the reason for the increase given that Exhibit 16, page 8, shows the consumer-related costs, including margins, to serve a customer in this class to be $121.52.

9. Refer to page 16 of the Gaines Testimony at lines 3 to 7. Kenergy proposes to increase the monthly Facilities Charge for the Three Phase - Over 1,000 kW Tariff from $575 to $750. Mr. Gaines states that the proposed increase in the Facilities Charge will have "relatively little bill impact" on customers in the Three Phase - Over 1,000 kW Tariff.

a. Quantify this impact based on the average monthly bill for a customer in the Three Phase - Over 1,000 kW Tariff.

b. The proposed increase in the Facilities Charge for the Three Phase - Over 1,000 kW Tariff is also to assist in differentiating that tariff from the Three Phase 0 - 1,000 kW Tariff. Given that the current monthly Facilities Charges for the Three Phase - Over 1,000 kW and the Three Phase 0 - 1,000 kW Tariffs are $30 and $575, respectively, explain how the increase in the proposed Facilities Charge for the Three Phase - Over 1,000 kW Tariff would help to differentiate that tariff from the Three Phase 0 - 1,000 kW Tariff.

10. Refer to page 16 of the Gaines Testimony. Starting at line 9, Mr. Gaines states that the distribution increase for the lighting class was applied evenly at .85 percent. How was this percentage increase determined?

11. Refer to Exhibits 10A and 10B. Provide these exhibits electronically with the formulas intact and unprotected.

12. Refer to Exhibit 10A.

a. Pages 2 and 3, lines 3 and 11, and page 4, lines 3 and 16, include adjustments to the number of customer bills booked or kWh booked. Explain the reasons for the adjustments.

b. Refer to pages 2 to 5. Each of these pages contains a footnote which states, "Proposed Non FAC PPA tariff of $(0.000963) less base rate roll-in of .0008760 adjusted for normalized test year kWh sales." On each of these pages, the footnote appears to be in reference to an amount of ($.0000910) used in the Rider section of the billing analysis. Explain how the two amounts referenced in the footnote are used to calculate the ($.0000910).

c. On page 5 under the "Proposed Revenue" column K, approximately half-way down the column, the number $163,838 is shown. Provide the origin of the number and its purpose in that column.

d. Refer to page 6, line 19. The present rate shown for the 19,500 Lumen-250W-MH-Flood Light is $8.69. The rate shown for this light in Kenergy's current tariff is $8.61. Explain the discrepancy.

e. Refer to page 9. The adjustment to eliminate power costs is shown on line 9 as $716,699. Provide the location of this adjustment on the income statement presented in Exhibit 5 of the application.

f. Refer to page 10, the Direct Served Class A Consumption Analysis, and Exhibit Seelye-6, page 3 of 3 in Case No. 2011-00036.[1]

(1) Refer to columns H and K of page 10. The amounts referenced in columns H and K on line 17 are $14,249,307 and $7,124,654, respectively. The corresponding amounts shown in Exhibit Seelye-6 are $14,229,306 and $7,114,653, respectively. Explain the reasons for the differences.

---

[1] Case No. 2011-00036, Application of Big Rivers Electric Corporation for a General Adjustment in Rates, filed March 1, 2011.

(2) Explain why the billing adjustments of $657,687.71 shown on Exhibit Seelye-6 are not included on Kenergy's page 10.

g. Refer to page 10. Footnote 2 states "Base fixed energy 7,297,080,000 plus base variable energy - 265,331,800." This footnote is in reference to an amount of $7,113,321,360 used in the billing analysis. Explain how this footnote supports the $7,113,321,360.

13. Refer to Exhibit 16.

a. Provide an electronic copy of the cost of service study ("COSS") in Excel format with the formulas intact and unprotected.

b. Identify and explain all differences in methodology, if any, between the COSS filed in this case the COSS filed by Kenergy in its most recent rate case.

c. Refer to page 5.

(1) Explain why Total Expenses, line 13, differs from Total Expenses on page 159 of this Exhibit, line 23.

(2) Explain the basis for the allocations of line items 16, 17, and 18 to the rate classes or provide the location in the COSS where these allocations are calculated.

d. Refer to pages 7-10. These calculations include margins at 2.14 percent of rate base. Explain the basis for the 2.14 percent and provide the location in the COSS where it is calculated.

e. Refer to page 11, line 10. Explain how Other Revenue - Three-Rent-Pole Attachments was allocated among the rate classes.

f. Refer to pages 14-23. Explain the meaning of "Elect" used in the Basis column.

g. Refer to page 73.

(1) Refer to line 88 in the Distribution Operations section. Provide the rationale for using DIST-OH2 as the basis for allocating Account 584, Underground Lines Expense.

(2) Refer to line 80 in the Distribution Maintenance section. Provide the rationale for using DIST-OH1 as the basis for allocating Account 594, Underground Lines.

h. Refer to page 95. It appears that the ratios on this page are the same as those used in the total system subfunctionalization of the utility plant, labor, and utility expenses in the COSS. State whether the ratios on page 95 were developed to subfunctionalize utility plant, labor and utility expenses or if the subfunctionalization of utility plant resulted in the ratios. If the former, explain in detail the origin of the ratios. If the latter, explain in detail the origin of the numbers on the subfunctionalization pages.

i. Refer to page 101. Explain why all of the direct assignment classifications are to the Security Lights class.

j. Provide the minimum intercept calculations referred to on page 9 of the Gaines Testimony.

14. Refer to the testimony of Steve Thompson, Exhibit 7, page 2, lines 23 to 29.

a. How does Kenergy define the term "normal" as it relates to heating and cooling degree days?

b. Provide a monthly comparison of "normal" heating and cooling degree days to actual heating and cooling degree days for the test year.

c. Provide the same comparison provided in response to part b. of this request for the months of July and August 2010.

15. Refer to the testimony of Robert N. Welsh ("Welsh Testimony"), Exhibit 9, page 19, lines 6 to 9. Provide documentation of the approval by Rural Utility Services ("RUS") of the current depreciation rates and the rates resulting from the depreciation study filed in the application.

16. Refer to Welch Testimony, page 11 at lines 18 to 22 concerning net salvage. Mr. Welch states that "the copper wire replacement project made the past net salvage significantly more than what is expected in the future."

a. Provide a full explanation of the copper replacement project mentioned.

b. Fully explain and quantify how this project has had such a significant impact on net salvage.

17. Refer to Exhibit 12, Independent Auditors Report - 2009, Notes to Financial Statements, item 2, Utility Plant. The note states that "[a]t December 31, 2009 the FEMA receivable was approximately $3,000,000."

a. Provide the current status of this account.

b. Identify the account number where this receivable was recorded.

c. Does the test year include any expenses resulting from the 2009 ice storm that were not reimbursed by FEMA? If so, provide an analysis of the amounts and the accounts in which they are recorded.

18. Refer to Kenergy's response to the First Data Request of Commission Staff ("Staff's First Request"), Item 9, which provides a comparison of income statement account levels for the test period and the 12 months immediately preceding the test period.

a. Page 4 of 27 shows that Account 419000, Interest-Dividend Income, increased by $416,021.43, from $618,391.83 to $1,034,413.26, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

b. Page 16 of 27 shows that Account 583000, Distribution-Exp-Ops Overhead Line, increased by $767,693.39, from $896,117.10 to $1,663,810.49, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

c. Page 17 of 27 shows that Account 588200, Dist-Exp-Ops Storm Damage, decreased by $200,147.00, from $200,147.00 to $0.00, from 2009 to the 2010 test period. Provide a detailed explanation for why this account decreased by this magnitude.

d. Page 18 of 27 shows that Account 592100, Dist Exp-Main-Supervisory Control, increased by $30,214.99, from $102,490.13 to $132,705.12, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

e. Page 18 of 27 shows that Account 592200, Dist Exp Main-Microwave System, increased by $49,731.64, from $61,031.61 to $110,763.25, from

2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

f. Page 18 of 27 shows that Account 593200, Dist Exp Main-Storm Damage, decreased by $333,041.27, from $333,041.27 to $0.00, from 2009 to the 2010 test period. Provide a detailed explanation for why this account decreased by this magnitude.

g. Page 18 of 27 shows that Account 593300, Maintenance of Overhead Lines-ROW, increased by $1,664,657.85, from $2,995,645.02 to $4,660,302.87, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

h. Page 19 of 27 shows that Account 597000, Dist Exp-Main-Meters, increased by $66,375.54, from $141,163.96 to $207,539.50, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

i. Page 21 of 27 shows that Account 908000, Customer Assistance Expense, decreased by $73,215.11, from $237,864.42 to $164,649.31, from 2009 to the 2010 test period. Provide a detailed explanation for why this account decreased by this magnitude.

j. Page 22 of 27 shows that Account 920000, Adm-Gen Exp-Ops-Executive Salary, increased by $508,794.79, from $1,022,750.66 to $1,531,545.45, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

k. Page 24 of 27 shows that Account 923000, Outside Services - General, increased by $68,842.45, from $70,966.87 to $139,809.32, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

l. Page 25 of 27 shows that Account 928000, Regulatory Comm. Expense, decreased by $91,455.21, from $103,152.93 to $11,697.72, from 2009 to the 2010 test period. Provide a detailed explanation for why this account decreased by this magnitude.

m. Page 27 of 27 shows that Account 935000, Maint of General Plant, increased by $64,858.87, from $568,526.19 to $633,385.06, from 2009 to the 2010 test period. Provide a detailed explanation for why this account increased by this magnitude.

19. Refer to Kenergy's response to the Staff's First Request, Item 14.

a. Discuss how and when Kenergy determines that a "General Retirement" of patronage capital is appropriate. Include in this discussion how the amount to be retired is determined.

b. Explain how the target range of equity to total capital ratio of 30 percent to 40 percent was determined.

c. Explain why it is important for Kenergy to maintain an equity to total capital ratio within its targeted range.

d. Explain why Kenergy has chosen not to make any general retirements of capital credits since 2006.

20. Refer to Kenergy's response to Staff's First Request, Item 34, page 2 of 10.

a. With the exception of the depreciation study, provide a detailed explanation of the nature of the items listed that make up the total professional services reported under "Other."

b. Provide a detailed supporting schedule which shows the payee, dollar amount, reference and date paid.

c. Provide a comparative analysis of Professional Services for the calendar years 2006 through 2010. Expenses should be summarized by the major categories of expense incurred in each year.

21. Refer to Kenergy's response to Staff's First Request, Item 35. Explain how Kenergy determined that advertising costs for this rate case should be $60,000 when the advertising costs incurred in Kenergy's most recent rate case, Case No. 2008-00323,[2] were $16,707.

22. Refer to Kenergy's response to Staff's First Request, Item 49.

a. Describe the level of customer interest in the Demand-Side Management ("DSM") pilot programs noted in Kenergy's response. Provide the number of customers that are actually participating or have indicated a desire to participate.

b. Explain whether Kenergy has any plans to develop or establish DSM programs independent of Big Rivers Electric Corporation.

23. Refer to Kenergy's response to Staff's First Request, Item 30.

---

[2] Case No. 2008-00323, Application of Kenergy Corp. for an Adjustment in Existing Rates (Ky. PSC, Jan. 29, 2009).

a. Provide a summary schedule of Board of Directors fees and expenses, by member, utilizing the same expense categories as used in the detailed schedules provided in this response. Identify those expenses that Kenergy has removed for ratemaking purposes.

b. Provide the response to Item 30 electronically with all formulas intact and unprotected.

24. Refer to Kenergy's response to Staff's First Request, Item 6.

a. In the format used in this response, provide an update of the current interest rates for outstanding long-term debt as of the most recent month available and continue to update monthly until the date of the hearing in this proceeding.

b. On pages 4 and 5, the date in the heading of the schedules is December 31, 2010. Column (f) of the schedules indicates that the interest rates are as of December 31, 2009. Confirm which date is correct.

c. Refer to page 3, line 82, and page 5, line 80. Provide a detailed explanation of the RUS cushion of credit, what the amounts represent and how they were determined.

25. Kenergy is requesting an adjustment in existing rates that will result in Kenergy attaining a Times Interest Earned Ratio ("TIER") of 2.0X.

a. Describe the methodology employed by Kenergy in determining that 2.0X was the appropriate TIER on which to base its requested rate increase.

b. Is Kenergy aware of any studies performed by RUS or the National Rural Utilities Cooperative Finance Corporation on the subject of the appropriate TIER level for an electric distributive cooperative? If yes, identify the studies and when they were performed.

c. Kenergy's request in this case for a 2.0X TIER would produce net margins of roughly $6.1 million. For each of the five calendar years immediately preceding the test year, provide the approximate net margins that would have been realized if Kenergy had achieved a TIER of 2.0X.

26. Refer to Exhibit 5, page 5, Labor Adjustment.

a. Footnote 2 indicates that the calculation of proforma hours was based on 147 full-time employees. However, the supporting reference of Exhibit 5, page 5f, line 41 indicates that the total is 148. Explain this discrepancy.

b. Provide the calculation of the proforma full-time rate of $31.12.

c. Explain whether this rate includes any general, merit or step wage adjustments that occurred subsequent to the test year.

27. Refer to Kenergy's response to Staff's First Request, Item 27.

a. Provide a comparative schedule of employee benefits expense for the calendar years 2006 through 2010.

b. Fully describe Kenergy's process for selecting the providers of its employee benefit plans.

c. What other providers were considered for the current plans? Explain Kenergy's decision to select the current providers.

28. Refer to Exhibit 5, page 12, and Kenergy's response to Staff's First Request, Item 37, pages 2 and 3.

a. Exhibit 5, page 12, line 13, shows a balance for account 370.000, Meters in the amount of $5,351,305. However, the response to Item 37 does not indicate an account 370.000, Meters. Explain this discrepancy and provide corrected schedules if necessary.

b. The response to Item 37 shows an account 370.1, AMI Meters, in the amount of $136,911. However, Exhibit 5, page 12, does not indicate an account 370.1, AMI Meters. Explain this discrepancy and provide corrected schedules if necessary.

29. Refer to Kenergy's response to Staff's First Request, Item 37, pages 2 and 3. Staff is unable to verify the amounts shown in the Annual Depreciation column. Confirm the amounts shown in this column are correct, or provide a corrected schedule.

Stephanie Bell for Jeff Derouen

Jeff Derouen
Executive Director
Public Service Commission
P. O. Box 615
Frankfort, Kentucky 40602

DATED MAR 25 2011

cc: All Parties

David Brown
Stites & Harbison, PLLC
1800 Providian Center
400 West Market Street
Louisville, KENTUCKY 40202

J. Christopher Hopgood
Dorsey, King, Gray, Norment & Hopgood
318 Second Street
Henderson, KENTUCKY 42420

Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202

Sanford Novick
President and CEO
Kenergy Corp.
P. O. Box 18
Henderson, KY 42419