

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

O R D E R

Kenergy Corp. ("Kenergy") filed an application on June 2, 2011, for a Certificate of Public Convenience and Necessity ("CPCN") to construct a district office and service facility in Marion, Kentucky. This new facility replaces an existing branch office in Marion, Kentucky that was originally built in 1954. The estimated construction costs of the proposed facility are as follows, not including a 10 percent contingency:

Building and Site ¹	\$2,000,595
Furnishings ²	30,000
Communication System ³	39,520
Oil Containment System ⁴	20,000
Land ⁴	50,000
Professional Service Fees ⁵	<u>183,570</u>
Total	\$2,323,685

¹ See Kenergy's Response to Commission Staff's Second Request for Information, Item 3.a., filed Sep. 26, 2011.

² Application, Direct Testimony of Tim Skinner at page 4.

³ Kenergy's Supplemental Response to Commission Staff's First Request for Information, Item 4, filed Aug. 12, 2011.

⁴ Kenergy's Response to Commission Staff's First Request for Information, Item 4.

⁵ Kenergy's Supplemental Response to Commission Staff's First Request for Information, items 4 and 16 (Fees estimated at: engineering - \$17,770; architectural - \$160,000, and legal - \$5,800).

The existing Marion facility has a 2,790 square-foot office building with a 950 square-foot attached storage structure, and two other buildings on the site that are serving as a warehouse and garage with a combined 5,600 square feet of floor space. According to Kenergy, it maintains approximately 1,322 miles of electric distribution line and serves approximately 9,444 customers in its Marion service territory, which consists of Livingston, Lyon, Caldwell, Hopkins, Webster, Union and Crittenden counties. The number of customers in its Marion district represents approximately 15.5 percent of Kenergy's total customer base.

Kenergy indicates that there are currently 15 employees working at the Marion office and service center facility. This district office is over 50 miles from the next closest Kenergy offices, which are located at Henderson and Hanson. Kenergy states that the present office structure has water, mildew and mold problems, contains asbestos, and is not in compliance with the Americans with Disabilities Act. The existing facility consists of three separate buildings at different floor elevations located in town on a 1.2 acre site which does not adequately accommodate material or equipment storage, or allow for any future expansion. Kenergy further states that service vehicles are parked in the open causing crew inefficiency and safety concerns, especially during loading and checking equipment in preparation for their field duties.

Limited site space of the present in-town location, along with its changes in grade, cause storage and mobility problems hindering the effectiveness and efficiency of the center. The present facilities have different work elevations and the finished floor of the office area is lower than the highway with the parking area sloping toward the office building, which causes drainage problems. The existing office would require

extensive refurbishing, and many of the inadequacies with the facility cannot be addressed by any reasonable and cost-effective renovation.

The proposed facility will be located on a 7.46 acre site along Highway 641, south of Marion, just beyond the city limits. The new location will continue to ensure that no Kenergy customer is more than approximately 40 miles from a Kenergy office, and will enable a continued rapid response of crews in addressing problems. The proposed building is a 24,644 square-foot, one-story structure consisting of a 5,844 square feet of office space and an 18,800 square-foot covered service area. The covered service area is designed to include a materials warehouse, a heated garage and shop, and a covered vehicle parking port. The building will be constructed to meet all applicable building codes using non-hazardous materials and will be designed to meet LEED (“Leadership in Environmental Efficiency Design”) standards.⁶ The LEED compliant design incorporates such items as an efficient geo-thermal heating system with efficient variable frequency drives and a programmed modulating HVAC system that adjusts for indoor and outdoor conditions. The efficient design has low-flow water restrictive plumbing fixtures, sensor lighting controls, and LED trough lighting fixtures. Materials used will have a high recycled content, and the building will have high R-value insulation installed. In addition, energy efficiency is designed into external features with no exterior landscape irrigation system being utilized and the roofing will be light in color and reflective.

⁶ Kenergy’s Response to Commission Staff’s Second Request for Information, Item 5.

Based on the application, and being otherwise sufficiently advised, the Commission finds that the construction of Kenergy's proposed building facilities is needed to adequately provide service to its customers and would not result in wasteful duplication of facilities. The estimated cost of the facility construction is reasonable according to the testimony and cost tabulation provided by the project architect. There are no Crittenden County zoning or planning requirements for this new construction, but it will be designed to meet all relevant Commonwealth of Kentucky and Crittenden County building codes⁷ and is estimated to have less of an impact on Kenergy's rates⁸ and be more efficient in keeping income requirements lower than demolition and reconstruction of an office and service facility on the existing site. Kenergy states that it will finance this district office construction from its cash reserves. Accordingly, the proposal should be approved.

The Commission also finds that, if the final construction of the facility exceeds ten percent of the estimated cost, Kenergy should file sufficient information with the Commission to explain and justify the additional cost. Further, the Commission finds that Kenergy should file copies of any permits related to the proposed new construction within 30 days of obtaining such permits.

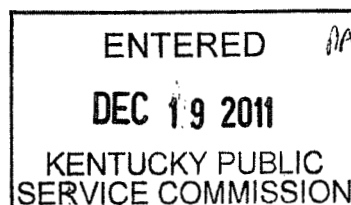
⁷ Kenergy's Response to Commission Staff's Second Request for Information, Item 6.

⁸ Application at page 5. See also, Kenergy's Supplemental Response to Commission Staff's First Request for Information, Item 19.

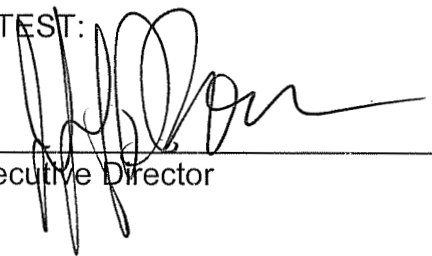
IT IS THEREFORE ORDERED that:

1. Kenergy is granted a CPCN to construct the new facility as proposed and described in its application.
2. Any substantial deviation from the construction shall be undertaken only with the prior approval of the Commission.
3. Kenergy shall file copies of any permits from a jurisdictional public authority within 30 days of obtaining those related to the proposed new construction and equipment.
4. Within 30 days of completion of the construction, Kenergy shall file the actual costs to construct the proposed facility.
5. If the final construction cost of the facility exceeds ten percent of the estimated cost, Kenergy shall file with the Commission, within 30 days of determining the final cost, sufficient information to explain and justify the additional costs.
6. Any documents filed in the future pursuant to ordering paragraphs three, four, and five herein shall reference this case number and shall be retained in the utility's general correspondence file.

By the Commission



ATTEST:



Executive Director

J. Christopher Hopgood
Dorsey, King, Gray, Norment & Hopgood
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