

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP.	)	
FOR A CERTIFICATE OF PUBLIC	)	CASE NO. 2004-00416
CONVENIENCE AND NECESSITY FOR	)	
2004-2007 CONSTRUCTION WORK PLAN	)	

O R D E R

Kenergy Corp. ("Kenergy") filed its application on October 18, 2004 for a Certificate of Public Convenience and Necessity ("CPCN") to construct certain improvements and additions to its existing plant as described in detail in its 2004-2007 construction work plan. The application states that the estimated cost of the construction will be \$27,325,000, and that Kenergy will borrow funds from the Rural Utility Service ("RUS") to construct these facilities. Kenergy notes that since the RUS is an agency of the federal government, funds borrowed from the RUS are exempt from the Commission's jurisdiction to approve indebtedness pursuant to KRS 278.300(10).

Attached to Kenergy's application as Exhibit A is its 2004-2007 Work Plan as submitted to the RUS on RUS Form 740C. Kenergy's RUS Form 740C, which is dated October 5, 2004 and is signed by both its President and its Board's Chair, contains the details of the \$27,325,000 in facilities to be constructed and requests RUS funds for the construction. Kenergy's 2004-2007 Work Plan, as shown in Exhibit A, proposes construction extensions and additions to its distribution plant as follows:

1.	New Line	\$ 8,758,695
2.	New Tie-Lines	175,497
3.	Conversion and Line Changes	8,157,192
4.	New Substation, Switching Station Metering	1,421,251
5.	Miscellaneous Distribution Equipment	7,797,920
6.	Security Lights	<u>1,014,445</u>
TOTAL		\$27,325,000

The 2004-2007 Work Plan as filed with the RUS includes no construction of facilities classified as transmission, generation, or headquarters.

Kenergy also filed as Exhibit D to its application a detailed engineering report which supports each of the projects shown in Exhibit A as Kenergy's 2004-2007 Work Plan. However, the engineering report also includes an undated and unsigned copy of Kenergy's 2004-2007 Work Plan which reflects an additional expenditure of \$3,224,993 for headquarters facilities. The engineering report describes this expenditure as a joint undertaking by Kenergy and its wholesale power supplier, Big Rivers Electric Corporation ("Big Rivers"), to expand Kenergy's existing headquarters in Henderson, Kentucky. Since the construction of this headquarters facility is not included in Kenergy's dated and signed 2004-2007 Work Plan, and since its cost of almost \$3.225 million is not included in Kenergy's application, the Commission has not considered this headquarters construction to be part of this application. In the event that Kenergy or Big Rivers desires to proceed with this headquarters construction, a separate CPCN will have to be filed.

Based on Kenergy's application and its 2004-2007 Work Plan as set forth in Exhibit A thereto, the Commission finds that the construction of distribution facilities as proposed is necessary for Kenergy to continue to provide adequate and dependable electric service to its existing customers and its anticipated new customers. The

distribution system improvements contained in Kenergy's 2004-2007 Work Plan will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, and provide for improved service reliability, and should be approved.

IT IS THEREFORE ORDERED that Kenergy is granted a CPCN to construct the distribution system improvements described in detail in its 2004-2007 Work Plan set forth as Exhibit A to Kenergy's application.

Done at Frankfort, Kentucky, this 25<sup>th</sup> day of February, 2005.

By the Commission

ATTEST:



Executive Director