

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORPORATION	)	CASE NO.
FOR AN ADJUSTMENT OF RATES	)	2004-00446

SECOND DATA REQUEST OF COMMISSION STAFF  
TO KENERGY CORPORATION

Kenergy Corporation ("Kenergy") is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due on February 4, 2005. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the Application, Exhibit 3A, page 20. Kenergy uses a mileage rate of 40 cents per mile in the cost justifications for Turn-Ons, Reconnects, Terminations, Meter Readings and Meter Tests. Explain how Kenergy arrived at the 40 cents per mile mileage rate and provide all calculations and workpapers used to calculate the mileage rate.

2. Refer to the Application, Exhibit 3A, page 25. Net plant investment and gross plant investment are used in calculating the net to gross ratio of 80 percent.

a. Explain whether this is the lowest level of detail for which Kenergy maintains its records for depreciation.

b. If available, provide the gross and net balances for account 364, Poles, Towers, and Fixtures.

3. Refer to the Application, Exhibit 3B, page 29. Kenergy proposes to increase its deposit charge for residential customers from \$75 to \$150. Explain why Kenergy believes such an increase is necessary. Include with the explanation all calculations and supporting documents used by Kenergy to arrive at the \$150 deposit amount.

4. Refer to the Application, Exhibit 5, page 14.

a. Provide health insurance premium statements as of January 1, 2005 reflecting the premium increases for medical, dental, life and disability coverage.

b. Does the Labor Overheads Adjustment factor reflect the portion of the health insurance premium paid by Kenergy's employees? If no, recalculate the adjustment reflecting the portion paid by Kenergy's employees.

c. Provide a schedule using an employee identifier other than the employee name showing the amount of insurance coverage, total premium paid, and premium for coverage above \$50,000.

5. Refer to the Application, Exhibit 5, page 15. Provide the actual monthly expenses for September through December 2004 for right-of-way clearing.

6. Refer to the Application, Exhibit 5, page 27. Provide a detailed analysis or explanation of each line item shown in the adjustment to Non-Operating Margins – Other.

7. Refer to the Application, Exhibit 6, Testimony of Mark A. Bailey, page 3. Mr. Bailey states that approximately \$83 million of Kenergy's long-term debt has short-term variable interest rates and describes the immediate impact that higher interest rates will have on this long-term debt. What steps is Kenergy taking to minimize the impact of higher interest rates?

8. Refer to the Application, Exhibit 8, Testimony of Jack D. Gaines. In response to question 13, Mr. Gaines describes the changes proposed for three phase tariffs. However, there is no mention of the increase, from \$100 to \$575 per month, in the customer charge for the Large Power 1,001 kW - 2,000 kW customers. Explain Kenergy's reason for proposing this level of increase in the customer charge while slightly decreasing the demand charge. Include with the explanation all supporting calculations and workpapers used in arriving at the \$575.00 charge.

9. Provide electronic files of all spreadsheets contained in Exhibit 9 of the application.

10. Refer to the Application, Exhibit 9, page 11. Kenergy proposes to increase the rates of former Henderson Union customers for 7000 lumen 175W mercury vapor lights from \$4.30 per month to \$6.95 per month, which is a 61.6 percent increase. Explain whether Kenergy believes the proposed increase adheres to the concepts of rate continuity and gradualism that are referred to on page 4 of the Testimony of Mark A Bailey.

11. Kenergy proposes to reduce its charges for cable attachments. Identify which expenses used in calculating Kenergy's cable attachment charges have decreased since the current cable attachment rates were approved and explain why those decreases occurred.

12. Refer to the Application, Exhibit 14, Cost of Service Study. On page 2 – Revised, Kenergy provides an Adjusted Income Statement – Present Revenue schedule.

a. Has Kenergy prepared a similar schedule which compares margins, class rates of return and customer class subsidizations using the rates proposed in this case? If yes, provide the schedule.

b. If the answer to part (a) is no, prepare and provide such a schedule.

13. Refer to the Application, Exhibit 15, Cost Allocation Manual (“CAM”). Identify all revisions and provide a description of the revisions in the version updated through July 31, 2004.

14. Refer to the First Data Request of Commission Staff dated December 9, 2004 (“Staff First Request”), Item 10. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between May 31, 2003 and May 31, 2004:

a. Account No. 107100, Construction W.I.P. – Contractors, page 2 of 48.

b. Account No. 107200, Construction W.I.P – Kenergy, page 2 of 48.

c. Account No. 123234, Reciprocal Contribution – Ederated, page 11 of 48.

d. Account No. 219500, Other Comprehensive Income, page 30 of 48.

e. Account No. 224140, Other LT Debt – Miscellaneous, page 31 of 48.

f. Account No. 367000, Dist Plant – Underground Conductors, page 44 of 48.

g. Account No. 368000, Dist Plant – Services, page 45 of 48.

h. Account No. 391100, Computer and Related Equipment, page 46 of 48.

15. Refer to the Staff First Request, Item 10. For each account listed below, state the purpose of each account and state the type of items that are included in each account.

a. Account No. 124210, Invest – Economic Dev – RDK Hospitality, page 11 of 48.

b. Account No. 124230, Economic Dev – Liberty Plaza, page 11 of 48.

c. Account No. 124240, Economic Dev – Snow Enterprises, page 11 of 48.

d. Account No. 124250, Economic Dev – DAPCO, page 11 of 48.

e. Account No. 124270, Economic Dev Loan – Scott Foam Tech, page 11 of 48.

f. Account No. 124280, Eco Loan – West KY Reg Ind Dev Author, page 12 of 48.

16. Refer to the Staff First Request, Item 11. For each income statement account listed below, describe the reason(s) for the change in the account balance between May 31, 2003 and May 31, 2004.

a. Account No. 416100, General Merchandising Activities, page 4 of 35.

- b. Account No. 418100, Equity in Earnings of Subsidiary, page 6 of 35.
- c. Account No. 593200, Dist Exp – Main – Storm Damage, page 23 of 35.
- d. Account No. 593300, Maintenance of Overhead Lines – ROW, page 24 of 35.
- e. Account No. 594000, Dist Exp – Main – Underground Lines, page 24 of 35.
- f. Account No. 903000, Consumer Acc Exp – Ops Record – Collect, page 25 of 35.
- g. Account No. 904000, Consumer Acc Exp – Ops Uncollect – Acct, page 26 of 35.
- h. Account No. 913000, Member and Public Relation Expenses, page 29 of 35.
- i. Account No. 92000, Adm – Gen Exp – Ops – Executive Salary, page 29 of 35.
- j. Account No. 923100, Outside Services – General, page 31 of 35.
- k. Account No. 926000, Employee Pensions and Benefits, page 32 of 35.
- l. Account No. 928000, Regulatory Comm. Expense, page 32 of 35.

17. Refer to the Staff First Request, Item 22.

- a. Explain why Kenergy believes it is necessary to adjust its labor and overhead capitalization rates because of the impact of storms.

b. Explain how Kenergy concluded its proposed approach was reasonable.

c. If Kenergy is aware, state whether any other distribution cooperatives in Kentucky used this approach or a similar approach in determining capitalization rates. If yes, identify the cooperative and the approach used.

d. Did Kenergy incur additional labor expense and overtime hours in 2002 and 2003 related to storms? If yes, provide the additional labor expense and overtime hours.

18. Refer to the Staff First Request, Item 25. Explain why the Social Security and Medicare expense associated with personal vehicle usage and life insurance coverage over \$50,000 should be included for rate-making purposes.

19. Refer to the Staff First Request, Item 29. Kenergy states that it objects to providing salary information by individual position to protect the employees' right to confidentiality and to be consistent with the Commission's decision to remove this information from the annual Commission report and Commission web page. Pursuant to 807 KAR 5:001, Section 7(5)(a), no party to any proceeding before the Commission shall fail to respond to discovery by the Commission or its staff or any other party to the proceeding on grounds of confidentiality. Provide the originally requested information. If Kenergy believes it needs to keep this information confidential, make the appropriate filing pursuant to 807 KAR 5:001, Section 7.

20. Refer to Staff First Request, Item 30. Provide a description of the items included in each category listed, with the exception of Touchstone Energy<sup>®</sup> Cooperative expenses. Include a copy of the original ad or text for radio ads.

21. Refer to Staff First Request, Item 31, pages 4 through 47 of 57. State the nature of the transaction, how much was expensed, and why it should be included for rate-making purposes for each of the transactions listed in the following categories:

- a. Board Election
- b. Director Board Fees
- c. Del/Alt Assoc Meetings
- d. KAEC Board Meeting Expense Cox
- e. Other

22. Refer to Staff First Request, Item 31, pages 49 through 51 of 57. With the exception of Kentucky Living Magazine expenses and chamber of commerce dues, for each transaction listed in Account No. 184.930 – Public Relations Clearing Account, provide the following information. If Kenergy has removed the transaction for rate-making purposes, only note that the transaction has been removed.

- a. Describe the nature of the transaction.
- b. Provide the amount of each transaction that was included for rate-making purposes.
- c. Explain why it should be included for rate-making purposes.

23. Refer to Staff First Request, Item 31, pages 53 and 54 of 57. For each transaction listed in Account No. 184.932 Economic Development Clearing Account, provide the following information. If Kenergy has removed the transaction for rate-making purposes, only note that the transaction has been removed.

- a. Describe the nature of the transaction.
- b. Provide the amount of each transaction that was included for rate-making purposes.



- c. Explain why it should be included for rate-making purposes.

24. Refer to Staff First Request, Item 31, pages 56 and 57 of 57. For each transaction listed in Account No. 184.940 Other Administrative and General Clearing Account, provide the following information. If Kenergy has removed the transaction for rate-making purposes, only note that the transaction has been removed.

- a. Describe the nature of the transaction.
- b. Provide the amount of each transaction that was included for rate-making purposes.
- c. Explain why it should be included for rate-making purposes.

25. Refer to Staff First Request, Item 35, page 2 of 12. Describe the nature and purpose of the Employee Survey. How frequently does Kenergy perform an Employee Survey?

26. Refer to Staff First Request, Item 35, pages 3 through 5 of 12. For each transaction listed in Other Legal, provide the following information. If Kenergy has removed the transaction for rate-making purposes, only note that the transaction has been removed.

- a. Describe the nature of the transaction.
- b. Provide the amount of each transaction that was included for rate-making purposes.
- c. Explain why it should be included for rate-making purposes.

27. Refer to Staff First Request, Item 36. Has the estimated total for staff labor and overheads been included in Kenergy's labor expense?

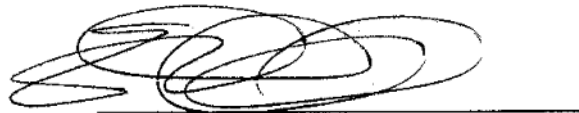
28. Refer to Staff First Request, Item 39. Identify the case in which the depreciation rates currently being used were approved.

29. Refer to Staff First Request, Item 48.

a. Provide a schedule of all non-regulated activity that is reflected in Kenergy's financial statements as of May 31, 2004 and as of December 31, 2004.

Include the following information:

- (1) Description of services or products provided.
- (2) Name of partners or associates.
- (3) Financial risks Kenergy is exposed to as a result of each activity.
- (4) Revenues and costs incurred during the test year for each activity.



Beth O'Donnell  
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P. O. Box 615  
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DATED January 21, 2005

cc: All Parties