

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. ) CASE NO.  
FOR AN ADJUSTMENT OF RATES ) 2008-00323

THIRD 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 10 copies of the following information, with a copy to all parties of record. The information requested herein is due on or before November 5, 2008. 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.

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 responses 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 Kenergy's Response to the Attorney General's First Data Request, Item 20. Provide a complete copy of the income tax returns where the income tax expense of \$13,064 was determined.

2. Refer to Kenergy's Response to the Attorney General's First Data Request, Item 38. Using the references cited in Kenergy's response, demonstrate and explain how an "extra \$10,000 relating to the CEO search expenses" was removed from test year operations.

3. Refer to Kenergy's Application, Exhibit 5, Page 10. "Non-recurring CEO Search Expenses" are stated at \$67,219. Provide a detailed analysis describing all of the individual expense amounts included in the total of \$67,219.

4. Refer to Kenergy's Response to Staff's Second Data Request, Item 23. Kenergy provides information in this response demonstrating that employee levels decreased by 10.86 percent from December 31, 2004 through December 31, 2007.

- a. Explain this decrease in Kenergy's workforce.
- b. Explain whether this decrease in Kenergy's workforce has been achieved by increased usage of contract labor.

c. Discuss whether Kenergy's service to its customers has deteriorated as a result of this workforce reduction.

d. In Kenergy's Application, Exhibit 5, Page 7, Line 47, Kenergy states that test-year overtime labor was limited due to "budget constraints" and that the limited level of overtime is not sustainable over the longterm. Discuss the impact that the limited overtime hours in conjunction with the workforce reductions, noted above, had on the quality of service provided to Kenergy's customers during the test year.

5. Provide a comparison of annual budgeted overtime hours to annual actual overtime hours for Kenergy employees during the years 2003 through 2007.

6. Refer to Kenergy's Response to Staff's Second Data Request, Item 20 and 21.

a. Provide the number of customers, by rate code, for each billing cycle listed on pages 3 and 5 of Item 20.

b. Refer to pages 3 and 5 of Item 20. The heading for column 5 references the second month, February, with a "2". Should the reference be to December?

c. As shown in Item 20, the unbilled revenue accrued at the end of each fiscal year generally consists of two components: 1) All December sales which were unbilled as of December 31; and 2) the portion of the November sales that was unbilled as of December 31. Discuss how the November portion of the unbilled revenue adjustment does not result in a mismatch of revenues and expenses when considering that the "unpaid power costs" adjustment shown in Item 21 accounts for power purchased for December sales but not any portion of the November sales.

7. Refer to Kenergy's Response to Staff's Second Data Request, Item 25. a.
  - a. State how the vehicle allowance in the amount of \$22,750 was determined.
  - b. Provide the level of annual vehicle allowance Kenergy awarded its CEO during the years 2003 through 2007.
8. Refer to Kenergy's Response to Staff's First Data Request, Item 28.
  - a. State the date the new Chief Executive Officer began employment with Kenergy.
  - b. Provide a detailed analysis of the new CEO's total compensation package, separating each component.
  - c. For each cost component provided in response to Item b., above, state whether rate recovery has been requested in the current application.
  - d. State how the level of each cost component provided in response to Item b., above, was determined.
  - e. Provide a copy of all salary surveys or studies relied upon when establishing the compensation package awarded to the new CEO.
  - f. Provide the total annual cost of Kenergy's CEO compensation package for the years 2003 through 2007 showing each cost component separately.
9. Refer to Kenergy's Response to Staff's Second Data Request, Item 28. Provide a copy of the billing statements and policies for which the referenced liability insurance premiums were paid.
10. Refer to Kenergy's Response to Staff's Second Data Request, Items 38 and 39. In response to Item 39, Kenergy lists 6 non-regulated business activities in

which it is engaged. Confirm that all of these activities are fully accounted for in the Non-Operating Margin accounts as provided by Kenergy in response to Item 38. If this is not the case, provide a detailed general ledger analysis of all revenues and expenses for these activities that are not accounted for in the Non-Operating Margin accounts.

11. Refer to Kenergy's Response to Staff's Second Data Request, Item 42 b.
  - a. Provide copies of Section 6.8 of the Rural Utilities Service loan contract.
  - b. Provide the basis for Kenergy's understanding that the Commission is "comfortable" with a 40 percent upper limit on the level of equity for a distribution cooperative.
  - c. Provide a copy of the January 2005 Capital Credits Task Force Report.



Stephanie Stumbo  
Executive Director  
Public Service Commission  
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DATED: October 24, 2008

cc: Parties of Record