

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. FOR A)	CASE NO.
CERTIFICATE OF CONVENIENCE AND)	2011-00350
NECESSITY)	

ORDER

Kenergy Corp. ("Kenergy") filed its application on August 26, 2011, for a Certificate of Public Convenience and Necessity ("CPCN") to replace its existing analog microwave communication system over the next two years, beginning October 1, 2011. The net cost of the replacement will be \$192,000, which represents the difference between the total cost of \$742,000 and a contribution of \$550,000 provided by a major microwave frequency user that has obtained five of Kenergy's existing frequencies from the Federal Communications Commission ("FCC").

The Rural Utilities Service ("RUS") has approved this project as an addition to Kenergy's 2010-2013 Construction Work Plan. The need for the new microwave system is due to the fact that Kenergy's microwave frequencies have been acquired by other users who will gain primacy on Kenergy's frequencies in 2013 without compensation to Kenergy. This is the result of the 2006 actions of the FCC, which auctioned all two GHz private microwave frequencies in an effort to better utilize existing frequencies and to facilitate new and emerging technologies in the cellular and computer industries. Furthermore, due to its age and outdated technology, equipment and replacement parts for Kenergy's existing analog system are hard to find. If Kenergy fails to replace five of its microwave paths by the end of 2011, it will not be eligible for

the \$550,000 reimbursement by the acquirer of those paths and Kenergy will be required to bear the entire cost of \$742,000 for the new microwave communication system. Kenergy will use RUS loan funds to finance construction of the new system. Of the total cost of \$742,000, \$443,000 will be spent in 2011, \$179,000 in 2012, and \$120,000 in 2013. The microwave frequency user will provide \$550,000 in funding to Kenergy in 2011. Operational costs are not expected to increase with the introduction of the new system, compared to the costs of the current system.

A telephonic informal conference was held with Kenergy on September 9, 2011, and Kenergy subsequently filed additional information in support of its application. This case now stands submitted on the existing evidence of record.

ANALYSIS

Kenergy identifies several benefits of the new microwave system that should improve its efficiency of operations and, consequently, service to its customers. It also identifies a number of cost-saving benefits associated with this technology which are expected to add to the benefits of its members. The expected benefits and the ability to offset nearly three-fourths of the capital cost of the new system resulted in Kenergy pursuing, at this time, the project for which it seeks Commission approval.

SUMMARY

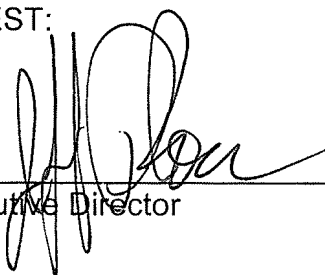
The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Kenergy's request for a CPCN to install a replacement microwave system is reasonable and should be approved.

IT IS THEREFORE ORDERED that Kenergy is granted a CPCN to install the new microwave communications system as described in its application.

By the Commission

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SEP 30 2011
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

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