

IN THE MATTER OF: )

)  
THE APPLICATION OF KENERGY ) CASE NO.  
CORP. FOR AN ADJUSTMENT IN ) 2006-00369  
EXISTING RATES )

RESPONSE OF KENERGY CORP. TO THIRD  
DATA REQUEST OF COMMISSION STAFF

**RECEIVED**

**NOV 22 2006**

**PUBLIC SERVICE  
COMMISSION**

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PUBLIC SERVICE  
COMMISSION

CASE NO. 2006-00369

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2 **Item 1)** Refer to the response to the Staff's Second Data Request dated October 12, 2006 ("Staff  
3 Second Request"), Item 5.

4 a. Would Kenergy agree that the purpose of the storm damage expense adjustment  
5 is to determine a reasonable, on-going level of recurring expense to be incorporated into customer  
6 rates?

7 b. Given that Kenergy has incurred storm damage expenses in only 3 of the last 10  
8 years, explain why it would be reasonable to incorporate a level of recurring storm damage expense in  
9 this case.

10

11 **Response a and b)** Kenergy is not proposing an adjustment to its test year on-going level of  
12 recurring storm expense, which is charged to account 593.000 and comingled with all other 593.000  
13 expense. Kenergy does maintain "major storm" expense in a separate account. The purpose of the  
14 outside vendor storm repair expense adjustment proposed by Kenergy was to normalize its test year  
15 "major storm" expense, (which was zero). Kenergy utilized a 10 year historic average adjusted for  
16 inflation, the practice recommended by the Commission in prior cases. Please refer to Case No. 2003-  
17 00434, final order, page 34 (copy attached as Item 1, page 3 of 3). Kenergy recognizes that the storm  
18 damage expense adjustment referenced from Case No. 2003-00434, includes all storm damage  
19 expense, both recurring and major. If a major storm was included in the referenced adjustment, the  
20 result would be consistent with the approach proposed by Kenergy.

21 Kenergy has incurred "major storm" outside vendor expense during 2006 of approximately \$300,000.  
22 If Kenergy were utilizing 2006 as a test year for a general rate application, it would propose an  
adjustment to reduce the \$300,000 to the 10 year average adjusted for inflation.

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**Witness)** Steve Thompson

filed every two years, and will be due with the filing of KU's annual financial report. The first progress report should be filed by March 31, 2007.

#### Storm Damage Expense

KU proposed to normalize its storm damage expense by using a 4-year historic average adjusted for inflation. KU noted that it only had 4 years of historical data available for this adjustment, and that the February 2003 ice storm expenses were not included in the calculation of the proposed adjustment. KU stated that this was the same methodology utilized by the Commission in Case No. 1990-00158. The normalization resulted in a jurisdictional decrease of \$473,014 over the test-year actual expense.

While the Commission would prefer the use of a 10-year historic average, that data is not available and we will agree with the methodology used by KU. However, the inflation factor was not determined in a manner consistent with the approach used by the Commission in previous cases. The inflation factor previously used by the Commission is based upon the Consumer Price Index – All Urban Consumers (“CPI-U”).<sup>72</sup> To determine the inflation factor for a particular year, the Commission divides the CPI-U for the base year by the CPI-U for the particular year.<sup>73</sup> The Commission has recalculated the storm damage expense adjustment using the inflation factor approach

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<sup>72</sup> KU provided the CPI-U for the 4-year period in its response to the Commission Staff's Second Data Request dated February 3, 2004, Item 16(f).

<sup>73</sup> In this case, the base year is 2003. The calculation of the inflation factor for 2000 would take the CPI-U for 2003 divided by the CPI-U for 2000, in this example, 184.0 divided by 172.2. This results in an inflation factor for 2000 of 1.0685.



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**Item 2)** Refer to the response to the Staff Second Request, Item 9. Explain why the response does not address the interest income related to deferred compensation earnings and ERC interest. Include an explanation of why the interest income for these items was not normalized.

**Response)** The deferred compensation earnings were not adjusted for two reasons. First, these earnings are recorded in December of each year by charging expense and crediting income, therefore, there is no margin impact. Secondly, the income to be recorded in December, 2006 was not a known and measurable item. The energy resource conservation loans are at a fixed interest rate, therefore, no adjustment was necessary.

**Witness)** Steve Thompson





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2 **Item 3)** Refer to the response to the Staff Second Request, Item 12. Concerning the contracts  
3 with Townsend Tree Service Co., Inc. ("Townsend") and Progressive Solutions, LLC ("Progressive"):

4 a. Explain the process followed by Kenergy in the awarding of the contracts with  
5 Townsend and Progressive. If a competitive bidding process was not used, include in the explanation  
6 the reason(s) competitive bidding was not used.

7 b. Indicate how frequently Kenergy plans to review the contracts.

8  
9 **Response)** (a) It is customary for Kenergy to use a competitive selection process for vegetation  
10 management vendors.

11 Progressive was selected through a competitive bidding process in 2003 to  
12 provide spraying services for that year. As a result of positive performance and continued favorable  
13 pricing, that contract was extended annually through 2006.

14 Townsend was selected as a result of a competitive Request for Proposal (RFP)  
15 process in early 2005. During this process, interested vendors submitted proposals that identified their  
16 plan to complete the requested work with time, cost and performance being considered as selection  
17 variables. These vendors were then interviewed to determine qualifications and to discuss cost  
18 parameters. Following selection, Kenergy and Townsend negotiated a performance-based agreement  
19 for 2005 pruning services. As a result of positive performance and continued favorable pricing, that  
20 contract was extended through 2006.

21 (b) It is Kenergy's intention to go through the procurement process again in 2007  
22 for both pruning and spraying services. Our goal will be to select one or more contractors that will

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execute a one-year agreement with the opportunity to extend that agreement for several years, one year at a time, depending upon performance. Kenergy's use of this multi-year approach is an effort to increase interest among vendors which should enhance the possibility of favorable pricing for right-of-way maintenance and improve the overall quality of work performed.

**Witness)**      Doug Hoyt



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**Item 4)** Refer to the response to the Staff Second Request, Item 15. Describe the actions taken by Kenergy in response to its auditor's findings concerning internal controls and operating efficiency.

**Response)** The only item found, as listed in the letter, related to recording unbilled revenues. Kenergy has been recording approximately 10% of margins each year as unbilled revenue. At December 31, 2005 approximately \$1,200,000 of unbilled revenue was not recorded.

**Witness)** Steve Thompson



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**Item 5)** Refer to the response to the Staff Second Request, Item 17. For each project listed in parts (a) through (m), provide a description of the project and explain how the project resulted in new or expanded businesses within the Kenergy service territory.

**Response)** The following is a description of the projects and the number of jobs created as a result of the project:

(a & i) RDK Hospitality (Motel)

Name of Company: RDK Hospitality, Inc.  
Project Location: Hancock County  
Total Project Cost: \$1,580,500  
Kenergy Loan Amount: \$450,000  
Number of Jobs Created: 10  
Description: Construction of a 48 unit Best Western Motel on U.S. 60 south of Lewisport, Kentucky

(b & k) Liberty Plaza

Name of Company: Liberty Plaza, Inc.  
Project Location: Hancock County  
Total Project Cost: \$2,000,000  
Kenergy Loan Amount: \$450,000  
Number of Jobs Created: 49  
Description: Construction of a convenience store/truck stop facility at the intersection of U.S. 60 and S.R. 657 south of Lewisport, Kentucky

(c & h) Snow Enterprises (Note: Snow Enterprises should read Little KY Smokehouse, LLC. Snow Enterprises was a previous loan, which was paid off.)

Name of Company: Little Kentucky Smokehouse, LLC  
Project Location: Union County  
Total Project Cost: \$1,600,000  
Kenergy Loan Amount: \$450,000  
Number of Jobs Created: 50  
Description: Construction of a new ham processing and packaging facility near Uniontown, Kentucky

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2 (d & m) DAPCO  
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4 Name of Company: DAPCO, Inc.  
5 Project Location: Webster County  
6 Total Project Cost: \$250,000  
7 Kenergy Loan Amount: \$200,000  
8 Number of Jobs Created: 10  
9 Description: Purchase equipment for manufacturing and re-  
10 manufacture personnel carriers and other transportation  
11 equipment for the coal mining industry. The business is  
12 located in Dixon, Kentucky  
13

14 (e & j) Scott Foam Technologies  
15

16 Name of Company: Scott Foam Technologies, Inc.  
17 Project Location: Henderson County  
18 Total Project Cost: \$825,000  
19 Kenergy Loan Amount: \$450,000  
20 Number of Jobs Created: 15  
Description: Construct 30,000 square foot manufacturing facility and  
21 purchase equipment to install insulation panels for home  
22 appliances and HVAC equipment. The facility is located  
23 near Henderson, Kentucky  
24  
25

26 (f & l) West Kentucky Regional Industrial Development Authority  
27

28 Name of Company: West Kentucky Regional Industrial Development Authority  
29 Project Location: Henderson and Webster Counties  
30 Total Project Cost: \$4,860,000  
31 Kenergy Loan Amount: \$450,000  
32 Number of Jobs Created: 200 (Columbia Sportswear Distribution Center)  
33 Description: Construction of sewer and water lines for the Four Star  
34 Regional Industrial Park located near Robards, Kentucky  
35

36 (g) West Kentucky Poultry

37 There was no loan activity in 2005 for West Kentucky Poultry. A loan was made to  
38 West Kentucky Poultry by Henderson-Union Rural Electric Cooperative for the construction of poultry  
39 houses. West Kentucky Poultry has paid off their RUS zero-interest loan.

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**Witness)** David Hamilton





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**Item 6)** Refer to the response to the Staff Second Request, Item 18. For each of the three industrial foundations, describe the purpose of the foundation and describe the foundation's activities during 2004, 2005, and 2006.

**Response)** The purpose of each Industrial Foundation is to promote economic development for the county in which they are located. Each foundation employs a full-time economic development professional who works to recruit new industry and provide support to existing industry for job training, industry expansions, etc. Item 6, pages 2 – 7 of 25, contain supporting information from the Kentucky Cabinet for Economic Development on Organizational Structures. Item 6, pages 8 - 25 of 25, contain the above referenced information for the three industrial foundations (2004 activity report from Ohio County Industrial Foundation not available).

**Witness)** David Hamilton

### III. Organizational Structure

Generally speaking, local economic development organizations have a similar structure with a governing board and administrative staff, but there is significant variation within this overall framework. There are three basic organizational models for economic development organizations based on the degree of public and private sector involvement: public authority, private foundation, and public/private partnership. It is important to note that there can be considerable differences among organizations within any one of these three models.

#### Organizational Models

**Public Authority:** An authority is an instrumentality of the city and/or county that is organized in accordance with Kentucky Revised Statute (KRS) 154.50-301 through 154.50-346, and incorporated as a municipal non-profit corporation governed by KRS Chapter 273. An authority can be jointly established by a city and county or a combination of two or more cities or counties. Authorities receive most of their funding from the public sector, and they are the officially sanctioned economic development group for the city and/or county. Economic development organizations within this model are generally referred to as an industrial/economic development authority.

**Private Foundation:** The foundation is the purely private sector approach to economic development. Foundations are almost always 501(c) non-profit, nonstock corporations governed by KRS Chapter 273. However, a very few stock-owned economic development foundations still exist. Foundations receive most of their funding from the private sector through contributions of private individuals, businesses, and local industry. The board of directors, which is elected by the foundation's members, sets the policy direction of the organization. Economic/industrial development foundations and chambers of commerce are economic development organizations that are found within this model.

**Public/Private Partnership:** Partnerships are 501(c) non-profit corporations that are governed by KRS Chapter 273. Economic development organizations within this category receive funding and policy direction from both the public and private sectors. Public/private partnerships are the fastest growing economic development organizational model, and they are commonly called economic/industrial development councils. The level of public and private sector participation varies among public/private partnerships, and the degree of public sector participation affects how these organizations operate and how Kentucky statutes affect them on many issues.

#### Key Issues

The operations of economic development organizations vary significantly based on the organizational model in which they are structured. Economic development organizations in Kentucky are treated differently in the Kentucky Revised Statutes on several issues based on the degree of public and private sector involvement. The

differences surrounding these operations and key issues are discussed below, and they are summarized in the chart in Appendix 1.

### **Funding**

A public authority's main source of funding is generally appropriations from the city (cities) and/or county (counties) that established the authority. If more than one local government establishes an industrial development authority then each participating government makes an annual appropriation to the authority. Public authorities can also receive funding from federal and state government sources, and they may borrow money and issue notes on their own credit. KRS 154.50-340 is the Kentucky statute that governs the funding sources and financing activities of an authority.

Private foundations receive a majority of their funding through contributions from individuals, businesses, and community organizations, borrowed funds, and revenue from the sale and lease of industrial property. Due to the sources of their funding, foundations can feel a higher degree of pressure to earn a higher return or reduce debt, which can lead to making decisions about industrial locations that are counter to the long term goals of the community. Foundations also receive grants to fund some of their projects, but it should be noted that a project of the foundation could turn into a "public project" if part of the funding comes from government sources. Foundations that are set-up as for-stock corporations issue stock to raise the initial capital, but as stated earlier there are very few economic development organizations that operate as for-stock corporations.

Economic development organizations that operate as public/private partnerships receive funding from the private and public sector. The primary sources of funding for public/private partnerships include local government appropriations, contributions from individuals, businesses, and community organizations, and revenue from the sale and lease of industrial property. Public funding may come with a written agreement for specific economic development activities to be performed for the community's benefit.

### **Board of Directors**

As dictated by KRS 154.50-316, an industrial development authority shall be composed of not less than six and not more than eight members, which serve as the governing body of the authority. The mayor(s) and/or county judge/executive(s) of the city(s) and/or county(s) involved in the industrial development authority appoint members to initial staggered terms from two to four years. It is common practice for the involved mayor(s) and county judge/executive(s) to serve as "ex-officio" members, which are non-voting members who participate in the authority's meetings. Whether or not a mayor or county judge/executive has the power to appoint himself is not addressed in Kentucky statutes (KRS 154.50-301 to 154.50-346 and KRS 67.710).

For economic development organizations that are private foundations or public/private partnerships, the board of directors serves as the governing body of the organization as stated in KRS 273.207. According to KRS 273.163 to 273.387, the articles of incorporation or the bylaws prescribe the qualifications, selection method, and tenure for

the directors and the size of the board. The only restrictions for qualifications of the directors come from either the articles of incorporation or bylaws.

### **Open Meetings/Open Records Laws**

Industrial development authorities are subject to Open Meetings and Open Records laws as specified in KRS 61.805 to 61.850 and KRS 61.872 to 61.884. Because of this, an authority's actions can become public, and problems with confidentiality issues regarding clients may result. However, authorities can go into executive session under the following circumstances as stated in the KRS 61.810: 1) deliberations on the future acquisition or sale of real property by a public agency, but only when publicity would be likely to affect the value of a specific piece of property and 2) discussions between a public agency and a representative of a business entity and discussions concerning a specific proposal, if open discussions would jeopardize the siting, retention, expansion, or upgrading of the business. While discussion may occur in executive session, final action must be taken in open session as specified in KRS 61.815. KRS 61.878 excludes certain public records from the Open Records laws that are related to an authority's operations. These include records confidentially disclosed to an agency that if openly disclosed would permit an unfair commercial advantage to competitors of the entity that disclosed the records, records that are compiled and maintained in conjunction with an application for or the administration of a loan or grant and in conjunction with an application for or the administration of assessments, incentives, inducements, and tax credits, and public records pertaining to a prospective location of a business or industry where no previous public disclosure has been made of the business' and industry's interest in locating in, relocating within, or expanding within the Commonwealth.

Economic development foundations are not subject to Open Meetings and Open Records laws. Economic development organizations that are public/private partnerships are subject to Open Meetings laws only if the majority of the governing body is appointed by a public agency as defined in KRS 61.805, and they are subject to Open Records laws only if a majority of the governing body is appointed by a public agency as defined in KRS 61.870 or if it derives at least twenty-five percent of its funds expended in Kentucky from state or local authority funds.

All forms of economic development organizations should consult opinions of the Attorney General with regard to interpretation of Open Meetings and Open Records laws.

### **Property Taxes**

A property must both be owned by a public body and used for a public purpose to qualify for the "public purpose" property exemption of Section 170 of the Kentucky constitution. Industrial development authorities, which have been created in accordance with KRS 154.50-301 to 154.50-346, are deemed to be public bodies. KRS 154.50-343 states that all property acquired for the development of industrial sites, parks, and subdivisions shall be exempt from taxation "to the same extent as other property used for public purposes," and KRS 154.50-346 further states that such property acquired in the manner and for the purposes enumerated in KRS 154.50-301

to KRS 154.50-346 is considered to be used for a public purpose. Hence, property owned by industrial development authorities is exempt from property taxes. It should be noted that if a private business buys the property from the authority then the business has to pay property taxes on the property.

Foundations are subject to paying property taxes on the industrial property they own, and generally, economic development organizations that are public/private partnerships are subject to paying property taxes on industrial property. But for public/private partnerships, it must be determined on a case-by-case basis, and it is very difficult for a public/private partnership to meet the qualifications of a "public body". Based on their own analysis of case law, it is the policy of the Kentucky Revenue Cabinet that an organization must have the following characteristics to qualify as a public body:

- the organization is created, established, and controlled by a government body;
- the organization is governed by managers, directors, or members who receive their authority from the governmental entity;
- if the organization is supported solely by a private membership, it must have been created and organized by a governmental entity solely for the purpose of performing a specific duty on behalf of the governmental entity;
- upon its dissolution, assets of the organization are to be returned to the governmental entity.

Whether the governmental entity maintains control over the private corporation is the factor that is given the most emphasis by the courts and the legislature. Activities that have been deemed to be reasonable as a "public purpose" include:

- the relief of unemployment,
- encouragement of industry,
- the development of the natural and man-made resources of the state,
- the fostering of the prosperity of the people of the state.

This section on property taxes and the "public purpose" property tax exemption is based entirely on the memorandum from the Kentucky Revenue Cabinet in Appendix II.<sup>3</sup>

### **Prevailing Wages**

Whether or not an economic development organization is subject to paying prevailing wages for construction projects is a major issue due to the effect it has on the costs of buildings constructed by the organization. According to KRS 337.510, for the "construction" of "public works" the "public authority" advertising and awarding the contract shall cause to be inserted in the proposal and contract a stipulation that not less than the prevailing hourly rate of wages must be paid. KRS 337.010 defines "construction" as any construction project estimated to cost over \$250,000, "public authority" as any officer, board, or commission of the state, or any political subdivision or department thereof in the state, or any institution supported in whole or in part by public funds, including publicly owned or controlled corporations, and any non-profit corporation funded to act as an agency and instrumentality of the government agency in

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<sup>3</sup> Debra Eucker, "Guidelines for Determining Whether the Property of an Economic Development Authority is Property Owned by a 'Public Body and Used for a Public Purpose'," Memorandum from Kentucky Revenue Cabinet, July 1993.

connection with the construction of public works, and “public works” as all buildings, roads, streets, alleys, sewers, sewage disposal plants, waterworks, and all other structures of work constructed under contract with a public authority.

Since industrial development authorities meet the definition for a public authority and economic development foundations do not meet this criterion, authorities are subject to paying the prevailing hourly rate of wages for construction projects over \$250,000, while foundations are not required to pay prevailing wages in their construction projects. However, the issue is not so simple for economic development organizations that are public/private partnerships. Partnerships can be subject to paying prevailing wages, and it is determined on a case-by-case basis. The source of funding for the construction project is a major factor in determining whether or not the organization is considered a public authority. If the construction project is partially funded by sources from the public sector, then the organization may be subject to paying the prevailing hourly wage rate for the project determined on a case-by-case basis.

### **Other Issues**

The local political environment, condemnation of property, and community representation are other important issues that affect the operations of an economic development organization based on how it is structured. Local politics can impact the operations of industrial development authorities, but they have little or no effect on foundations and mild impact on public/private partnerships. Changes in local leadership that result in regular turnover of board membership can remove valuable experience and result in a lack of continuity in the development efforts of authorities. But, authorities do enjoy the benefit of being the “official” economic development organization for the city and/or county with ongoing financial support, whereas foundations lack control over economic development activities that require local government involvement, such as infrastructure improvements.

The condemnation of property for economic development purposes has always been a hot topic for economic development organizations. The statutes grant authorities the capability of condemning property. KRS 154.50-320 states that if property needed for industrial sites, parks, and subdivisions can not be acquired by negotiation and purchased at fair market price, then governmental units in which such land is located may direct and institute condemnation proceedings. The practice of condemnation of land is rarely used due to the “public purpose” limitations in KRS 154.50-346, which states that the acquisition of any lands for the purpose of developing industrial sites is exercised for a public purpose and is a matter of public necessity. Negotiation is the typical practice for acquiring land for development purposes.

Economic development partnerships may be able to represent the entire community in a more effective manner than authorities or foundations by combining the aspects of both public and private sectors. Authorities can garner input from all segments of a community via elected officials, but they may have trouble encouraging or getting meaningful involvement by volunteers. Foundations often represent the business interests of the community, and they are able to attract more volunteers. However,

foundations often struggle in representing the interests of the entire community. Public/private partnerships can best represent the entire community by combining the strengths of foundations and authorities without taking on either of their weaknesses with respect to this matter.

### **Multiple Organizations**

It is fairly common practice for a community to have more than one economic development organization each with a different organizational structure, so the community can take advantage of the benefits offered by each model. For example, the primary economic development organization in one Kentucky community is a public/private partnership, but an economic development foundation and industrial development authority also exist. The economic development council has a contractual relationship with the other two organizations. In this arrangement, the council deeds its industrial land and buildings to the authority so its property is not subject to property taxes, and the economic development foundation is essentially the fundraising organization. With this setup, the foundation is able to qualify for 501(c)(3) tax exempt status, which allows personal contributions to be deductible on personal income taxes. The foundation provides accountability for the economic development council's use of funds, and in fact, the council has to submit a proposal with a budget to the foundation to withdraw funds. So, communities can leverage their economic development efforts by having multiple economic development organizations with different organizational structures.



# KENERGY

## ECONOMIC DEVELOPMENT ACTIVITY

### SEMI ANNUAL REPORT

<b><u>AGENCY INFORMATION</u></b>	<b>REPORTING PERIOD</b>	<u>Jan 2006</u>	<b>to</b>	<u>April 2006</u>
NAME	<u>Greater Owensboro Economic Development Corporation</u>			
ADDRESS	<u>PO Box 782</u> <u>Owensboro, KY 42302</u>			
PHONE NUMBER	<u>270-926-4339</u>			
FAX NUMBER	<u>270-926-3364</u>	EMAIL	<u>becky@owensboro.com</u>	
CONTACT PERSON	<u>Becky McCubbins</u>			
Number of new leads/contacts made during this reporting period	<u>3</u>			
Number of jobs created or announced as a result of these contacts	<u>15</u>			
Number of existing business and Industry visits made	<u>5</u>			
Number of jobs created or announced as a result of these visits	<u>135</u>			
Please list any trade shows attended during this reporting period	<u>BIO 2006</u>			
Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)				
<u>GOEDC assisted several companies with state incentive applications those companies include StatGroup who announced relocation from Texas. Also worked with Owensboro Grain, Toyotetsu, Dana and two other local manufacturers. EDC continues to work with the Chamber of Commerce on transportation issues. EDC continues to work with the Owensboro Biotech Alliance and partnered with OBA in assisting OMHS with the business plan development in preparation for the purchase of Large Scale Biology now known as Kentucky Bioprocessing, LLC. EDC has been working with several prospects interested in the Pleasant Valley Industrial Center site. Working with City and County officials as well as other agencies related to economic development to better unify the direction for creating economic prosperity. EDC is continuing to work on leasing a facility to house the different agencies to create the Commerce Center. EDC has hired a new President/CEO, VP of Workforce Education and VP of Existing Industry. EDC has been seeking a way to better the Skills, Inc. organization and database for use by employers and has proposed to local city and county officials that Skills, Inc. become reorganized as part of EDC for that management. Comprehensive roundtable groups are being formed to better serve existing industries and businesses. A life science initiative has been created and is a continued work in progress.</u>				



# KENERGY

## ECONOMIC DEVELOPMENT ACTIVITY

### SEMI ANNUAL REPORT

<u>AGENCY INFORMATION</u>	<u>REPORTING PERIOD</u>	<u>Jan 2005</u>	<u>to</u>	<u>June 2005</u>
NAME	<u>Greater Owensboro Economic Development Corporation</u>			
ADDRESS	<u>PO Box 782</u> <u>Owensboro, KY 42302</u>			
PHONE NUMBER	<u>270-926-4339</u>			
FAX NUMBER	<u>270-926-3364</u>	EMAIL	<u>becky@owensboro.com</u>	
CONTACT PERSON	<u>Becky McCubbins</u>			
Number of new leads/contacts made during this reporting period	<u>2</u>			
Number of jobs created or announced as a result of these contacts	<u>Potential 50-65 jobs</u>			
Number of existing business and Industry visits made	<u>4</u>			
Number of jobs created or announced as a result of these visits	<u>Dana - retention of 320</u> <u>Ira Wood &amp; Sons – 100 in Ky.</u>			
Please list any trade shows attended during this reporting period	<u> </u>			
Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)				
<u>GOEDC has been assisting Ira Wood and Sons, an existing company, to make application with the state to receive KEDFA funds for a possible relocation within the city and addition of at least 100 jobs. That company's application was approved by the state for a KJDA incentive. EDC prepared and received applications for the \$300 Job Training Grant of which 3 applications were received totaling approximately \$41,000 for approximately 137 jobs created in 2004 by companies who qualify for the program. Working with a company out of state who is looking to improve their workforce pool by possibly locating to Owensboro. EDC continues to administer the Enterprise Zone. Assisting Dana with a \$40 million expansion. Working with City and County officials as well as other agencies related to economic development to better unify the direction for creating economic prosperity. Working with the Chamber of Commerce on transportation issues. EDC continually works with the Chamber on pushing forward legislative priorities particularly those related to economic development. Working with a local company on an addition of a biodeisel refinery. Participated in several joint advertising opportunities in <i>Expansion Management Magazine</i>, <i>Site Selection Magazine</i> and <i>Invest Midwest</i>. EDC continues to work with the Owensboro Biotech Alliance. The Riverport Authority recently purchased the Green River Steel site.</u>				

# KENERGY

## ECONOMIC DEVELOPMENT ACTIVITY

### QUARTERLY REPORT

**AGENCY INFORMATION**REPORTING PERIOD January 2004 to June 2004

NAME

Greater Owensboro Economic Development Corporation (formerly Industry, Inc.)

ADDRESS

PO Box 782  
Owensboro, KY 42302

PHONE NUMBER

270-926-4339

FAX NUMBER

270-926-3364EMAIL becky@owensboro.com

CONTACT PERSON

Becky McCubbinsNumber of new leads/contacts made during this reporting period 4Number of jobs created or announced as a result of these contacts 0Number of existing business and Industry visits made 17Number of jobs created or announced as a result of these visits 265Please list any trade shows attended during this reporting period BIO 2004, June 6-9

Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)

In January the EDC and Chamber of Commerce printed business cards listing legislative issues important to Owensboro's primary employers. Referrals were sent to SBDC, OCTC and SCORE. The Biotech Alliance has put a plan in place for a biotech growing center and pilot processing plant to be established. The OBA also attended the BIO trade show in June. A community profile and Biotech brochure were updated. EDC was instrumental in the development of a new industrial rate structure for Regional Water Resource Agency. This was prompted by working with a prospect who is still considering Owensboro for their location. EDC with the Chamber of Commerce has pushed the Advanced Technology Center project to be added to the state's budget. EDC has worked with Chamber of Commerce to revamp the Owensboro Brain Gain program, now [greaterowensboroworks.com](http://greaterowensboroworks.com). In June EDC along with the Owensboro Biotech Alliance visited Large Scale Biology's headquarters in California. The manufacturers directory was updated for our area in April. GO-EDC continues to administer the Enterprise Zone.

# KENERGY

## ECONOMIC DEVELOPMENT ACTIVITY

### SEMI ANNUAL REPORT

<b><u>AGENCY INFORMATION</u></b>	<b>REPORTING PERIOD</b>	<u>July 2004</u>	<b>to</b>	<u>December 2004</u>
<b>NAME</b>	<u>Greater Owensboro Economic Development Corporation (formerly Industry, Inc.)</u>			
<b>ADDRESS</b>	<u>PO Box 782</u> <u>Owensboro, KY 42302</u>			
<b>PHONE NUMBER</b>	<u>270-926-4339</u>			
<b>FAX NUMBER</b>	<u>270-926-3364</u>	<b>EMAIL</b>	<u>becky@owensboro.com</u>	
<b>CONTACT PERSON</b>	<u>Becky McCubbins</u>			

Number of new leads/contacts made during this reporting period	13	
Number of jobs created or announced as a result of these contacts	3	
Number of existing business and Industry visits made	12	
Number of jobs created or announced as a result of these visits	20	
Please list any trade shows attended during this reporting period		

Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)

In September a Japanese dinner was co-hosted by GOEDC showing appreciation for the area's Japanese managers of Japanese manufacturers. A recruiting trip to Japan was taken and several headquarters of Japanese companies located in Owensboro were visited. EDC continues to work with the Biotechnology Alliance. Several meetings have taken place with Planet Biotech and Large Scale Biology. Currently working with an existing company who is looking to expand to a 100,000 sq. ft. building and has created 20 new jobs since EDC began working with this business in October. The company is considering building in the MidAmerica Airpark. EDC continues to administer the Enterprise Zone. EDC and the Owensboro Chamber of Commerce is now working on a combined annual report.

HANCOCK COUNTY INDUSTRIAL FOUNDATION  
ANNUAL STOCKHOLDER'S MEETING  
June 14, 2004  
EXECUTIVE DIRECTOR'S REPORT

The 2003-2004 year represents the 18<sup>th</sup> year since our Foundation was created in the fall of 1985. In spite of a very slow national and state economy, Hancock County Kentucky has enjoyed economic development activity with both existing and new industry. Wayne Edge has worked very hard as President of the Foundation. His leadership has widened board participation and involvement of other community people in both financial support and involvement of their time and energy. Three very important committees were formed. First is the Communications Committee, chaired by Rory Mullamney, secondly the Finance Committee, chaired by David Hamilton and thirdly the Education and Technical Training Committee chaired by Mike Gray. These Committees joined by the Prospect/Contact Committee chaired by Jim Fallin. These Committees have all made significant contributions to our success.

The Communications Committee collaborated with the Finance Committee in the development of a first class brochure to report on the activities of the Foundation and spell out our vision for the future. A \$2500 pledge from Century Aluminum and a matching \$2500 from Kenergy funded this professionally produced document. Over 1,800 letters and brochures have been mailed to Industrial Foundation Stockholders, Chamber members and vendors who do business in Hancock County. The Communications Committee has also worked on improving communications internally.

The Finance Committee has worked very hard to launch the first major fundraising effort of the Industrial Foundation, since we were created in 1985. Many individuals and local and regional businesses have gotten out their checkbooks to join in the support of our efforts. David Hamilton's Committee worked with local businessman Tid Griffin and Commercial Printing in developing the solicitation brochure. In addition to the financial support obtained and pledged, the document is telling the community members the major contribution to Hancock County's economic growth that we have made. The Industrial Foundation can be very proud of the nearly 700 jobs and \$600 million plus dollars invested by local industry in the last eight years. Since the creation of the Industrial Foundation, many millions of dollars and many jobs have been created.

The Education and Technical Training Committee reports on the progress being made by our local school district and all of many improvements being made to our school's infrastructure. In addition to the new elementary school, millions of dollars are being spent on improving the remaining schools. The Industrial Training Consortium under the leadership of Industrial Foundation Vice President Barry Zuercher, who serves as the Consortium President is making great progress training our adult work force. Terry Greathouse serves as the Consortium Director and works tirelessly in collaborating with our industry leaders in finding ways to better train existing employees. Funding is still needed for a training facility but work continues with all community leaders involved.

Henry A. Petter Company of Paducah has announced that they are building a new facility in Hancock County. That recent announcement was made at a program hosted by McElroy Metal. Petter is one of the nation's, leading Industrial Supply Houses. This new

facility will be a great service to our existing industry as well as another tool in our recruiting box for new prospects. The Prospect/Contact Committee is collaborating with the Purchasing Managers from all of the major plants. This collaboration produced Pelter Supply and now an all out effort is being made to recruit a forklift dealer that will sell, lease repair forklifts for the existing industry. Over 200 forklifts will be the market for a company that may choose to locate in our community. Presently four companies have expressed an interest in locating. In the next 30 days all of the Purchasing Managers will meet with these companies to offer their services to our industry. Hopefully one will choose to locate here. Other suppliers that have been identified are an electrical supply business. An Indianapolis company has been contacted and a visit is forthcoming before the end of this month.

This Wednesday, June 15<sup>th</sup>, Columbia Specialty Metals will announce that they are building a new aluminum plant that will take molten metal from Century Aluminum and make aluminum shot for the aircraft and water purification market. This will be another diversification of our aluminum industry. Hancock County is becoming a Mecca for aluminum research and development. Dr. Subodh Das at SECAT, University of Kentucky is working with the Industrial Foundation and our existing aluminum plants.

Industrial Foundation Executive Director Jim Fallin, Judge Jack McCaslin and Rory Mullarney traveled to Germany in November to meet with an Australian Company, Lazar Pty Limited. This company has since visited Hancock County and is very close to making an announcement that they are going to build a new Aluminum Anode Plant that will literally revolutionize the way anode is manufactured for all of the world's primary smelters. An announcement is expected in the next quarter.

Western Kentucky Energy announced that they are completing their scrubber project. This \$50 million plus project will help reduce pollution from the air but also allow for the burning of Western Kentucky coal. This project was put on hold when ION bought Louisville Gas and Electric. Judge McCaslin and Jim Fallin visited the corporate offices of ION in Germany and discussed the project in November. This project will help the Hancock County community with our air quality issues. The possibility of a wallboard plant is now a reality and discussions have been made with Santa Fe Gypsum who previously expressed interest in Hancock County.

Presently the Prospect/Contact committee is having an on going discussions with an auto parts manufacturing company. This company has expressed an interest in our community and the company is doing marketing to justify the construction of the plant. This new company is part of the Marmon Group, which has total sales of \$6 billion per year.

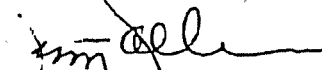
Hancock County has had a visit from Don Martin, President of AMI. This company is going to build a \$54 million ethanol refinery somewhere on the Ohio River either in Meade or Hancock County. Progress is being made with these discussions and a discussion should be forthcoming.

The Hancock County Industrial Foundation continues to work with the Hancock Fiscal Court, Chamber of Commerce, Industrial Training Consortium, Development Complex, Career Center, Leadership Hancock County and the Strategic Planning Committee for our community. Externally the Foundation is working with both the Cabinet for Economic Development and the Kentucky Europe Office.

Jim Fallin continues to represent Hancock County on the Green River Regional Industrial Authority operating the Bluegrass Crossings Business Centre in Ohio County. A second Japanese Company is presently constructing their new plant in Bluegrass Crossings.

Hancock County is well postured to take advantage of the economy upswing. To date it has been in spurts instead of steady growth. Our existing industry continues to be our primary focus. We will continue to strive to have the best Economic Development group in the State. Our Board of Directors and Stockholders are to be congratulated for staying the course.

Respectfully submitted.



James H. Fallin  
Executive Director



HANCOCK COUNTY INDUSTRIAL FOUNDATION  
ANNUAL STOCKHOLDER'S MEETING  
June 13, 2005  
EXECUTIVE DIRECTOR'S REPORT

The 2004-2005 year represents the 19<sup>th</sup> year since our Foundation was created in the fall of 1985. In spite of a very slow national and state economy, Hancock County Kentucky has enjoyed economic development activity. The year has been disappointing with the announcement that Alcoa Automotive is closing at the end of the year. "Project X", the largest project to visit Kentucky since Toyota visited Hancock County in the last two weeks. The company was able to visit three sites and have committed to return in July of this year. Our community has sites that are on the river, above the flood plain, served by the mainline of the CSX and of course the lowest electric rates in the United States. The project will use large quantities of electricity and will provide 300 very good paying jobs in Phase I. KREDA will be an important factor in the company consideration. Two helicopters brought five corporate executives and representatives of the Cabinet for Economic Development. Marty Littrel represented Kenergy and assured the prospect of sufficient power and favorable pricing. The Project Manager for the project, Brett Barnes with the Cabinet for Economic Development remains in close contact. Presently we are working on flood maps to highlight our high quality sites located out of the flood plain.

Wayne Edge has worked very hard as President of the Foundation. His leadership has widened board participation and involvement of other community people in both financial support and involvement of their time and energy.

The Communications Committee collaborated with the Finance Committee in the development of a first class brochure to report on the activities of the Foundation and spell out our vision for the future. The first year the community contributed \$12,350.00 and this year already \$9,800.00 has been secured in support of the Industrial Foundation. The year year total to date is \$29,850.00

When "Project X" visited Hancock County two weeks ago, we were able to provide copies of our annual report which talked about our great success since 1985. In addition to the financial support obtained and pledged, the document is telling the community members the major contribution to Hancock County's economic growth that we have made. The Industrial Foundation can be very proud of the nearly 700 jobs and \$600 million plus dollars invested by local industry in the last eight years. Since the creation of the Industrial Foundation, many millions of dollars and many jobs have been created.

The Industrial Training Consortium under the leadership of Industrial Foundation Vice President Barry Zuercher, who serves as the Consortium President is making great progress training our adult work force. Terry Greathouse serves as the Consortium Director and works tirelessly in collaborating with our industry leaders in finding ways to better train existing employees. Funding is still needed for a training facility but work continues with all community leaders involved. Presently, the community is working to secure funding for instructors and equipment to start what will eventually be an Area Technology Training Center. A decision is expected this week on the initial funding. A training facility remains the largest challenge and it appears that existing facilities at the high school will provide a short term solution until a building can be secured.

Henry A. Petter Company of Paducah has announced that they are building a new facility in Hancock County. That announcement was made at a program hosted by McElroy Metal. Petter is one of the nation's, leading Industrial Supply Houses. This new Facility will be a great service to our existing industry as well as another tool in our recruiting box for new prospects. The Prospect/Contact Committee is collaborating with the Purchasing Managers from all of the major plants. This collaboration produced Petter Supply and now an all out effort is being made to recruit a forklift dealer that will sell, lease repair forklifts for the existing industry. Over 200 forklifts will be the market for a company that may chose to locate in our community. MH Equipment has indicated that they are trying to rent space in the Petter building to locate their business. The Petter project has been delayed because of the untimely death of one of the principals of the company. Petter has recently installed a sign on US 60 in Lewisport.

Columbia Specialty Metals has built new aluminum plant that will take molten metal from Century Aluminum and make aluminum shot for the aircraft and water purification market. This will be another diversification of our aluminum industry. Hancock County is becoming a Mecca for aluminum research and development. Dr. Subodh Das at SECAT, University of Kentucky is working with the Industrial Foundation and our existing aluminum plants.

Industrial Foundation Executive Director Jim Fallin traveled to meet the European owners of a new company that is considering Hancock County for the location of a new plant to manufacture equipment for the US market to enable diesel engines to run off of vegetable oil. The "Green Oil" project will help the US not to depend on foreign crude, will clean the air, reduce fuel cost for consumers and help farmers have a new market for their grain.

Lazar Pty Ltd. is expected to announce its carbon anode pilot plant in the fourth quarter of this year. This technology will put Hancock County on the map with all of the aluminum smelters throughout the world. Rick Lazarou and his investor group visited Hancock County the first week in May of this year.

Western Kentucky Energy announced that they are completing their scrubber project. This \$50 million plus project will help reduce pollution from the air but also allow for the burning of Western Kentucky coal. This project was put on hold when ION bought Louisville Gas and Electric. Judge McCaslin and Jim Fallin visited the corporate offices of ION in Germany and discussed the project two years ago. This project will help the Hancock County community with our air quality issues. The possibility of a wallboard plant is now a reality and discussions have been made with Federal Gypsum who previously expressed interest in Hancock County. Company officials are meeting today in Henderson discussing the possible project with WKE officials.

Don Martin, President of AMI continues to have discussions with Hancock and Meade Counties about his proposed ethanol plant. Both communities have expressed an interest in the project. Judge Mc Caslin along with Jim Fallin met with Bill Davis, Bond Counsel for Hancock County in Louisville to discuss the project. Since that meeting, Meade County has offered the same support. The site in Meade County may have environmental problems, so the door remains open.

The Hancock County Airport Board has acquired a 105 acre site from Commonwealth Aluminum and the airport is schedule for the first phases of construction this fall. This will be another tool for economic development.

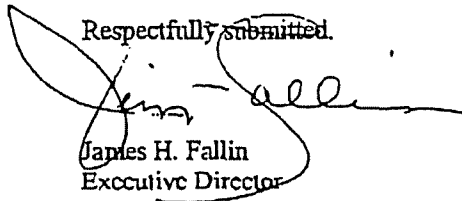
Our Industrial Foundation remains committed to work with the Fiscal Court, the Chamber of Commerce, Industrial Training Consortium, Development Complex, Career Center, Leadership Hancock County for our community. Externally the Foundation is working with both the Cabinet for Economic Development and the Kentucky Europe Office.

LR Chapman has made great progress on building a state of the art silica plant to compliment the discovery of a larger "glass making quality" deposit of silica. The City of Lewisport is extending natural gas service to the new silica plant. This whole area has great potential for future economic development. The Industrial Foundation supports Bluegrass Silica in their efforts to recruit a glass plant.

Jim Fallin continues to represent Hancock County on the Green River Regional Industrial Authority operating the Bluegrass Crossings Business Centre in Ohio County. A second Japanese Company is presently constructing their new plant in Bluegrass Crossings.

Hancock County is well postured to take advantage of the economy upswing. To date it has been in spurts instead of steady growth. Our existing industry continues to be our primary focus. We will continue to strive to have the best Economic Development group in the State. Our Board of Directors and Stockholders are to be congratulated for staying the course.

Respectfully submitted.



James H. Fallin  
Executive Director

HANCOCK COUNTY INDUSTRIAL FOUNDATION  
ANNUAL STOCKHOLDER'S MEETING  
June 12, 2006  
EXECUTIVE DIRECTOR'S REPORT

The 2005-2006 year represents the 20th year since our Foundation was created in the fall of 1985. In spite of a very slow national and state economy, Hancock County Kentucky has enjoyed economic development activity. Companhia Siderurgica Nacional, LLC, the largest project to visit Kentucky since Toyota. CSN, LLC visited Hancock County first in November and has returned three times. The company considered 11 sites in 3 States and have committed to building the facility in Hancock County. The CSN Board of Directors in Brazil is expected to vote on the project this week. The \$550 million facility will employ 400 highly paid employees. The state-of-the-art Hot Strip Mill will be an expandable 4 stand mill. Our community has sites that are on the river, above the flood plain, served by the mainline of the CSX and of course the lowest electric rates in the United States. The Industrial Foundation has worked very closely with Frank J. Villaire, CFO of CSN, LLC and the Cabinet for Economic Development. Many meetings have taken place in Frankfort with EDA, the Governor's Office for Local Development and State regulatory agencies.

Wayne Edge has worked very hard as President of the Foundation. His leadership has widened board participation and involvement of other community people in both financial support and involvement of their time and energy. Additionally Wayne has guided Southwire through several expansions and the Industrial Foundation has assisted with KREDA and other benefits.

When CSN, LLC visited Hancock County, we were able to provide copies of our annual report which talked about our great success since 1985. In addition to the financial support obtained and pledged, the document is telling the community members the major contribution to Hancock County's economic growth that we have made. The Industrial Foundation can be very proud of the nearly 700 jobs and \$600 million plus dollars invested by local industry in the last eight years. Since the creation of the Industrial Foundation, many millions of dollars and many jobs have been created.

This past week another large company needing a large river site visited Hancock County with a commitment to return later this summer with the full site selection team. This facility will be very large and they are looking world wide for a site.

The Industrial Training Consortium under the leadership of Industrial Foundation Vice President Barry Zuercher, who is also the Consortium Vice President is making great progress training our adult work force. Terry Greathouse serves as the Consortium Director and works tirelessly in collaborating with our industry leaders in finding ways to better train existing employees. Funding is still needed for a training facility but work continues with all community leaders involved. Presently, the community is working to secure funding for instructors and equipment to start what will eventually be an Area Technology Training Center. CSN, LLC requested the State to find the funds to build a training facility, finding the funds remain the largest challenge. In the interim, two training programs have been started at the Hancock County High School.

Henry A. Petter Company of Paducah announced that they are building a new facility in Hancock County. Their construction was delayed because of the death of one of the owners and the settling of their estate. Petter is one of the nation's leading Industrial Supply Houses. This new Facility will be a great service to our existing industry as well as another tool in our recruiting box for new prospects. Robert Petter Jr. informed the Industrial Foundation that they will be proceeding shortly.

Columbia Specialty Metals has built their new aluminum plant that will take molten metal from Century Aluminum and make aluminum shot for the aircraft and water purification market. This will be another diversification of our aluminum industry. Hancock County is becoming a Mecca for aluminum research and development. Dr. Subodh Das at SECAT, University of Kentucky is working with the Industrial Foundation and our existing aluminum plants.

Lazar Pty Ltd. is planning on the construction of its carbon anode pilot plant in the first quarter of 2007... This technology will put Hancock County on the map with all of the aluminum smelters throughout the world. Rick Lazarou visited Hancock County the third week in May of this year. Mr. Lazarou met with Judge Jack McCaslin and Jim Fallin and gave them the good news.

Western Kentucky Energy completed their scrubber project. This \$50 million plus project will help reduce pollution from the air but also allow for the burning of Western Kentucky coal. WKE has agreed to transfer the operation of the Power Plants back to Big Rivers which will mean more power available for economic development.

The Hancock County Airport Board has acquired an 105 acre site from Commonwealth Aluminum and the airport is schedule for the first phases of construction this fall. This will be another tool for economic development. CSN has requested that the runway be expanded to 6000 feet and is presently considering donating the land necessary for the expansion.

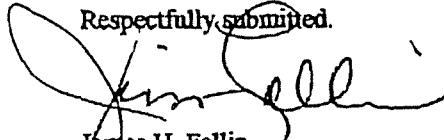
Our Industrial Foundation remains committed to work with the Fiscal Court, the Chamber of Commerce, Industrial Training Consortium, Development Complex, Career Center, Leadership Hancock County for our community. Externally the Foundation is working with both the Cabinet for Economic Development.

LR Chapman has made great progress on building a state of the art silica plant to compliment the discovery of a larger "glass making quality" deposit of silica. The City of Lewisport has extended natural gas service to the new silica plant. This whole area has great potential for future economic development. The Industrial Foundation supports Bluegrass Silica in their efforts to recruit a glass plant.

Jim Fallin continues to represent Hancock County on the Green River Regional Industrial Authority operating the Bluegrass Crossings Business Centre in Ohio County. A second Japanese Company has constructed their new plant in Bluegrass Crossings.

Hancock County is well postured to take advantage of the economy upswing... We are moving forward in a very positive way. Our existing industry continues to be our primary focus. We will continue to strive to have the best Economic Development group in the State. Our Board of Directors and Stockholders are to be congratulated for staying the course.

Respectfully submitted.



James H. Fallin  
Executive Director



ECONOMIC DEVELOPMENT ACTIVITY  
SEMI-ANNUAL REPORT

AGENCY INFORMATION

REPORTING PERIOD

Jan 1 to June 30, 2005

NAME OHIO COUNTY INDUSTRIAL FOUNDATION, INC

ADDRESS 1350 CLAY STREET, PO BOX 3  
HARTFORD KY 42347

TELEPHONE NUMBER 270-298-3551

FAX NUMBER 270-298-3331 EMAIL ocif@ohiocounty.net

CONTACT PERSON DUDLEY COOPER

Number of new leads/contacts made during this reporting period 2

Number of jobs created or announced as a result of these contacts 0

Number of existing business and Industry visits made 8

Number of jobs created or announced as a result of these visits Not aware of any

Please list any trade shows attended during this reporting period 0

Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)

Ongoing work continues on Regional Wastewater Project

Several easements have been secured.



**ECONOMIC DEVELOPMENT ACTIVITY  
SEMI-ANNUAL REPORT**

<u>AGENCY INFORMATION</u>	<u>REPORTING PERIOD</u>	July 1 to Dec. 31, 2005
NAME	OHIO COUNTY INDUSTRIAL FOUNDATION INC	
ADDRESS	1350 CLAY ST	
	PO BOX 3	
	HARTFORD KY 42347	
TELEPHONE NUMBER	270-298-3551	
FAX NUMBER	270-298-3331	EMAIL <u>ocif@ohiocounty.net</u>
CONTACT PERSON	DUDLEY COOPER	

Number of new leads/contacts made during this reporting period	<u>2</u>
Number of jobs created or announced as a result of these contacts	<u>0</u>
Number of existing business and industry visits made	<u>6</u>
Number of jobs created or announced as a result of these visits	<u>2.5</u>
Please list any trade shows attended during this reporting period	
_____	
_____	
_____	

Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)

*Worked with Daicel Safety Systems America on the Grand Opening of their second plant Daicel Safety Technologies America.*





**ECONOMIC DEVELOPMENT ACTIVITY  
SEMI-ANNUAL REPORT**

<u>AGENCY INFORMATION</u>	<u>REPORTING PERIOD</u>	
<b>NAME</b>	Ohio County Industrial Foundation Inc	
<b>ADDRESS</b>	1350 Clay Street, PO Box 3 Hartford KY 42347	
<b>TELEPHONE NUMBER</b>	270-298-3551	
<b>FAX NUMBER</b>	270-298-3331	<b>EMAIL</b> ocif@ohiocounty.com
<b>CONTACT PERSON</b>	Dudley Cooper	

Number of new leads/contacts made during this reporting period	3
Number of jobs created or announced as a result of these contacts	0
Number of existing business and industry visits made	6
Number of jobs created or announced as a result of these visits	20
Please list any trade shows attended during this reporting period	
e-on U.S. in Atlanta GA	

Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)

Assisted with making marketing CD for the Bluegrass Crossings Business Centre. Had reception for Mr. Sakamoto, DSSA.

Worked with KY Tech School in developing programs for industries.



**ECONOMIC DEVELOPMENT ACTIVITY  
SEMI-ANNUAL REPORT**

<b>AGENCY INFORMATION</b>	<b>REPORTING PERIOD</b>	<u>July 1</u> to <u>December 31</u> , 2006
<b>NAME</b>	<u>Ohio County Industrial Foundation Inc</u>	
<b>ADDRESS</b>	<u>1350 Clay Street</u>	
	<u>PO Box 3</u>	
	<u>Hartford KY 42347</u>	
<b>TELEPHONE NUMBER</b>	<u>270-298-3551</u>	
<b>FAX NUMBER</b>	<u>270-298-3331</u>	<b>EMAIL</b> <u>ocif@ohiocounty.com</u>
<b>CONTACT PERSON</b>	<u>Dudley Cooper</u>	

Number of new leads/contacts made during this reporting period	<u>2</u>
Number of jobs created or announced as a result of these contacts	<u>0</u>
Number of existing business and industry visits made	<u>4</u>
Number of jobs created or announced as a result of these visits	<u>0</u>
Please list any trade shows attended during this reporting period:	

Please describe other projects and activities undertaken by your organization during this reporting period. For example, marketing studies, land optioned or purchased, marketing materials, spec. buildings, infrastructure development, strategic planning, etc. (Use additional pages and attachments as necessary)

Hosted Japanese Sister City Program reception at DSSA.  
Bids were awarded to W Rogers Company in Lexington for  
the Regional Wastewater System project. OCIF has worked  
steadily on this project for four years.





**RESPONSE OF KENERGY CORP.  
TO THIRD DATA REQUEST OF COMMISSION STAFF**

**CASE NO. 2006-00369**

1  
2 **Item 7)** Refer to the response to the Staff Second Request, Item 24.

3 a. Several of the expense descriptions referenced “MRC.”

4 (1) Explain the reference “MRC.” In addition, explain the nature of these  
5 expenses and explain why expenses associated with this activity should be included for rate-making  
6 purposes. This includes, but is not limited to, expenses for a Christmas party and a dinner.

7 (2) Refer to page 42 of 59, line 784. Explain the expense entry identified as  
8 “A/P – MRC.”

9 b. Several of the expense descriptions reference a “Telephone Meeting.”

10 (1) Was this a meeting to discuss telephone issues or a meeting conducted  
11 by telephone? Explain the response.

12 (2) Explain why expenses associated with the “Telephone Meeting” should  
13 be included for rate-making purposes.

14 c. Several of the expense descriptions reference an “Evaluation Meeting.” Explain  
15 the purpose of this meeting and explain why expenses associated with this meeting should be included  
16 for rate-making purposes.

17 d. Refer to page 28 of 59, line 530; page 34 of 59, line 643; and page 38 of 59, line  
18 687. Explain the purpose of the expenses described as “Legislative Conference” and explain why  
19 expenses associated with this conference should be included for rate-making purposes.

20 e. Refer to page 30 of 59, line 564 and page 34 of 59, line 614. Explain the  
21 purpose of the expenses described as “Congressional Breakfast” and explain why expenses associated  
22 with the breakfast should be included for rate-making purposes.

**RESPONSE OF KENERGY CORP.  
TO THIRD DATA REQUEST OF COMMISSION STAFF**

**CASE NO. 2006-00369**

1  
2           f.       Refer to page 59 of 59. For each of the “Other” expense categories listed below,  
3 describe the specific nature of the expense and explain why the expense should be included for rate-  
4 making purposes.

- 5                   (1)     Strategic Plan Meal.  
6                   (2)     Chamber Banquet.  
7                   (3)     Board Meeting Supplies.  
8                   (4)     Service Awards.  
9                   (5)     Gifts.  
10                  (6)     Plaque for Board Chair.

11  
12 **Response) (a-1.)** The reference “MRC” refers to Member Resource Committee. Kenergy has a  
13 Member Resource Committee (MRC) established for each of the ten board districts within the  
14 cooperative’s service territory. As liaisons to the board of directors, committee members are charged  
15 with seeking information and opinions from fellow member-owners and passing this information along  
16 with recommendations to their respective district director. The director, in turn, is responsible for  
17 sharing this information with the entire board and updating the MR committee on cooperative matters.  
18 Quarterly MRC meetings are held during which Kenergy management shares information related to  
19 cooperative affairs with committee members so they are in a position to pass this information along to  
20 Kenergy member-owners who reside in the district they represent. The fourth quarter meeting held in  
21 December and although described as the MRC Christmas party on page 42 of 59, line 762, it was not  
22 held for the sole or even the main purpose of having a Christmas party. At this meeting, official

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2 business was conducted by the Member Resource Committee, including nomination of candidates for  
3 three directorships. Kenergy believes the MRC expenses should be included for rate-making purposes.

4  
5 (a-2.) This expense entry recorded a payable at December 31, 2005 for the third  
6 quarter (September) 2005 Member Resource Committee dinner meeting held which was inadvertently  
7 not paid until January 2006.

8 (b-1.) All references to “telephone meeting” refer to board meetings conducted by  
9 telephone.

10 (b-2.) In the particular instance noted, a “telephonic meeting” was held on November  
11 28, 2005 during which Kenergy’s management updated the Board on the status of the Big Rivers  
12 “unwind” and at which the Board authorized Kenergy’s President and CEO to execute a Memorandum  
13 of Understanding with Big Rivers and the smelters. Even though Kenergy believes this expense  
14 involved with the Big Rivers “unwind” constitutes legitimate corporate business that should be eligible  
15 for recovery in Kenergy’s rates due to its impacts on the smelters, the local communities, and  
16 Kenergy’s other members, Kenergy has removed all telephonic board fee expenses for rate-making  
17 purposes as shown in Exhibit 5, page 10, line 7 of the application.

18 (c) All references to “evaluation meeting” relate to a board meeting held on January  
19 6, 2005 to discuss Kenergy’s President and CEO’s annual performance evaluation. Even though  
20 Kenergy believes this session constitutes a legitimate business matter that should be eligible for  
21 recovery in Kenergy’s rates, Kenergy removed all evaluation meeting fees for rate-making purposes as  
22 shown in Exhibit 5, page 10, line 7 of the application.

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2           **(d-e)** Annually, the National Rural Electric Cooperative sponsors a NRECA  
3 Legislative Conference and Congressional Breakfast, which is attended by board members and senior  
4 management staff from cooperatives all across the country. Kenergy agrees to remove these expenses  
5 rate-making for purposes.

6           **(f-1.)** The “strategic planning” expense involved an all-day meeting with the board in  
7 which Kenergy senior management presented strategic planning material to the board and received  
8 board input in the morning. A regularly scheduled monthly board meeting was held in the afternoon  
9 that same day. Since the meetings lasted all day for all board and management attendees, lunch was  
10 brought in for the participants. Even though Kenergy believes this was a legitimate business expense  
11 that should be recoverable in rates, Kenergy agreed to remove these expenses for rate-making purposes  
12 as shown in Exhibit 5, page 10 of the application.

13           **(f-2.)** The charge in question involved a board member’s expenses related to attending  
14 (on behalf of Kenergy) the Sturgis (which is in Kenergy’s service territory) Chamber of Commerce’s  
15 annual dinner meeting. Kenergy agrees to remove this expense for rate-making purposes.

16           **(f-3.)** These charges are due in large part for lunches provided for board members and  
17 senior management who meet for various Kenergy board committee meetings (Governance, Audit,  
18 Pension) which are held in the morning on the same day board meetings are held. The board meetings  
19 normally begin at 1:00 PM. Kenergy believes this was a legitimate business expense that should be  
20 recovered in rates.

21           **(f-4.)** These expenses involve purchase of service awards for Kenergy board members  
22 who have reached five-year multiple levels of service to Kenergy member-owners on the Kenergy  
board. Kenergy believes this was a legitimate business expense that should be recovered in rates.

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(f-5.) This expense involved purchase of a momento for the out-going Kenergy board chair commemorating six years of service as the board chair. Kenergy believes this was a legitimate business expense that should be recovered in rates.

(f-6.) This expense involved purchase of a plaque at the request of the board chair that listed the names of the respective board members and CEO's of both Green River Electric Corporation and Henderson Union Electric Cooperative who served in an official capacity at the time those two cooperatives merged to form Kenergy Corp. The plaque was hung in the lobby of Kenergy's headquarters building in Henderson, Kentucky to mark the 5<sup>th</sup> anniversary of that merger. Kenergy believes this was a legitimate business expense but agrees to remove for rate-making purposes because it is a non-recurring expense.

**Witness)** Mark Bailey





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**Item 8)** Refer to the response to the Staff Second Request, Item 29. Staff has checked the calculations shown in the Application, Exhibit 13, Tab 3 and found differences that appear to be something other than simple rounding adjustments. For each account shown in Exhibit 13, Tab 3, prepare a schedule showing the original cost data from column (i), the recommended depreciation rates from column (g), the result of multiplying column (i) by column (g), and compare the results to the information shown in column (m). Explain all differences greater than \$100.

**Response)** Item 8, page 2 of 2, contains the above referenced information. The calculation of the recommended depreciation rates times the January 1 investment shows the total distribution plant depreciation expense to be \$6,533,150 or \$34,278 less than the depreciation expense shown in Exhibit 13, Tab 3, page 2, column m. The differences in all accounts result from column m being calculated using the recommended depreciation rates before rounding. Column 6 of the schedule shows the recommended depreciation rates before they were rounded to the nearest tenth of a percent. Columns 7 and 8 show that the depreciation expense calculated using the depreciation rates before rounding is equal to the depreciation expense shown in Exhibit 13, Tab 3, page 2, column m.

**Witness: Robert Welsh**

**Response:** Kenergy proposes to use the depreciation rates carried out one decimal place as approved by the Rural Utilities Service. This results in a decrease to the requested rates of \$34,278, partially offsetting the increase in interest expense of \$69,895 as reflected in the response to Item 7,

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page 2 of 3, of the PSC second data request. Please refer to Item 6, page 2 of 3, from the responses to the PSC second data request.

**Witness)** Steve Thompson

KENERGY  
ANALYSIS OF EXPENSE CHANGE EXHIBIT 13, TAB 3

Item	Jan 1 2006 Investment (a) 1	Recommended		Depreciation Expense 3 = 1 * 2	Depreciation Expense (c) 4	Difference 5 = 3 - 4	Recommended Rates Expanded (d) 6	Depreciation Expense 7 = 1 * 6	Difference 8 = 4 - 7
		Depreciation Rates (b) 2	Depreciation Expense 3 = 1 * 2						
362 Station Equipment	\$ 17,972,713	2.20%	\$ 395,400	\$ 395,400	\$ (0)	2.2000000%	\$ 395,400	\$ 0	
362.1 Supervisory Control Equipment	\$ 1,907,174	6.70%	\$ 127,781	\$ 127,145	\$ 636	6.666667%	\$ 127,145	\$ 0	
362.2 Microwave Equipment	\$ 2,057,341	6.70%	\$ 137,842	\$ 137,156	\$ 686	6.666667%	\$ 137,156	\$ (0)	
362.223 Microwave Towers	\$ 1,354,846	3.00%	\$ 40,645	\$ 40,645	\$ 0	3.0000000%	\$ 40,645	\$ (0)	
362.4 Owenboro Fiber	\$ 915,009	4.00%	\$ 36,600	\$ 36,600	\$ 0	4.0000000%	\$ 36,600	\$ (0)	
Total Station & Equipment	24,207,083								
364 Poles, Towers & Fixtures	\$ 55,689,068	4.20%	\$ 2,338,941	\$ 2,348,223	\$ (9,282)	4.216667%	\$ 2,348,223	\$ 0	
365 Overhead Conds & Devices	\$ 43,909,211	3.40%	\$ 1,492,913	\$ 1,506,330	\$ (13,417)	3.430556%	\$ 1,506,330	\$ (0)	
366 Underground Conduit	\$ 14,166	2.20%	\$ 312	\$ 315	\$ (3)	2.222222%	\$ 315	\$ 0	
367 Underground Conds & Devices	\$ 9,815,435	3.10%	\$ 304,278	\$ 307,083	\$ (2,805)	3.128571%	\$ 307,083	\$ 0	
368 Line Transformers	\$ 26,290,025	2.90%	\$ 762,411	\$ 768,983	\$ (6,572)	2.925000%	\$ 768,983	\$ (0)	
369 Services	\$ 15,752,111	3.80%	\$ 598,580	\$ 604,769	\$ (6,189)	3.839286%	\$ 604,769	\$ 0	
370 Meters	\$ 4,651,074	3.30%	\$ 153,485	\$ 152,011	\$ 1,474	3.268293%	\$ 152,011	\$ 0	
371 Instal on Cons Premises	\$ 2,796,078	4.40%	\$ 123,027	\$ 121,967	\$ 1,060	4.362069%	\$ 121,967	\$ 0	
373 St Ltg & Signal Systems	\$ 550,896	3.80%	\$ 20,934	\$ 20,801	\$ 133	3.775862%	\$ 20,801	\$ (0)	
<b>Total Distribution</b>	<b>\$ 183,675,148</b>		<b>\$ 6,533,150</b>	<b>\$ 6,567,428</b>	<b>\$ (34,278)</b>		<b>\$ 6,567,427</b>	<b>\$</b>	

Notes:

- a. Investment from Exhibit 13, Tab 3, page 2, column i
- b. Depreciation Rates from Exhibit 13, Tab 3, page 1, column g
- c. Depreciation Expense from Exhibit 13, Tab 3, page 2, column m
- d. Depreciation Rates are the Column 2 rates before rounding