

KENERGY CORP.
PUBLIC NOTICE
CASE NO. 2008-00323

THE APPLICATION OF KENERGY CORP.
FOR AN ADJUSTMENT IN EXISTING RATES

Kenergy Corp., 6402 Old Corydon Road, Henderson, KY 42420, filed an application for an adjustment in existing rates with the Kentucky Public Service Commission in Case No. 2008-00323. The rates contained in this notice, which are the rates contained in the application, are rates proposed by Kenergy Corp.; however, the Kentucky Public Service Commission may order rates to be charged that differ from the rates contained therein.

The present and proposed rates are as follows:

	<u>Present Rate Schedule</u>	<u>Proposed Rate Schedule</u>
Residential Service (Single & Three-Phase):		
Customer Charge per Delivery Point	\$ 9.91 per month	\$ 12.00 per month
Energy Charge per KWH	\$ 0.059956	\$ 0.061540
All Non-Residential Single Phase:		
Customer Charge per Delivery Point	\$ 15.61 per month	\$ 16.00 per month
Energy Charge per KWH	\$ 0.058417	\$ 0.060740
Three-Phase Demand Non-Dedicated Delivery Points (0 - 1,000 KW):		
Customer Charge per Delivery Point	\$ 25.00 per month	\$ 30.00 per month
Demand Charge:		
All KW During Month	\$ 3.50	\$ 4.05
Energy Charge:		
First 200 KWH per KW, per KWH	\$ 0.05320	\$ 0.05320
Next 200 KWH per KW, per KWH	\$ 0.03800	\$ 0.03800
All Over 400 KWH per KW, per KWH	\$ 0.03300	\$ 0.03300
Primary Discount per KW	\$ (0.50)	\$ (0.50)
Three-Phase Demand Non-Dedicated Delivery Points (1,001 KW and Over):		
Option A - High Load Factor (above 50%)		
Customer Charge per Delivery Point	\$ 575.00 per month	\$ 575.00 per month
Demand Charge:		
All KW During Month	\$ 8.00	\$ 8.65
Energy Charge:		
First 200 KWH per KW, per KWH	\$ 0.0275	\$ 0.0275
Next 200 KWH per KW, per KWH	\$ 0.0250	\$ 0.0250
All Over 400 KWH per KW, per KWH	\$ 0.0230	\$ 0.0230
Primary Discount per KW	\$ (0.50)	\$ (0.50)

	<u>Present Rate Schedule</u>	<u>Proposed Rate Schedule</u>
Option B - Low Load Factor (below 50%)		
Customer Charge per Delivery Point	\$ 575.00 per month	\$ 575.00 per month
Demand Charge:		
All KW During Month	\$ 4.30	\$ 4.80
Energy Charge:		
First 150 KWH per KW, per KWH	\$ 0.0400	\$ 0.0420
Over 150 KWH per KW, per KWH	\$ 0.0360	\$ 0.0360
Primary Discount per KW	\$ (0.50)	\$ (0.50)

Large Industrial Customers Served Under Special Contract
Dedicated Delivery Points (Class C)

Facilities Charge per Assigned Dollars of Kenergy Investment for Facilities	1.35% per month	1.30% per month
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Special Charges:

Turn on, reconnect, termination (overtime)	\$ 80.00 per trip	\$ 90.00 per trip
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Extensions to Permanent Underground Service:

Installation of Trench and Conduit	Kenergy Provides	Customer Provides
Differential (Underground Minus Overhead)	\$ 2.55 per foot	\$ 3.54 per foot
		(if Kenergy provides trench & conduit) for unusual conditions

Differential (Customer installed Conduit)	\$ 1.62 per foot	N/A
		(Customer required to provide trench and conduit)

Subdivisions - Lot Density is 2 or more per acre	Cost Differential Not Req'd.	(Customer required to provide trench and conduit)
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Residential Deposit	\$ 150.00	\$ 190.00
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Lights:

Type	Watts	Tariff	Present Rate	per month	Proposed Rate	per month
High Pressure Sodium	100	Sch. 11	\$ 6.95		\$ 6.95	
High Pressure Sodium	250	Sch. 11	\$ 9.69		\$ 9.98	
High Pressure Sodium	400	Sch. 11	\$ 11.06		\$ 11.39	
Metal Halide	100	Sch. 11	n/a		\$ 6.53	
Metal Halide	400	Sch. 11	n/a		\$ 13.45	
Mercury Vapor	175	Sch. 11	\$ 6.95		\$ 7.16	
Mercury Vapor	250	Sch. 11	\$ 8.20		\$ 8.45	
Mercury Vapor	400	Sch. 11	\$ 9.69		\$ 9.98	
High Pressure Sodium	100	Sch. 12	\$ 6.95		\$ 6.95	
High Pressure Sodium	250	Sch. 12	\$ 8.10		\$ 10.10	

Metal Halide	100	Sch. 12	n/a	\$	6.53	
Metal Halide	400	Sch. 12	n/a	\$	13.24	
Mercury Vapor	175	Sch. 12	\$	6.95	\$	7.16
Mercury Vapor	400	Sch. 12	\$	8.10	\$	10.02
Mercury Vapor	400	Sch. 12	\$	10.00	\$	10.00
High Pressure Sodium	100	Sch. 13	\$	18.98	\$	18.98
High Pressure Sodium	140	Sch. 13	\$	16.85	\$	17.36
High Pressure Sodium	70	Sch. 13	\$	9.54	\$	9.83

Type	Watts	Tariff	Present		Proposed	
			Rate	per month	Rate	per month
Mercury Vapor	70	Sch. 13	\$	9.54	\$	9.83
High Pressure Sodium	1000	Sch. 14	\$	25.66	\$	26.17
High Pressure Sodium	1000	Sch. 14	\$	25.66	\$	26.17
High Pressure Sodium	250	Sch. 14	\$	8.73	\$	8.99
High Pressure Sodium	250	Sch. 14	\$	9.97	\$	10.27
High Pressure Sodium	400	Sch. 14	\$	11.06	\$	11.39
High Pressure Sodium	400	Sch. 14	\$	12.38	\$	12.75
Metal Halide	1000	Sch. 14	\$	22.97	\$	26.17
Metal Halide	1000	Sch. 14	\$	24.82	\$	26.17
Metal Halide	250	Sch. 14	\$	8.36	\$	8.61
Metal Halide	250	Sch. 14	\$	9.62	\$	9.91
Metal Halide	400	Sch. 14	\$	11.03	\$	11.36
Metal Halide	400	Sch. 14	\$	12.14	\$	12.50
High Pressure Sodium	100	Sch. 14	\$	10.63	\$	10.95
Metal Halide	100	Sch. 14	\$	9.39	\$	9.67
Metal Halide	100	Sch. 14	\$	9.20	\$	9.48
Metal Halide	175	Sch. 14	\$	10.52	\$	10.84
Metal Halide	175	Sch. 14	\$	7.98	\$	10.96
Metal Halide	175	Sch. 14	\$	11.40	\$	11.74

Baskett			\$	2.42	\$	2.49
Meadow Hill			\$	2.18	\$	2.25
Spottsville			\$	2.75	\$	2.83

POLES:

Type	Description					
Steel	25 ft.	Sch. 14	\$	5.52	\$	6.35
Steel	30 ft.	Sch. 14	\$	6.22	\$	7.15
Steel	39 ft.	Sch. 14	\$	10.45	\$	12.02
Wood	30 ft.	Sch. 14	\$	6.55	\$	3.98
Aluminum	28 ft.	Sch. 14	\$	7.11	\$	8.18
Sq. Fiberglass	20 ft.	Sch. 14	\$	5.06		Delete
Sq. Fiberglass	25 ft.	Sch. 14	\$	5.93		Delete
Sq. Fiberglass	30 ft.	Sch. 14	\$	6.95		Delete
Fl. Fiberglass	15 ft.	Sch. 14	\$	7.60	\$	8.74
Fl. Fiberglass	9 ft.	Sch. 14	\$	-	\$	-
Fl. Aluminum	14 ft.	Sch. 14	\$	8.35	\$	9.60
Wood	30 ft.	Sch. 12	\$	1.85	\$	2.13
Aluminum	28 ft.	Sch. 12	\$	4.45	\$	5.12

Cable Television Attachment Tariff:

	Present		Proposed	
	Rate	per year	Rate	per year
Two-Party Pole Attachment	\$ 5.00		\$ 5.24	
Three-Party Pole Attachment	\$ 3.98		\$ 4.12	
Two-Party Anchor Attachment	\$ 8.99		\$ 10.25	
Three-Party Anchor Attachment	\$ 5.99		\$ 6.83	

Kenergy proposes changes to its present tariff schedules to reflect the foregoing proposed changes in rates, and Kenergy also proposes changes to other tariff schedules, including text changes and the location of certain rules and regulations. The tariff schedules being proposed by Kenergy are attached to the application in this case.

The amount and percent of change by rate class are as follows:

<u>Rate Class</u>	<u>Dollars</u>	<u>Percent of Change</u>
Residential Service	\$2,323,936	4.58%
All Non-Residential Single Phase	\$ 305,514	3.69%
Three-Phase (less than 1,000 KW)	\$ 415,855	3.48%
Three-Phase (1,001 KW & Over)	\$ 138,435	3.41%
Unmetered Lighting	\$ 46,996	3.49%
Special Charges	\$ 1,070	0.29%
Cable Television Attachment	\$ 2,463	4.41%
Total Non-Direct Served	\$3,234,269	4.15%

<u>Rate Class</u>	<u>Dollars</u>	<u>Percent of Change</u>
Direct Served Customers Class A	\$ -0-	-----
Direct Served Customers Class B	\$ -0-	-----
Direct Served Customers Class C	(\$ 2,012)	(.02%)
Total All	\$3,232,258	.90%

The effect of the proposed rates on the average monthly bill by rate class is as follows:

<u>Rate Class</u>	<u>Normalized</u>	<u>Proposed</u>	<u>Increase (Decrease)</u>	<u>Percent Change</u>
Residential Service	\$ 94.08	\$ 98.39	\$ 4.31	4.58%
All Non-Residential Single Phase	\$ 78.86	\$ 81.77	\$ 2.91	3.69%
Three-Phase (less than 1,000 KW)	\$ 1,134.01	\$ 1,173.52	\$ 39.51	3.48%
Three-Phase (1,001 KW & Over)	\$ 26,001.42	\$ 26,888.83	\$887.41	3.41%
Unmetered Lighting	NA	NA	NA	NA
Special Charges	NA	NA	NA	NA
Cable Television Attachment	\$ 930.38	\$ 971.43	\$ 41.05	4.41%
Direct Served Customers Class A	\$10,454,182.63	\$10,454,182.63	\$ -0-	-----
Direct Served Customers Class B	\$ 589,868.44	\$ 589,868.44	\$ -0-	-----
Direct Served Customers Class C	\$ 49,351.01	\$ 49,339.83	(\$11.18)	(.02%)

Any corporation, association, or person with a substantial interest in the matter may, by written request, within thirty (30) days after publication of this notice request to intervene in the proceeding. That written request must be submitted to the Kentucky Public Service Commission, Post Office Box 615, 211 Sower Boulevard, Frankfort, KY 40601, and should set forth the grounds for the request, including the status and interest of the party. Intervention may be granted beyond the thirty (30) day period for good cause shown. Intervenors may obtain

copies of the application by contacting Kenergy Corp., 6402 Old Corydon Road, Henderson, KY 42420, or by calling (270) 826-3991.

A copy of the application and any other filing is available for public inspection at Kenergy's office at the above stated address or at one of its branch offices at 315 Hawes Blvd., Hawesville, KY 42348; 1441 U. S. Highway 231 North, Hartford, KY 42347; 2620 Brown Badgett Loop, Hanson, KY 42413; 703 South Main Street, Marion, KY 42064; or 3111 Fairview Drive, Owensboro, KY 42303.

By: Sanford Novick, President and CEO

Kenergy Corp.
Adjusted Income Statement
2008 Rate Application

Line No.	(a) Item	(b) Test Year ending 12/31/2007	(c) Normalize Revenues & Power Costs	(d) Adjusted	(e) Proforma Revenues & Expenses	(f) Adjusted
1	Operating Revenue:					
2	Non-Direct Served - Base Rate - Billed	74,715,456	1,683,227 (1)	76,398,683	3,230,737 (1)	79,629,420
3	Non-Direct Served - Wholesale Discount Adj.	(1,369,668)	1,369,668 (4)	0		0
4	Non-Direct Served - Unbilled Revenue Impact	884,247	(884,247) (2)	0		0
5	Direct Served - Base Rate	281,018,827		281,018,827	(2,012) (1)	281,016,815
6	Direct Served - Wholesale Discount Adj.	(906,588)	906,588 (4)	0		0
7	Other Revenue	1,531,502	1,877 (1)	1,533,379	3,533 (1)	1,536,912
8	Total Operating Revenue	<u>355,873,776</u>	<u>3,077,113</u>	<u>358,950,889</u>	<u>3,232,258</u>	<u>362,183,147</u>
9	Operating Expenses:					
10	Purchased Power:					
11	Non-Direct Served - Base Rate	44,783,615	448,097 (3)	45,231,712		45,231,712
12	Non-Direct Served - Wholesale Discount Adj.	(1,403,255)	1,403,255 (4)	0		0
13	Direct Served - Base Rate	279,597,136		279,597,136		279,597,136
14	Direct Served - Wholesale Discount Adj.	(906,588)	906,588 (4)	0		0
15	Subtotal	<u>322,070,908</u>	<u>2,757,940</u>	<u>324,828,848</u>	<u>0</u>	<u>324,828,848</u>
16	Less Office Use	(92,020)		(92,020)		(92,020)
17	Total Purchased Power	<u>321,978,888</u>	<u>2,757,940</u>	<u>324,736,828</u>	<u>0</u>	<u>324,736,828</u>
18	Distribution - Operation	3,897,531		3,897,531	89,681 (5)	3,987,212
19	Distribution - Maintenance	8,147,025		8,147,025	202,637 (5)	8,349,662
20	Consumer Accounts	2,803,081		2,803,081	100,756 (5)	2,903,837
21	Customer Service and Informational	245,746		245,746	10,274 (5)	256,020
22	Sales	67,192		67,192	2,254 (5)	69,446
23	Administrative and General	2,903,160		2,903,160	(121,600) (5)	2,781,560
24	Depreciation	7,415,079		7,415,079	172,361 (5)	7,587,440
25	Tax Expense - Other	295,302	52,250 (4)	347,552	5,513 (5)	353,065
26	Interest on Long Term Debt	5,776,153		5,776,153	267,576 (5)	6,043,729
27	Interest Charged to Construction-Credit	(73,029)		(73,029)	0 (5)	(73,029)
28	Interest on Customer Deposits and other	211,158		211,158	(87,901) (5)	123,257
29	Other Deductions	55,622		55,622	(55,622) (5)	0
30	Total O & M and Fixed	<u>31,744,020</u>	<u>52,250</u>	<u>31,796,270</u>	<u>585,929</u>	<u>32,382,199</u>
31						
32	Total Cost of Electric Service	<u>353,722,908</u>	<u>2,810,190</u>	<u>356,533,098</u>	<u>585,929</u>	<u>357,119,027</u>
33						
34	Operating Margins	2,150,868	266,923	2,417,791	2,646,329	5,064,120
35	Non-Operating Margins - Interest	928,570		928,570	(156,417) (5)	772,153
36	Non-Operating Margins - Other	51,814		51,814	(1,806) (5)	50,008
37	Non-Cash Capital Credits	275,697		275,697	(117,659) (5)	158,038
38						
39	Total Margins	<u>3,406,949</u>	<u>266,923</u>	<u>3,673,872</u>	<u>2,370,447</u>	<u>6,044,319</u>
40						
41	Times Interest Earned Ratio(TIER)	1.59				2.00
42	Debt Service Coverage Ratio(DSC)	1.67				1.92
43	Operating TIER	1.37				1.84
44	Operating DSC	1.55				1.83
45						
46	Rural Utilities Service Mortgage Minimums (average best two out of last three years)					
47	Times Interest Earned Ratio(TIER)	1.25				1.25
48	Debt Service Coverage Ratio(DSC)	1.25				1.25
49	Operating TIER	1.10				1.10
50	Operating DSC	1.10				1.10
51						

- 52 (1) See Exhibit 9 for the schedules explaining the revenue normalization and proposed rates.
53 (2) See Exhibit 5, Page 5.
54 (3) See Exhibit 5, Pages 5 and 6.
55 (4) See Exhibit 5, Page 6a.
56 (5) See Exhibit 5, Pages 3 and 4, Line 20.

**KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT RECAP**

Line No.	(a) Description	(b) Reference to Page No. Exhibit 5	(c) Non-Direct Revenue Base Rates	(d) Non-Direct Revenue WDAR	(e) Unbilled Impact	(f) Direct Served Revenue WDAR	(g) Non-Direct Power Cost Base Rates	(g) Non-Direct Power Cost WDAR	Direct Served Power cost WDAR	(h) Miscellaneous Revenue
1	Normalize Revenues - Non Dedicated Customers (1)		1,683,227							
2	Remove Unbilled Revenue impact	5			(884,247)					
3	Normalize Wholesale Discount Adjustment (2)									
4	Miscellaneous Revenues Adjustment (3)			1,369,668		906,588		1,403,255	906,588	
5	Remove unpaid power cost impact	5								5,410
6	Normalize Power Cost for Year-End Level of Customers	6					125,733			
7	Labor Adjustment	7					322,364			
8	Labor Overhead Adjustment	8								
9	Remove PSC Disallowed Expenses	9								
10	Remove Non-Recurring Expenses	10								
11	Normalize Outside Vendor Storm Expense	11								
12	Depreciation - Distribution Plant Adjustment	12								
13	Interest on Long Term Debt Adjustment	13								
14	Interest on Customer Deposits Adjustment	14								
15	Interest on Line of Credit Adjustment	15								
16	PSC Assessment	16								
17	Adjust Test Year Rate Case Expense	17								
18	Non-Operating Margins - Interest Adjustment	18								
19	Non-Cash Capital Credit Adjustment	19								
20	TOTAL		1,683,227	1,369,668	(884,247)	906,588	448,097	1,403,255	906,588	5,410
22	Reference to appropriate line on Exhibit 5, Page 1, Column C OR E		2	3	4	6	11	12	14	7
25	(1) See Exhibit 9, Page 1. Line 33 Col. G - Col. D.									1877
26	(2) See Exhibit 9, page 1. Line 34 Col. G - Col. D. and Exhibit 5, Page 1, Col. B, Lines 3, 6, 12 and 14.									3533
27	(3) See Exhibit 9, Page 10. Line 38 Col. J - Col. H.									

Exhibit 5, Page 2

**KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT RECAP**

(a)	(b)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
Line No.	Reference to Page No. Exhibit 5	Distribution Operations	Distribution Maintenance	Consumer Accounts	Customer Service	Sales	Administrative & General	Depreciation
1	Normalize Revenues - Non Dedicated Customers (1)							
2	Remove Unbilled Revenue impact	5						
3	Normalize Wholesale Discount Adjustment (2)							
4	Miscellaneous Revenues Adjustment (3)							
5	Remove unpaid power cost impact	5						
6	Normalize Power Cost for Year-End Level of Customers	6						
7	Labor Adjustment	7	85,558	118,732	85,360	8,353	2,137	74,257
8	Labor Overhead Adjustment	8	34,080	37,209	34,733	3,305	862	24,768
9	Remove PSC Disallowed Expenses	9	(29,957)	(25,318)	(19,337)	(1,384)	(745)	(149,579)
10	Remove Non-Recurring Expenses	10					(82,445)	
11	Normalize Outside Vendor Storm Expense	11		72,014				
12	Depreciation - Distribution Plant Adjustment	12						172,361
13	Interest on Long Term Debt Adjustment	13						
14	Interest on Customer Deposits Adjustment	14						
15	Interest on Line of Credit Adjustment	15						
16	PSC Assessment	16						
17	Adjust Test Year Rate Case Expense	17					11,399	
18	Non-Operating Margins - Interest Adjustment	18						
19	Non-Cash Capital Credit Adjustment	19						
20	TOTAL		89,681	202,637	100,756	10,274	2,254	(121,600)
21								172,361
22	Reference to appropriate line on Exhibit 5, Page 1, Column C OR E		18	19	20	21	22	23
23								24
24								
25	(1) See Exhibit 9, Page 1. Line 33 Col. G - Col. D.							
26	(2) See Exhibit 9, page 1. Line 34 Col. G - Col. D.							
27	(3) See Exhibit 9, Page 10. Line 37 Col. J - Col. H.							

Exhibit 5, Page 3

**KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT RECAP**

(a)	(b)	(p)	(q)	(r)	(s)	(t)	(u)	(v)	(w)	
Line No.	Reference to	Page No. Exhibit 5	Tax Expense Other	Interest Long Term Debt	Interest Construction	Interest on Cust. Deposits and other	Other Deductions	Non-Op Interest	Non-Op Other	Non-Cash Capital Credits
1	Normalize Revenues - Non Dedicated Customers (1)									
2	Remove Unbilled Revenue impact	5								
3	Normalize Wholesale Discount Adjustment (2)									
4	Miscellaneous Revenues Adjustment (3)									
5	Remove unpaid power cost impact	5								
6	Normalize Power Cost for Year-End Level of Customers	6								
7	Labor Adjustment	7								
8	Labor Overhead Adjustment	8							(1,474)	
9	Remove PSC Disallowed Expenses	9							(460)	
10	Remove Non-Recurring Expenses	10					(55,622)		128	
11	Normalize Outside Vendor Storm Expense	11								
12	Depreciation - Distribution Plant Adjustment	12								
13	Interest on Long Term Debt Adjustment	13		267,576						
14	Interest on Customer Deposits Adjustment	14				(44,876)				
15	Interest on Line of Credit Adjustment	15				(43,025)				
16	PSC Assessment	16	57,763							
17	Adjust Test Year Rate Case Expense	17								
18	Non-Operating Margins - Interest Adjustment	18						(156,417)		
19	Non-Cash Capital Credit Adjustment	19								
20	TOTAL		57,763	267,576	0	(87,901)	(55,622)	(156,417)	(1,806)	(117,659)
21										
22	Reference to appropriate line on Exhibit 5, Page 1, Column C OR E		25	26	27	28	29	35	36	37
23			52250							
24			5513							
25	(1) See Exhibit 9, Page 1. Line 33 Col. G - Col. D.									
26	(2) See Exhibit 9, page 1. Line 34 Col. G - Col. D.									
27	(3) See Exhibit 9, Page 10. Line 37 Col. J - Col. H.									

Exhibit 5, Page 4

KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT TO ELIMINATE UNBILLED REVENUES & UNPAID POWER COST

<u>Unbilled Revenues</u>	(a)	(b) <u>Amount</u>	(c) <u>KWH</u>	(d) <u>KW</u>
1 Unbilled Revenue at December 31, 2006		\$ 7,087,316	115,109,904	
2 Unbilled Revenue at December 31, 2007		<u>\$ (7,971,563)</u>	<u>(123,937,721)</u>	
3				
4 Increase (Decrease) in Booked Revenues & KWH				
5 due to Unbilled Revenues		<u>\$ (884,247)</u>	<u>(8,827,817)</u>	
6				
7				
8 <u>Unpaid Power Cost</u>				
9				
10 Unpaid Power Cost at December 31, 2006		\$ 3,835,657	106,953,840	239,754
11 Unpaid Power Cost at December 31, 2007		<u>\$ (3,709,924)</u>	<u>(110,864,110)</u>	<u>211,698</u>
12				
13 Increase (Decrease) in Booked Power Cost,				
14 KW and KWH Due to Unpaid Power Cost		<u>\$ 125,733</u>	<u>(3,910,270)</u>	<u>28,056</u>
15				
16				

17 Explanation:

18 To eliminate the effect of unbilled electric revenues and unpaid power costs for rate-making purposes. The rationale for this
 19 adjustment is to develop a better match of test year revenues and powers costs, using "as billed" revenues and "paid" power
 20 costs for rate-making purposes rather than revenues and power costs recorded on an accrual basis for accounting purposes.
 21 The adjustment is made by shifting unbilled and unpaid power cost for the month immediately preceding the test year into the
 22 test year (when they were actually billed and paid) and shifting unbilled and unpaid power costs for the last month of the test
 23 year to the first month after the test year. This has the effect of netting the amount of unbilled revenues and unpaid power cost
 24 at test year-end and at the beginning of the test year. This adjustment is consistent with the approach approved by the PSC
 25 in Case No's. 2003-00165 (Kenergy Corp.) and 2003-00433 (LG&E). See pages 5a - 5c.

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ADD:		
	Materials and Supplies	\$ 1,625,909
	Prepayments	714,049
	Working Capital	<u>1,706,814</u>
	Subtotal	\$ 4,046,772
DEDUCT:		
	Accumulated Depreciation	\$ 35,136,974
	Customer Advances for Construction	<u>589,485</u>
	Subtotal	\$ 35,726,459
	NET INVESTMENT RATE BASE	<u>\$ 152,527,515</u>

Capital Structure

The Commission finds that Kenergy's capital structure at test-year-end for rate-making purposes was \$156,895,004. This capital structure consisted of \$56,042,437 in equity and \$100,852,567 in long-term debt. Kenergy's capital structure does not include generation and transmission capital credits.

REVENUES AND EXPENSES

Kenergy proposes several adjustments to revenues and expenses to reflect current and expected operating conditions. The Commission finds that the following 19 adjustments proposed by Kenergy are reasonable and will be accepted without change:

- the removal of unbilled revenue, a decrease in revenues of \$350,000;
- the normalization of Weyerhaeuser revenue and power cost, a reduction in revenue of \$2,158,104 and a reduction in power cost of \$2,148,859;
- the removal of the Breckinridge Mine, a reduction in revenue of \$1,994,395 and a reduction in power cost of \$1,798,503;
- the normalization of Ohio County Coal revenue and power cost, an increase in revenue of \$164,955 and an increase in power cost of \$147,021;
- the normalization of power cost for a prior period adjustment, an increase in power cost of \$24,822;

accepted by the AG, are reasonable and they will also be accepted. All of these 23 adjustments are set forth in detail in Appendix F, which is attached hereto.

The Commission makes the following modifications to the remaining proposed adjustments:

Unbilled Revenues

LG&E proposed an adjustment to eliminate the effect of unbilled electric revenues for rate-making purposes. The rationale for such an adjustment is to develop a better match of test-year revenues and expenses, using as-billed revenues for rate-making purposes rather than the revenues recorded on an accrual basis for accounting purposes. LG&E made its adjustment by shifting unbilled revenues for the month immediately preceding the test year into the test year (when they were actually billed) and shifting unbilled revenues for the last month of the test year to the first month after the test year. This has the effect of netting the amount of unbilled revenues at test-year-end and at the beginning of the test year. LG&E's adjustment reduced electric revenues by \$1,867,000.

The AG did not oppose LG&E's unbilled revenues adjustment, but he did propose a corresponding electric expense adjustment to reflect the expense side of an adjustment that reduces test-year sales volumes by 4,095,000 Kwh. The AG calculated an expense reduction of \$1,042,000 based on the 55.79 percent operating ratio used by LG&E to calculate its customer growth adjustment.

LG&E objected to the AG's expense adjustment. Since the revenues eliminated by LG&E's adjustment included the recovery of environmental surcharge, fuel clause and demand-side management costs that are removed from test-year operating results

through various other adjustments, LG&E argued that any mismatch that the AG was attempting to correct is already accounted for in adjustments made specifically to address those items of expense. LG&E also stated that, to the extent that other factors impact the calculation of unbilled revenues, such as changes in the number of customers, plant closings or customer rate switching, the pro forma adjustments it proposed for those items properly normalize for those factors. LG&E also noted that the Commission had accepted similar unbilled revenues adjustments in its last electric and its last gas rate cases.

The AG's arguments in support of its expense adjustment fail to demonstrate a link between unbilled revenues and expenses sufficient to create a mismatch of revenues and expenses absent an adjustment to reduce expenses. To the extent that such a link does exist, LG&E's arguments convince us that any resulting mismatch is adequately mitigated by the various normalization adjustments included in its rate application. Based on all of the evidence on this issue, we find the AG's expense adjustment to be unnecessary and we will accept LG&E's unbilled electric revenue adjustment as proposed.

Year-End Customer Adjustment

LG&E proposed to annualize its test-year electric revenues based on the number of customers served at test-year-end. Its adjustment was based on a comparison of the number of electric customers at year-end to the 12-month average for the test year for each customer class. It proposed a corresponding electric expense adjustment, based on an operating ratio of 55.79 percent of the revenue adjustment, to reflect the related

KENERGY CORP.
 2008 RATE APPLICATION
 YEAR-END LEVEL OF CUSTOMERS
 POWER COST ADJUSTMENT

1	New KWH Sales:	Residential	3,725,040	(1)
2		Commercial - Single-Phase	836,892	(1)
3		Three-Phase	<u>3,911,595</u>	(1)
4				
5			<u>8,473,527</u>	
6			+ .9525 (1-.0475)	
7				
8		Adjust for 4.75% Line Losses	= 8,896,091	
9				
10		x 2007 Average Cost per KWH Purchased	<u>0.036237</u>	(2)
11				
12	Base Rate Power Cost Adjustment		<u>\$ 322,364</u>	
13				

15 (1) See Exhibit 9, Lines 6, 11, 17 and 23, Col. F - Col. C

18 (2) Test Year = $\frac{\$44,783,615.17}{1,235,848,654 \text{ KWH}} = .036237$
 19 See Item 20, Page 2 of 5, Information Request No. 1

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KENERGY CORP.
2008 RATE APPLICATION
REMOVE WHOLESale DISCOUNT ADJUSTMENT

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Big Rivers Electric Corporation did not request renewal of the wholesale discount adjustment rider, which automatically terminated effective August 31, 2008. The test year revenue and power cost impacts of the rider were removed.

**KENERGY CORP.
2008 RATE APPLICATION
LABOR ADJUSTMENT**

(a) Line No.	(b)	(c)	(d)	(e) (1)	(f)	(g)	(h)	(i)	(j) (2)	(k)
				TEST YEAR					PROFORMA (col. f * col. i)	ADJUSTMENT (col. j - col. e)
1	Regular Wages Paid:									
2	Full Time:		(Col. e / Col. b)							
3	318,449 hours times		\$ 28,112,834	\$ 8,952,504	322,400	hours times	(2)	\$ 28.91	\$ 9,320,584	\$ 368,080
4										
5	Part Time:									
6	2,079 hours times		\$ 8,809,524	\$ 18,315	1,231	hours times	(3)	\$ 7.68	\$ 9,454	\$ (8,861)
7	320,528 total regular			\$ 8,970,819					\$ 9,330,038	\$ 359,219
8	Overtime Wages:									
9	23,761 hours times		\$ 39,218,846	\$ 931,879	23,761	hours times	(4)	\$ 40.80	\$ 969,449	\$ 37,570
10					2,074	hours times	(5)	\$ 40.80	\$ 84,619	\$ 84,619
11					6,447	hours times	(5)	\$ 40.80	\$ 263,038	\$ 263,038
12					32,282				\$ 1,317,106	\$ 385,227
13	Total wages paid per earnings register (1)		\$	9,902,698						
14	Supplemental wage payments (8)		\$	78,944			(7)		0	\$ (78,944)
15	3,096 Net effect of accruals (7)		\$	100,633			(6)		\$ -	\$ (100,633)
16	347,385 Total Wages - accrual basis		\$	10,082,275	355,913	Total Wages - Proforma			\$ 10,647,144	\$ 564,869
17		(1)	(1)						(Col. d % times proforma)	
18	Capitalized	32.850909%	\$	3,312,119					\$ 3,497,684	\$ 185,565
19	Accounts Receivable	0.607789%	\$	61,279					\$ 64,712	\$ 3,433
20	Non-Operating	0.261003%	\$	26,315					\$ 27,789	\$ 1,474
21	Electric-Expensed	66.280299%	\$	6,682,562					\$ 7,056,959	\$ 374,397
22		100.000000%	\$	10,082,275					\$ 10,647,144	\$ 564,869

- 24 (1) See Exhibit 5, Pages 7a, b and c for source documentation of the various test year data.
 25 (2) See Exhibit 5, Page 7c, Line 41, Column q. 155 full time employees at year end times 2,080 hrs. = 322,400 hrs.
 26 (3) Part time proforma hours and rate represent test year reduced by an eliminated position.
 27 (4) The overtime rate of \$40.80 represents test year overtime hours of each employee times their respective hourly rate times 1.50. The overtime dollars of \$969,449 were divided by 23,761 overtime hours to arrive at \$40.80.
 29 See calculation below.
 30 (5) See calculation below.
 31 (6) Accruals removed from test year per rate-making policy of using 2,080 hrs. per employee.
 32 (7) One time payments to the new CEO plus safety and united way awards.

To Adjustment Recap - Page 3

\$	85,558	Operations
\$	118,732	Maintenance
\$	85,360	Cust. Acct.
\$	8,353	Cust. Info.
\$	2,137	Sales
\$	74,257	A&G
\$	374,397	

34 Calculation of overtime hours averages:

Year	Total Hours Paid	Billed to Outside Parties	Storm Repairs	FEMA Reimbursement	All Other
2007	23,761	1,104	10,196	-	12,461
2006	38,684	-	18,151	-	20,533
2005	34,329	6,949	9,238	-	18,142
2004	40,195	2,813	16,671	3,613	17,098
2003	31,492	513	10,914	206	19,859
		Four year avg.			18,908
		Five year avg.	13,034	764	
		Test year	10,196	-	12,461
		adjustment	2,838	764	6,447

- 47 The test year overtime hours have been adjusted to reflect a reasonable, ongoing level of expense, using historic levels. See Final Order excerpt from Case No. 90-158 on page 7d.
 49 2007 was not a representative year for all other overtime hours. Due to budget constraints, only non-discretionary overtime was worked during 2007. While acceptable for a short term period, this manner of operating is not sustainable for the long term.
 51 The 2008 budget for overtime hours was increased 5,409 from the 2007 budget level. Information on overtime hours by activity not available prior to 2003.

KENERGY CORPORATION
EARNINGS REGISTER PERIOD ENDING 12/23/07

EMPL #	NAME	REG	OVT	DBL	ADJUSTED	GROSS	NET	CK #
		HOURS DOLLARS	HOURS DOLLARS	HOURS DOLLARS				
09 227		80.0 2225.60	.0 .00	.0 .00	.00	2225.60	1237.00	
		2080.0	5.5 229.53	.0 .00	.00	58062.73		12091
	FICA - 175.08	4445.30	OCC TAX 3.16	85.44	CRED UN- 247.92	6445.92	SURE AC- .00	.00 OCC TX CD-
	FEDERAL- 234.00	5877.00	PRE SAV- 222.56	5783.32	GD NBR - .00	.00	457B- .00	.00
	STATE - 105.88	2672.12	PST SAV- .00	.00	CAN ACC- .00	.00	UN FUND- .00	.00
	MSC DED- .00	.00	DENTAL - .00	.00	LOAN - .00	.00	CONTRIB- .00	.00
	125PREM- .00	395.36	125MED - .00	.00	DIR DEP- .00	.00	SUP INS- .00	.00
04 577		.0 .00	.0 .00	.0 .00	.00	.00	.00	
		652.0	.0 .00	.0 .00	.00	27355.56		.00
	FICA - .00	2054.95	OCC TAX .00	84.09	CRED UN- .00	.00	SURE AC- .00	.00 OCC TX CD-
	FEDERAL- .00	3760.00	PRE SAV- .00	704.38	GD NBR - .00	.00	457B- .00	.00
	STATE - .00	1429.02	PST SAV- .00	.00	CAN ACC- .00	.00	UN FUND- .00	49.00
	MSC DED- .00	.00	DENTAL - .00	.00	LOAN - .00	.00	CONTRIB- .00	.00
	125PREM- .00	325.32	125MED - .00	315.00	DIR DEP- .00	.00	SUP INS- .00	.00
14 333		80.0 2100.80	.0 .00	.0 .00	.00	2100.80	1163.08	
		1180.0	158.5 6243.32	.0 .00	.00	37230.12		12092
	FICA - 165.87	2862.70	OCC TAX 6.01	107.32	CRED UN- 150.00	2250.00	SURE AC- .00	.00 OCC TX CD-
	FEDERAL- 367.00	6817.00	PRE SAV- 126.05	1638.65	GD NBR - .00	.00	457B- .00	.00
	STATE - 106.80	1902.29	PST SAV- .00	.00	CAN ACC- .00	.00	UN FUND- .00	.00
	MSC DED- .00	.00	DENTAL - .00	.00	LOAN - .00	.00	CONTRIB- .00	.00
	125PREM- 15.99	248.36	125MED - .00	.00	DIR DEP- .00	.00	SUP INS- .00	.00
09 578		80.0 2216.80	.0 .00	.0 .00	.00	2216.80	.00	
		2080.0	22.5 935.35	.0 .00	.00	58540.58		.00
	FICA - 174.44	4477.79	OCC TAX 10.20	294.83	CRED UN- 15.00	120.00	SURE AC- .00	.00 OCC TX CD-
	FEDERAL- 388.00	9231.00	PRE SAV- 133.01	3456.36	GD NBR - .00	.00	457B- .00	.00
	STATE - 73.01	1866.13	PST SAV- .00	.00	CAN ACC- .00	.00	UN FUND- 3.00	78.00
	MSC DED- .00	.00	DENTAL - .00	.00	LOAN - .00	.00	CONTRIB- .00	.00
	125PREM- .00	338.66	125MED - .00	.00	DIR DEP- 1420.14	38677.81	SUP INS- .00	.00

Exhibit 5, Page 7a

		(6)	12362.5	343861.61	1060.5	41069.44	14.0	725.68	979.95	386636.68	64419.24
			320527.5	8,915,269.11	23605.0	923682.25	155.5	8196.99	55,549.69	9902698.04	
FICA -	27743.81	736828.72	OCC TAX-	1836.05	44983.80	CRED UN-	37961.17	977593.43	SURE AC-	75.00	2181.76
FEDERL-	48499.00	1173332.00	PRE SAV-	28546.67	725457.57	GD NBR -	91.50	2390.50	457B-	.00	12384.58
STATE -	19100.15	473096.04	PST SAV-	50.46	1311.23	CAN ACC-	1450.41	25513.08	UN FUND-	1103.89	30150.14
MSC DED-	1434.29	38642.91	DENTAL -	.00	.00	LOAN -	6688.57	159326.48	CONTRIB-	.00	.00
125PREM-	1934.79	115042.49	125MED -	4804.89	125028.14	DIR DEP-	140896.79	225788.39	SUP INS-	.00	.00

KENTUCKY STATE TAX AMOUNT POSTED TO 241.200 18,889.82 YTD: 467,739.40
 INDIANA STATE TAX AMOUNT POSTED TO 241.250 210.33 YTD: 5,356.64

FOOTNOTES:

- (1) Total Gross Pay - See Exhibit 5, Page 7, Line 13, Col. e
- (2) Total Regular Pay - See Exhibit 5, Page 7, Lines 3 + 6, Col. e
- (3) Total Regular Hours - See Exhibit 5, Page 7, Line 7, Col. b
- (4) Total Overtime Hours - See Exhibit 5, Page 7, Line 9, Col. b
- (5) Total Overtime Pay - See Exhibit 5, Page 7, Line 9, Col. e
- (6) 12,362.5 hours less part-time (18.5 hours) plus 5 employees paid less than 80 hours (56 hrs.) = 12,400 hrs./80 hrs. = 155 full time employees

KENERGY CORP.
2008 RATE APPLICATION
WAGES & SALARIES
BY ACCOUNT NUMBER
2007

LINE NO.	(a) ACCOUNT	(b) TOTAL PAYROLL BY ACCOUNT 2007	
1	107100	\$	134,452
2	107200	\$	2,729,579
3	107230	\$	4,215
4	107240	\$	1,298
5	107245	\$	1,282
6	107250	\$	3,525
7	107255	\$	760
8	107260	\$	1,363
9	107265	\$	(9)
10	107275	\$	9
11	107500	\$	86,289
12	108800	\$	332,158
13	108810	\$	4,305
14	142200	\$	2,292
15	143100	\$	4,851
16	143600	\$	53,574
17	146000	\$	562
18	163000	\$	-
19	183500	\$	12,892
20	184100	\$	-
21	416000	\$	20,428
22	416100	\$	256
23	416600	\$	4,989
24	417106	\$	549
25	417107	\$	93
26	582000	\$	9,265
27	582200	\$	3,994
28	583000	\$	319,072
29	586000	\$	382,095
30	588000	\$	801,040
31	592000	\$	177,997
32	592100	\$	49,746
33	592200	\$	32,039
34	593000	\$	1,242,817
35	593300	\$	238,127
36	594000	\$	170,002
37	595000	\$	45,885
38	596000	\$	59,168
39	597000	\$	43,961
40	598000	\$	39,086
41	903000	\$	1,508,295
42	908000	\$	147,447
43	912000	\$	38,001
44	920000	\$	982,445
45	920220	\$	21,353
46	920230	\$	3,715
47	920240	\$	15,120
48	928200	\$	8,444
49	928300	\$	6,459
50	930200	\$	133,667
51	935000	\$	203,322
52			
53		\$	10,082,275
54			
55			
56			
57	Accounts 107,108, 183,500	\$	3,312,119 Capitalized
58	Accounts 142, 143, 146	\$	61,279 Accounts Receivable
60	Accounts 416, 417	\$	26,315 Non-operating
61	Accounts 582-935	\$	6,682,562 Expensed
62		\$	<u>10,082,275</u>

Kenergy Corp
2008 Rate Application
PSC Information Request No. 1
Item 24

(a) Line No.	(b) Employee Name	(c) Employees at 12/31/2008 Beginning of Test year	(d) Full Time	(e) Part Time	At end of the Test Year		(h) Hourly	(i) Terminated through last payroll of 2007 on December 23rd	(j) Added through last payroll of 2007 on December 23rd	(k) Regular Hrs Paid	(l) Overtime Hrs Paid	(m) Dbl. Time Hrs Paid	(n) Wage Rate 12/31/2006	(o) Wage Rate 12/31/2007	(p) % Increase during test yr. ***	(q) Wage rate 1/01/08	(r) % Increase after test yr. ***
Administrative & Technical																	
1																	
2																	
3	subtotal grade 1	9	9				9	1	2	16,822.5	58.0	0.0	\$17.38	\$17.47	1%	\$17.96	3%
4	subtotal grade 2	2	2				2	0	0	4,160.0	15.0	0.0	\$19.71	\$21.00	7%	\$21.81	4%
5	subtotal grade 3	18	18				18	0	0	37,440.0	235.5	0.0	\$20.94	\$21.69	5%	\$22.70	4%
6	subtotal grade 4	10	10				10	0	0	20,800.0	107.0	0.0	\$24.40	\$25.38	4%	\$26.41	4%
7	subtotal grade 5	22	23			1	22		1	45,904.0	1187.0	3.0	\$26.66	\$27.80	4%	\$29.04	4%
8	subtotal Administrative	60	62			1	61	1	3	125,126.5	1602.5	3.0	\$23.10	\$23.97	4%	\$24.93	4%
Outside Operational																	
9	subtotal grade 1	17	17				17	0	0	35,162.0	6693.5	49.0	\$21.39	\$22.10	3%	\$22.74	3%
10	subtotal grade 2	11	11				11	0	0	22,852.0	834.5	3.0	\$20.94	\$21.25	1%	\$21.91	3%
11	subtotal grade 3	6	6				6	0	0	12,121.5	1961.5	13.5	\$21.67	\$22.99	6%	\$24.07	5%
12	subtotal grade 4	21	21				21	0	0	42,594.0	6641.5	52.0	\$26.47	\$27.29	3%	\$28.23	3%
13	subtotal grade 5	17	17				17	0	0	35,087.0	6865.0	38.0	\$29.69	\$31.09	5%	\$32.31	4%
14	Subtotal Operations	72	72				72	0	0	147,816.5	21996.0	182.5	\$24.79	\$25.68	4%	\$26.59	4%
Professional , Supervisory , Managerial																	
15	subtotal grade 1	5	4			4		1	0	8,596.5	4.0	0.0	\$29.18	\$30.26	4%	\$31.41	4%
16	subtotal grade 2	8	7			7		1	0	15,212.0	0.0	0.0	\$39.58	\$41.73	5%	\$43.90	5%
17	subtotal grade 3	5	5			5		0	0	10,400.0	0.0	0.0	\$43.75	\$46.60	7%	\$48.36	4%
18	subtotal grade 4	5	5			5		1	1	10,504.0	0.0	0.0	\$67.80	\$67.77	0%	\$69.22	2%
19	subtotal Professional	23	21			21		3	1	44,712.5	4.0	0.0	\$44.36	\$43.90	-1%	\$47.18	7%
20	Total all full time	155	155			22	133	4	4	317,655.5	23602.5	155.5	\$27.04	\$27.97	3%	\$28.91	4%
Part-time and Temporary																	
21	subtotal part-time and temporary			1	4		5	5	4	2,079.0	2.5	0.0	\$7.75	\$7.75	0%	\$0.00	0%
Retirees																	
22	subtotal retirees	1	1	0	0	1	1			783.0	0.0	0.0	\$23.54	N/A	N/A	N/A	N/A

Total hours paid per earnings register 320,527.5 23,605.0 155.5

Date Terminated	Date Added	
	11/19/2007	New employee replaces temporary utilized
	10/01/2007	Replaces cashier terminated on 10/23/07
10/23/2007		
	11/26/2007	Replaces Staker moved to commercial accounts rep.
2/02/2007		Filled by existing employee (Staker)
3/30/2007		Position not filled
05/31/2007		
	06/01/2007	

*** General wage adjustments of 3% granted on 01/01/07 and 01/01/08.
*** Merit and step adjustments granted based on performance and their current hourly rate relative to the established mid-point or market rate for their grade level.

Exhibit 5, Page 7c

KIUC recommended that the downsizing costs be amortized over a 10-year period linked to the Commission's acceptance of KIUC's proposals concerning unbilled revenues. KIUC stated that if its proposals concerning unbilled revenues was not accepted, the Commission should disallow recovery of the downsizing costs as a matter of consistency.⁴⁰

LG&E incurred and recorded the downsizing costs in the test year. LG&E has already recovered these costs from its ratepayers. While adjustments in its workforce will occur, it is highly unlikely that LG&E will be involved with a downsizing of this magnitude on a recurring basis. We have removed the entire \$9,486,550 of downsizing costs for rate-making purposes.

Storm Damage Expenses

LG&E proposed an adjustment to increase storm damage expenses by \$723,291. LG&E calculated its adjustment by averaging the actual storm damage expenses for the last 5 calendar years and comparing the average to the test-year actual expense. The methodology was essentially the same as was used by the Commission in Case No. 10064.

Jefferson et al. performed an analysis of LG&E's storm damage expenses for the past 15 years and determined that the test-year expense level was not below normal. Jefferson et al. arrived at the same conclusion using the 5-year period LG&E used but substituting two abnormal years with two normal years of expenses.

⁴⁰ Kollen Direct Testimony, page 25.

As the Commission noted in Case No. 10064, the random occurrence of severe storm damage cannot be accurately predicted. The Commission finds it is appropriate to include for rate-making purposes a level of storm damage expense which reflects a reasonable, on-going level of expense. Traditionally, the Commission has used historic averages in determining this reasonable level of expense. In this proceeding, the Commission has available the actual storm damage expenses for the past 15 calendar years. However, simply taking the average of an historic period would not recognize the effects of inflation when looking at such a long period of time. In Case No. 90-041⁴¹ the Commission computed storm damage expenses by taking a 10-year average of actual expenses, adjusted for inflation by using the Consumer Price Index - Urban. We feel this approach the more reasonable and the preferred methodology to be used in determining this adjustment, which results in a \$520,533 increase in storm damage expenses.

Provision for Uncollectible Accounts

LG&E proposed an increase of \$100,000 to the test-year level of uncollectible accounts expense based on its analysis of the appropriate total annual provision. The proposed increase was determined using LG&E's actual 1990 accrual rate for the provision.

⁴¹ Case No. 90-041, An Adjustment of Gas and Electric Rates of the Union Light, Heat and Power Company, Order dated October 2, 1990.

Kenergy Corp.
2008 Rate Application
Overheads Related to Wages Adjustment

(a) Line No.	(b) Item	(c)	(d) Test Year	(e) Proforma	(f) Change	(g) Percent
1	Health Insurance		\$ 1,760,401	\$ 1,802,475	(1) \$ 42,074	2.39%
2	Dental Insurance		\$ 102,428	\$ 106,536	(1) \$ 4,108	4.01%
3	Life Insurance under \$50,000		\$ 22,258	\$ 19,530	(1) \$ (2,728)	-12.26%
4	Life Insurance over \$50,000 plus spouse		\$ 63,520	\$ 55,756	(1) \$ (7,764)	-12.22%
5	Disability Insurance		\$ 53,366	\$ 49,751	(1) \$ (3,615)	-6.77%
6	Pension: Defined Benefit & Contribution(48 participants)		\$ 357,554	\$ 374,852	(1) \$ 17,298	4.84%
7	(former Green River hired before 1/1/87)			(1)		
8	Pension: Defined Benefit & Contribution(52 participants)		\$ 539,214	\$ 581,836	(1) \$ 42,622	7.90%
9	(former Henderson-Union hired before July 1, 1999)			(1)		
10	Pension: Defined Contribution (52 part.) (former Green River		\$ 265,193	\$ 265,745	(1) \$ 552	0.21%
11	after 1/1/87 and Kenergy after July 1, 1999)			(1)		
12	Deferred Compensation 457 B Plan & Defined Contribution		\$ 37,942	\$ 82,485	(1) \$ 44,543	117.40%
	(CEO plus 2 former Green River hired before 1/1/87)			(1)		
13	Payroll Taxes		\$ 753,425	\$ 805,181	(1) \$ 51,756	6.87%
14	Worker's Compensation Insurance		\$ 194,515	\$ 219,320	(1) \$ 24,805	12.75%
15	Property Loss/Damage and Excess Liability Insurance		\$ 148,011	\$ 149,255	(1) \$ 1,244	0.84%
16			<u>\$ 4,297,827</u>	<u>\$ 4,512,722</u>	<u>\$ 214,896</u>	5.00%

	TEST YEAR (Col. d Lines 20-23)/Line24	(2)	PROFORMA (Col. c Lines 20-23 times Line 16 Col. e)	ADJUSTMENT (Col. e - Col. d)	
20	Capitalized	36.7967%	\$ 1,581,458	\$ 1,660,532	\$ 79,074
21	Accounts Receivable	0.1881%	\$ 8,085	\$ 8,489	\$ 404
22	Non-Operating	0.2140%	\$ 9,195	\$ 9,655	\$ 460
23	Electric-Expensed	62.8012%	\$ 2,699,089	\$ 2,834,046	\$ 134,957
24		100.0000%	<u>\$ 4,297,827</u>	<u>\$ 4,512,722</u>	<u>\$ 214,896</u>

Explanation:

- (1) See Exhibit 5, pages 8c - 8u for explanations of each overhead item.
(2) See Exhibit 5, pages 8a and 8b.

To Adj. Recap - Page 3		
\$	34,080	Operations
\$	37,209	Maintenance
\$	34,733	Cust. Accts.
\$	3,305	Cust. Info.
\$	862	Sales
\$	24,768	A&G
\$	<u>134,957</u>	

**KENERGY CORP.
2008 RATE APPLICATION
OVERHEADS RELATED TO WAGES - 2007**

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		JOURNAL ENTRY #	DATE	TOTAL PENSION PLANS	HEALTH, LIFE DENTAL DISABILITY	WORKERS COMPENSATION	PAYROLL TAXES	PROPERTY LOSS EXCESS LIAB.	TOTAL
1	PER GPR928 Overhead Dist Report 12/23/07			\$ 1,192,593	\$ 2,026,088	\$ 201,613	\$ 751,237	\$ 159,256	\$ 4,330,787
2	Adjustments made by Journal Entry:								
3	Reverse Dec 06 Holiday Accrual	87	1/5/07	\$ (4,662)		\$ (2,675)	\$ (6,127)		\$ (13,464)
4	Reverse Dec 06 Payroll Accrual	88	1/5/07	\$ (4,758)		\$ (2,220)	\$ (5,085)		\$ (12,063)
5	Adjust PL/PD & Liab to ending policy period	84	3/5/07					\$ (3,666)	\$ (3,666)
6	Record Payroll Taxes for emp on accrued leave	98	4/5/07				\$ 48		\$ 48
7	Record Taxes on moving expenses	99	6/5/07				\$ 781		\$ 781
8	Record Taxes on moving expenses	74	8/5/07				\$ 25		\$ 25
9	Record Taxes on moving expenses	86	9/5/07				\$ 25		\$ 25
10	Record Payroll Taxes for emp on accrued leave	73	10/5/07				\$ 510		\$ 510
11	Record Taxes on moving expenses	46	11/5/07				\$ 25		\$ 25
12	Record Taxes on moving expenses	47	11/5/07				\$ 25		\$ 25
13	Accrue Dec 07 Payroll Accrual	113	12/5/07	\$ 6,368		\$ 3,327	\$ 8,157		\$ 17,851
14	Accrue Dec 07 Holiday	115	12/5/07	\$ 5,085		\$ 2,152	\$ 5,276		\$ 12,512
15	Adjust FICA for Accrued Leave	111	12/5/07				\$ (1,474)		\$ (1,474)
16	Adjust Health Ins Write Off	110	12/5/07		\$ 1,264				\$ 1,264
17	Adjust Health Ins Write Off	127	12/5/07		\$ 932				\$ 932
18	Adjust Pension Write off	108	12/5/07	\$ 5,278					\$ 5,278
19	A/R set up for health insurance surplus	121	12/5/07		\$ (27,059)				\$ (27,059)
20	Adjust Worker's Comp Write Off to \$0	107	12/5/07			\$ (7,682)			\$ (7,682)
21	Adjust PL/PD & Liability	106	12/5/07					\$ (7,579)	\$ (7,579)
22	Adjust Health Ins 2001 Retirees	101	12/5/07		\$ 600				\$ 600
23	Adjust Health - Employees on LTD	101	12/5/07		\$ 149				\$ 149
24									
25	Total booked during 2007 - accrual basis.			\$ 1,199,903	\$ 2,001,973	\$ 194,515	\$ 753,425	\$ 148,011	\$ 4,297,827

**KENERGY CORP.
2008 RATE APPLICATION
PAYROLL OVERHEADS**

ACCOUNT NUMBER	AMOUNT
107000	\$ 119
107100	\$ 77,277
107200	\$ 1,283,413
107230	\$ 2,391
107240	\$ 683
107245	\$ 455
107250	\$ 1,276
107255	\$ 377
107260	\$ 499
107265	\$ 108
107275	\$ 31
107500	\$ 42,813
108800	\$ 164,174
108810	\$ 1,842
143100	\$ 1,043
143600	\$ 5,797
142200	\$ 1,035
146000	\$ 211
163000	\$ -
163500	\$ 5,998
184100	\$ -
416000	\$ 6,929
416100	\$ 113
416600	\$ 1,844
417106	\$ 292
417107	\$ 17
582000	\$ 3,550
582200	\$ 1,584
583000	\$ 145,552
586000	\$ 187,813
588000	\$ 343,085
592000	\$ 77,586
592100	\$ 22,220
592200	\$ 12,892
593000	\$ 367,449
593300	\$ 109,584
594000	\$ 73,356
595000	\$ 11,648
596000	\$ 29,113
597000	\$ 22,736
598000	\$ 17,581
903000	\$ 694,643
908000	\$ 66,104
912000	\$ 17,233
920000	\$ 336,572
920220	\$ 6,971
920230	\$ 1,244
920240	\$ 5,777
928200	\$ 3,295
928300	\$ 2,540
930200	\$ 55,515
935000	\$ 83,445
	<u>\$ 4,297,827</u>
CAPITAL	\$ 1,581,458
A/R	\$ 8,085
NON OPERATING	\$ 9,195
EXPENSED	<u>\$ 2,699,089</u>
TOTAL	<u>\$ 4,297,827</u>

**KENERGY CORP.
2008 RATE APPLICATION
OVERHEADS RELATED TO WAGE ADJUSTMENTS**

1 **Health**

	(1) Base Rate Monthly	Less 3.5% Employee Contribution	Monthly Company Cost	Times # Employees Times 12 Months		Annual Cost	
5 Employee Only	375.15	13.13	362.02	12	=	\$ 52,131	
6 Employee + Spouse	942.30	32.98	909.32	65	=	709,270	
7 Employee & Child	807.27	28.25	779.02	10	=	93,482	
8 Employee & Family	1,275.25	44.63	1,230.62	66	=	974,651	
				153		<u>\$1,829,534</u>	
10	Employees with spouse also employed (no charge)				2	Less Premium Refund	(27,059)
11			Per Wage Adjustment	155	Proforma Health	<u>\$1,802,475</u>	

13 Note: No change in base monthly premium on 1/1/08. Premium refunds booked in 2007 were \$56,826 (for 2006) and \$27,059 (for 2007).

15 **Dental**

	(2) Base Rate Monthly	(3) Less Employee Contribution	Monthly Company Cost	Times # Employees Times 12 Months		Annual Cost
19 Employee Only	31.76	-	31.76	31	=	\$ 11,815
20 Employee + Dependent	97.65	32.95	64.70	122	=	94,721
				153		<u>\$ 106,536</u>

23 Note: Dental premiums increased 4% effective 1/1/08

26 **Life Insurance**

28	Under \$50,000	155 employees times \$50,000 - \$7,750,000 x .00021 x 12 months			=	<u>\$ 19,530</u>
29	Over \$50,000	Proforma regular wages (excluding supplemental of \$24,849) = \$9,295,735 x 3 - \$7,750,000 x .00021 x 12 mos. =			=	\$ 50,746
30		Plus Amount for Spouse & Children				5,010
31						<u>\$ 55,756</u>

33 Note: Premium decreased 19.2% effective 1/1/08

37 **Disability**

38	Proforma regular wages (excluding supplemental of \$24,849) - \$9,295,755 x .000446 x 12 months		(2)		=	<u>\$ 49,751</u>
----	---	--	-----	--	---	------------------

40 Note: Premium decreased 14.2% effective 1/1/08

- 43 (1) See Exhibit 5, Page 8f.
44 (2) See Exhibit 5, Page 8h.
45 (3) Employees pay one-half of the dependent cost (\$97.65 - \$31.76 x 1/2).
46 (4) See Exhibit 5, Page 8i.

**KENERGY CORP.
2008 RATE APPLICATION
OVERHEADS RELATED TO WAGE ADJUSTMENTS**

Pension

A. Defined Benefit & Contribution Plan (former GREC employees hired before 1/1/87)

Proforma regular wages of the 48 ¹ participants	=	\$	179,015
at \$2,983,582 ¹ times 6% (5)	=		109,837
Company match on employee savings ² (5)	=		86,000 (3)
Expense per actuarial report for Defined Benefit Plan	=		<u>374,852</u>

B. Defined Benefit & Contribution Plan (former HUEC employees hired before 7/1/99)

Proforma regular wages of the 52 ¹ participants	=	\$	492,231
at \$2,986,837 ¹ times 16.48% (4)	=		89,605
Company match on employee savings ²	=		<u>581,836</u>

C. Defined Contribution Plan (former GREC employees hired after 1/1/87 plus all Kenergy employees beginning 7/1/99)

Proforma wages of the 52 ¹ participants	=	\$	172,243
at \$2,870,724 ¹ times 6% (5)	=		93,502
Company match on employee savings ² (5)	=		<u>265,745</u>

D. Deferred Compensation Plan 457B & Defined Contribution (former CEO and 2 former employees hired before 1/1/87)

Proforma regular wages of the 3 participants	=	\$	27,275
454,592 ¹ times 6% (5)	=		15,364
Company match on employee savings ² (5)	=		39,846
Contributions to 457B Plan	=		<u>82,485</u>

(1) = \$9,295,735 per wage adjustment (excluding supplemental of 24,849)
= 155 full time employees

(2) Used test year employee contribution rate times proforma wages.
Company matches 50% of employee contribution up to 3% for former HUEC and up to 10% for former GREC.

(3) See Exhibit 5, Page 8j

(4) See Exhibit 5, Page 8k

(5) See Exhibit 5, Page 8l

**KENERGY CORP.
2008 RATE APPLICATION
OVERHEADS RELATED TO WAGE ADJUSTMENTS**

1 Payroll Taxes

2		(1)Limit -	\$ 102,000	N/A	\$7,000	\$8,000	Total
3		Rate -	0.062	0.0145	0.008	0.006	Payroll
4			FICA	Medicare	Fed. Unempl.	State Unempl.	Taxes
5	Proforma Wages		\$ 10,647,144				
6	Plus: Life Insurance Over \$50,000 Income		\$ 56,609				
7	Less: Section 125 Medical		\$ (240,070)				
8	Plus: Personal Vehicle Usage		\$ 19,181				
10	Wages Subject to Medicare		\$10,482,864	\$ 152,002			
11	Less: Wages Over \$102,000		\$ (209,841)				
12	Wages Subject to FICA		\$10,273,023	\$ 636,927			
14	155 Employees x \$7,000 plus part-time of						
15	9,454 = 1,094,454				\$ 8,756		
16	155 employees x \$8,000 plus part-time of						
17	9,454 = \$1,249,454					\$ 7,496	
18						\$ 7,496	\$805,181

21 Workers Compensation (2)

		Outside Rate	Inside Rate	Total
24	Proforma Regular Wages	\$ 9,320,584		
25	Part-Time Wages	9,454		
26	Overtime Reduced One-Third	878,071		
27	Total Subject to Rates	\$10,208,109		
28		7,512,914	2,695,194	
29		0.0505	0.0029	
30		379,402	7,816	\$387,218
31	Increased Limits Factor 1.7%			6,583
32	Experience Modification - 23%			393,801
33				(90,574)
34	Premium Discount 4.8%			303,227
35				(14,555)
36	KY Special Fund Assessment - 6.50%			288,672
37				18,764
38	Terrorism Risk Factor - .009731			307,436
39	Retention Program Refund			2,992
40				(91,107) (2)
41	Proforma Workers Compensation			\$219,321

43 Property Loss/Damage & Excess Liability Insurance (3)

44 Per Invoice for Period 4/1/07 to 4/1/08:

46	Property Loss/Damage	=	\$ 106,488
47	Umbrella	=	42,767
48			<u>\$149,255</u>

50 (1) See Exhibit 5, Pages 8m, 8n and 8o

51 (2) See Exhibit 5, pages 8p, 8q and 8r

52 (3) See Exhibit 5, pages 8s, 8t and 8u

**KENTUCKY RURAL ELECTRIC COOPERATIVE EMPLOYERS BENEFIT PLAN
SELF-FUNDED CONTRIBUTION STATEMENT
KENERGY**

Due Date: February 1, 2008

PPO

Head Count
Total fees

191
\$12,336.65

Contribution for Funding:	Base Rate	Plus Working Spouse Waiver	(1) Plus \$1 Adm. Fee	(1) Less Admin. Fee	Adjusted Cost per Unit	# Plan Participants	MONTHLY TOTAL
Active/Retired/Disabled*							
Employee	\$374.15		(3)				
Employee & Spouse	\$891.30	+ 50.00	+ 1.00 = 942.30	66.59	\$307.56	16 (3) = 13	\$4,920.96
Employee & Child(ren)	\$806.27		+ 1.00 = 807.27	66.59	\$874.71	66 (2) = 64	\$57,730.86
Employee & Family	\$1,224.25	+ 50.00	+ 1.00 = 1275.25	66.59	\$739.68	10 = 10	\$7,396.80
Spouse only	\$586.36	+ 50.00	+ 1.00 = 637.36	66.59	\$1,207.66	66 = 66	\$79,705.56
Child(ren) only	\$501.33			66.59	\$569.77	1 (1) = 0	\$569.77
Spouse and Child(ren)	\$919.31			66.59	\$434.74	153	
Medicare Retired/Disabled*							
Retiree only on Medicare	\$253.04			62.09	\$190.95	15	\$2,864.25
Retiree on Medicare and Spouse on Medicare	\$506.08			62.09	\$443.99	10	\$4,439.90
Medicare Retiree & Non-Medicare Spouse	\$773.94			66.59	\$707.35	5	\$3,536.75
Medicare Retiree & Child(ren)	\$688.91			66.59	\$622.32	1	\$622.32
Medicare Retiree & Family	\$1,106.89			66.59	\$1,040.30		
Dependent/Medicare	\$253.04			62.09	\$190.95		
COBRA (not including 2% administrative fee)							
Employee			COBRA				
Employee & Spouse	\$374.15		\$374.15	66.59	\$307.56		
Employee & Child(ren)	\$891.30	50.00	\$941.30	66.59	\$874.71		
Employee & Family	\$806.27		\$806.27	66.59	\$739.68		
Spouse/Ex-Spouse only	\$1,224.25	50.00	\$1,274.25	66.59	\$1,207.66		
Child only	\$586.36	50.00	\$636.36	66.59	\$569.77		
Child(ren) only	\$374.15		\$374.15	66.59	\$307.56	2	\$307.56
Spouse/Ex-Spouse & Child(ren) only	\$501.33		\$501.33	66.59	\$434.74		
	\$919.31	50.00	\$969.31	66.59	\$902.72		
* Retiree and Disabled are interchangeable							
Adjustments: Susan Towery (Jan) Cr. \$307.56; Lisa Owen (Jan) Dr. \$739.68; Roger Adams, (Nov.-Jan) Cr. \$3622.98							(\$3,190.86)
2007 Surplus Allocation Credit							(\$27,059.00)
TOTAL MONTHLY CONTRIBUTION							\$131,844.87

- (1) The administrative fee (\$67.59) is paid from a different invoice. See Page 8g.
 (2) Full time employees used for the proforma labor adjustment.
 (3) Agrees to Exhibit 5, Page 8c, Lines 5-8 (Base Rate Monthly", Exhibit 5, Page 8f.

Exhibit 5, Page 8f

FISERV HEALTH INC.
Group No: 10113

INVOICE

KENERGY CORPORATION
6402 OLD CORYDON RD
HENDERSON KY 42419-0018

Page: 1
Invoice Month: 02/2008
Invoice No: 0000033284
Due Date: 02/01/2008
Print Date: 01/28/2008

Employee	Coverage	Specific Reinsur	Avidyn Fee	Network Fee	Admin Fee & HIPAA	COBRA Fee	Flex	Total Due
=====								
100 EMPLOYEE-CHA								
=====								
ABNEY, DEBBIE	enrollee only	0.00	0.00	0.00	0.00	0.00	0.00	0.00
ARNOLD, EDDIE	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
BARNES, MICHAEL	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
BIDWELL, DARMON	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
BIVINS, TRACEY	enrollee only	47.04	3.45	4.50	11.60	1.00	0.00	67.59
BUNCH, ANTHONY	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
CARTWRIGHT, JILL	enrollee only	47.04	3.45	4.50	11.60	1.00	0.00	67.59
CASTLEN, MICHAEL	enrollee only	47.04	3.45	4.50	11.60	1.00	0.00	67.59
CLARK, RHONDA	enrollee only	0.00	0.00	0.00	11.60	1.00	0.00	67.59
COLEMAN, DAVID	family	47.04	3.45	4.50	11.60	0.00	0.00	67.59
COLLINS, CRAIG	enrollee only	47.04	3.45	4.50	11.60	1.00	0.00	67.59
CONRAD, PORTER	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
CRABTREE, DAVID	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
DEATON, JOHNNY	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
DUNCAN, PAUL	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
FREDERICK, TERRY	enrl + children	47.04	3.45	4.50	11.60	1.00	0.00	67.59
GARRISON, COYE	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HAGAN, MIKE	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HAMILTON, DAVID	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HARPER, BOBBY	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HART, RICHARD	enrollee only	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HEADY, SANDRA	enrl + children	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HEATH, SPENCER	enrl + children	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HODSKINS, ROBERT	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HOLLAND, KEVIN	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HORN, JAMES	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HOWARD, WILLIS	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
HUNT, DONNIE	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
JARBOE, JOSEPH	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
JOHNSON, VIVIAN	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
LANGDON, JERRY	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
LEISURE, JAMES	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
LOCHER JR, MORRIS	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MADDOX, JOHN	enrollee only	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MAGLINGER, JERRY	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MARTIN, BENITA	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MATTINGLY, WILLIAM	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MCDANIEL, DAVID	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MILLER, TONY	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
* MINTON II, CHARLES	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MULLICAN, JENNIFER	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
MURPHY, JOSEPH	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
NOVICK, SANFORD	enrl + spouse	47.04	3.45	4.50	11.60	1.00	0.00	67.59
OSBORNE, DAVID	family	47.04	3.45	4.50	11.60	1.00	0.00	67.59
OWEN, LISA	enrl + children	47.04	3.45	4.50	11.60	1.00	0.00	67.59

Exhibit 5, Page 8g

Note: See Page 8f "Adm. Fee Column"

Benefit Plan Rating and Renewal: View My Co-op's Renewal Rates

Subgroup: 01 18065 001 - KENERGY - KY

Renewal Date: 01/01/2008

These rates are the renewal billing rates if you keep your current plans the way they are.

Coverages	Current Monthly Rates	Renewal Monthly Rates	Change
Accident Plans			
<u>BTA</u>			
ALL INDIVIDUALS	\$24.25	\$24.25	0.0%
Dental Plans			
<u>DENTAL PLAN</u>			
INDIVIDUAL ONLY	\$30.83	\$31.76	3.0%
INDIVIDUAL + DEPENDENT	\$94.79	\$97.65	3.0%
Disability Plans			
<u>LONG TERM DISABILITY - 26 WEEK/66 2/3%</u>	\$0.0520 /\$100	\$0.0446 /\$100	-14.2%

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Benefit Plan Rating and Renewal: View Rates

Subgroup: 01 18065 001 - KENERGY - KY

Type of Plan: Basic Life and AD&D Insurance Plan (with enhanced options)

Basic Life and AD&D Insurance Plan Rates

Type	Rate
Employee	$\frac{01}{26 \text{ per } 1,000}$ Rate - 08 \$0.210 per \$1,000

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Accounting Results

	Fiscal Year Ending	
	12/31/2006	12/31/2007
<u>Assets at Beginning of Fiscal Year</u>		
Fair Value	1,307,000	1,282,000
Market-related Value	1,307,000	1,282,000
<u>Liabilities at Beginning of Fiscal Year</u>		
Key Assumptions		
• Interest Discount Rate	5.50%	5.75%
• Expected Rate of Return on Assets	7.50%	7.50%
• Compensation Increase	4.00%	4.00%
Accumulated Benefit Obligation		
• Retirees and Other In-pay Status	16,000	20,000
• Vested Terminations and Other Deferred Status	110,000	0
• Active Employees	1,240,000	1,295,000
Total	1,366,000	1,315,000
Effect of Future Compensation Increases	659,000	606,000
Projected Benefit Obligation	2,025,000	1,921,000
<u>Cost Components</u>		
Service Cost	57,000	51,000
Interest Costs	107,000	107,000
Expected Return on Assets	(94,000)	(105,000)
Net Amortization and Deferral	87,000	33,000
Net Periodic Pension Cost	157,000	86,000 (1)
<u>Reconciliation of Balance Sheet Accruals</u>		
(Accrued)/Prepaid Pension Cost, Beginning of Year	5,000	(98,000)
Net Periodic Pension (Cost)/Income	(157,000)	(86,000)
Settlement and/or Curtailment (Cost)/Income	(67,000)	0
Contributions	121,000	353,000 ¹
(Accrued)/Prepaid Pension Cost, End of Year	(98,000)	169,000 ¹

(1) See Exhibit 5, Page 8d, Line 7

¹ Estimated.



KENERGY CORP
01-18065-002
Statement Date: 03/01/2008

KEITH ELLIS
KENERGY CORP
P.O. BOX 18
HENDERSON, KY 42419

Total Bill Rate: 16.48

Employee Rate: 0.00
Employer Rate: 16.48 (1)

Plan: R&S PRODUCT

Participant Name Social Security #	Employee Status	Salary Type	Employer Contribution	Employee Contribution	Total Cost
xxx-xx-1526	E-A	56,264 Base	772.69	0.00	772.69
xxx-xx-6213	E-A	57,678 Base	792.11	0.00	792.11
xxx-xx-8306	E-A	40,539 Base	556.74	0.00	556.74
xxx-xx-6974	E-A	42,536 Base	584.16	0.00	584.16
xxx-xx-4408	E-A	46,904 Base	644.15	0.00	644.15
xxx-xx-0587	E-A	63,960 Base	878.38	0.00	878.38
xxx-xx-6581	E-A	56,264 Base	772.69	0.00	772.69
xxx-xx-5714	E-A	44,637 Base	613.01	0.00	613.01
xxx-xx-8813	E-A	49,504 Base	679.85	0.00	679.85
xxx-xx-6259	E-A	42,536 Base	584.16	0.00	584.16
xxx-xx-0525	E-A	65,603 Base	900.95	0.00	900.95

(1) See Exhibit 5, Page 8d

Will my Employer make contributions to the Plan?

Yes, your Employer may make contributions to the Plan as follows:

Matching Contributions. Your Employer will make a matching contribution equal to 50% of salary deferral contributions. The total matching contributions shall not exceed 5% of your total salary. This contribution will be determined each payroll period.

Your Employer will only match catch-up salary deferral contributions if you were unable to receive the maximum matching contribution under the Plan formula because of a Plan or IRS limit on salary deferral contributions or because of a failed actual deferral percentage ("ADP") test.

Employer Non-Elective Contributions. Your Employer will make a non-elective contribution to your account equal to 6% of your salary. No employer non-elective contributions shall be made on behalf of temporary employees.

NOTE: If you become an excluded employee or you have not completed a year of service, you will not receive the employer non-elective contribution.

May I make voluntary contributions to the Plan?

Yes, you may make voluntary contributions to the Plan up to 14% of your salary. Simply indicate the percentage of your salary you wish to contribute on the Application and return it to your Plan Administrator. Voluntary contributions are deducted from after-tax income. The earnings on these contributions will accumulate tax deferred until you receive a distribution from the Plan.

May I make additional voluntary contributions, if I did not maximize my voluntary contributions in the past?

Yes, once each year, you may contribute voluntary make-up contributions to the Plan. The maximum amount of voluntary make-up contributions you may remit in a particular year is the sum of those voluntary contributions that you could have made, but did not make during the previous five Plan Years of your participation. Your make-up contributions will be based on your salary for those years. However, these contributions will count in the current year's annual contribution limit. In addition, if you are a highly compensated employee, your make-up contributions may be further limited.

withholding or claims a marital status, a number of withholding allowances, and any additional withholding that results in less withholding than would result under the IRS notice or modification notice, disregard the new Form W-4. You must withhold based on the notice or modification notice unless the IRS notifies you to withhold based on the new Form W-4. If the employee wants to put a new Form W-4 into effect that results in less withholding than required, the employee must contact the IRS.

If, after you receive an IRS notice or modification notice, your employee gives you a new Form W-4 that does not claim exemption from federal income tax withholding and claims a marital status, a number of withholding allowances, and any additional withholding that results in more withholding than would result under the notice or modification notice, you must withhold tax based on the new Form W-4. Otherwise, disregard any subsequent Forms W-4 provided by the employee and withhold based on the IRS notice or modification notice.

For additional information about these rules, see Treasury Decision 9337. You can find Treasury Decision 9337 on page 455 of Internal Revenue Bulletin 2007-35 at www.irs.gov/pub/irs-irbs/irb07-35.pdf.

Substitute Forms W-4. You are encouraged to have your employees use the official version of Form W-4 to claim withholding allowances or exemption from withholding. Call the IRS at 1-800-829-3676 or visit the IRS website at www.irs.gov to obtain copies of Form W-4.

You may use a substitute version of Form W-4 to meet your business needs. However, your substitute Form W-4 must contain language that is identical to the official Form W-4 and your form must meet all current IRS rules for substitute forms. At the time that you provide your substitute form to the employee, you must provide him or her with all tables, instructions, and worksheets from the current Form W-4.

You cannot accept substitute Forms W-4 developed by employees. An employee who submits an employee-developed substitute Form W-4 after October 10, 2007, will be treated as failing to furnish a Form W-4. However, continue to honor any valid employee-developed Forms W-4 you accepted before October 11, 2007.

Invalid Forms W-4. Any unauthorized change or addition to Form W-4 makes it invalid. This includes taking out any language by which the employee certifies that the form is correct. A Form W-4 is also invalid if, by the date an employee gives it to you, he or she indicates in any way that it is false. An employee who submits a false Form W-4 may be subject to a \$500 penalty. You may treat a Form W-4 as invalid if the employee wrote "exempt" on line 7 and also entered a number on line 5 or an amount on line 6.

When you get an invalid Form W-4, do not use it to figure federal income tax withholding. Tell the employee that it is invalid and ask for another one. If the employee does not give you a valid one, withhold taxes as if the employee was single and claiming no withholding allowances. However, if you have an earlier Form W-4 for this worker that is valid, withhold as you did before.

Amounts exempt from levy on wages, salary, and other income. If you receive a Notice of Levy on Wages, Salary, and Other Income (Forms 668-W(c), 668-W(c)(DO), or 668-W(ICS)), you must withhold amounts as described in the instructions for these forms. Publication 1494 (2008), Tables for Figuring Amount Exempt From Levy on Wages, Salary, and Other Income—Forms 668-W(c), 668-W(c)(DO), and 668-W(ICS), shows the exempt amount. If a levy issued in a prior year is still in effect and the taxpayer submits a new Statement of Exemptions and Filing Status, use the current year Publication 1494 to compute the exempt amount.

Social Security and Medicare Taxes

The Federal Insurance Contributions Act (FICA) provides for a federal system of old-age, survivors, disability, and hospital insurance. The old-age, survivors, and disability insurance part is financed by the social security tax. The hospital insurance part is financed by the Medicare tax. Each of these taxes is reported separately.

Generally, you are required to withhold social security and Medicare taxes from your employees' wages and you must also pay a matching amount of these taxes. Certain types of wages and compensation are not subject to social security and Medicare taxes. See sections 5 and 15 for details. Generally, employee wages are subject to social security and Medicare taxes regardless of the employee's age or whether he or she is receiving social security benefits. If the employee reported tips, see section 6.

Tax rates and the social security wage base limit. Social security and Medicare taxes have different rates and only the social security tax has a wage base limit. The wage base limit is the maximum wage that is subject to the tax for the year. Determine the amount of withholding for social security and Medicare taxes by multiplying each payment by the employee tax rate. There are no withholding allowances for social security and Medicare taxes.

The employee tax rate for social security is 6.2% (amount withheld). The employer tax rate for social security is also 6.2% (12.4% total). The 2007 wage base limit was \$97,500. For 2008, the wage base limit is \$102,000.

The employee tax rate for Medicare is 1.45% (amount withheld). The employer tax rate for Medicare tax is also 1.45% (2.9% total). There is no wage base limit for Medicare tax; all covered wages are subject to Medicare tax.

Successor employer. If you received all or most of the property used in the trade or business of another employer, or a unit of that employer's trade or business, you may include the wages that the other employer paid to your acquired employees before the transfer of property when you figure the annual wage base limit for social security. You should determine whether or not you should file Schedule D (Form 941), Report of Discrepancies Caused by Acquisitions, Statutory Mergers, or Consolidations, by reviewing the Instructions for Schedule D (Form 941). See Regulations section 31.3121(a)(1)-1(b) for more information. Also see Rev. Proc. 2004-53 for more information. You can find Rev. Proc. 2004-53 on page 320 of Internal Revenue Bulletin 2004-34 at www.irs.gov/pub/irs-irbs/irb04-34.pdf.

Example. Early in 2008, you bought all of the assets of a plumbing business from Mr. Martin. Mr. Brown, who had been employed by Mr. Martin and received \$2,000 in wages before the date of purchase, continued to work for you. The wages that you paid to Mr. Brown are subject to social security taxes on the first \$100,000 (\$102,000 minus \$2,000). Medicare tax is due on all of the wages that you pay him during the calendar year.

Withholding of social security and Medicare taxes on nonresident aliens. In general, if you pay wages to nonresident alien employees, you must withhold federal social security and Medicare taxes as you would for a U.S. citizen. However, see Publication 515, Withholding of Tax on Nonresident Aliens and Foreign Entities, for exceptions to this general rule.

International social security agreements. The United States has social security agreements with many countries that eliminate dual taxation and dual coverage. Compensation subject to social security and Medicare taxes may be exempt under one of these agreements. You can get more information and a list of agreement countries from

2. Household employees test.

You are subject to FUTA tax if you paid total cash wages of \$1,000 or more to household employees in any calendar quarter in 2007 or 2008. A household employee is an employee who performs household work in a private home, local college club, or local fraternity or sorority chapter.

3. Farmworkers test.

You are subject to FUTA tax on the wages that you pay to farmworkers if:

- a. You paid cash wages of \$20,000 or more to farmworkers during any calendar quarter in 2007 or 2008, or
- b. You employed 10 or more farmworkers during at least some part of a day (whether or not at the same time) during any 20 or more different weeks in 2007 or 20 or more different weeks in 2008.

Computing FUTA tax. For 2007 and 2008, the FUTA tax rate is 6.2%. The tax applies to the first \$7,000 that you pay to each employee as wages during the year. The \$7,000 is the federal wage base. Your state wage base may be different. Generally, you can take a credit against your FUTA tax for amounts that you paid into state unemployment funds. This credit cannot be more than 5.4% of taxable wages. If you are entitled to the maximum 5.4% credit, the FUTA tax rate after the credit is 0.8%.

Successor employer. If you acquired a business from an employer who was liable for FUTA tax, you may be able to count the wages that employer paid to the employees who continue to work for you when you figure the \$7,000 FUTA wage base. See the Instructions for Form 940.

Depositing FUTA tax. For deposit purposes, figure FUTA tax quarterly. Determine your FUTA tax liability by multiplying the amount of taxable wages paid during the quarter by .008 (0.8%). Stop depositing FUTA tax on an employee's wages when he or she reaches \$7,000 in taxable wages for the calendar year. If any part of the wages subject to FUTA is exempt from state unemployment tax, you may have to deposit more than the tax using the 0.8% rate. For example, in certain states, wages paid to corporate officers, certain payments of sick pay by unions, and certain fringe benefits are exempt from state unemployment tax.

If your FUTA tax liability for a quarter is \$500 or less, you do not have to deposit the tax. Instead, you may carry it forward and add it to the liability figured in the next quarter to see if you must make a deposit. If your FUTA tax liability for any calendar quarter in 2008 is over \$500 (including

any FUTA tax carried forward from an earlier quarter), you must deposit the tax using EFTPS or at an authorized financial institution using Form 8109. See section 11 for information on these two deposit methods.

Household employees. You are not required to deposit FUTA taxes for household employees unless you report their wages on Form 941, Form 944, or Form 943. See Publication 926, Household Employer's Tax Guide, for more information.

When to deposit. Deposit the FUTA tax by the last day of the first month that follows the end of the quarter. If the due date (below) for making your deposit falls on a Saturday, Sunday, or legal holiday, you may make your deposit on the next business day.

If your liability for the fourth quarter (plus any undeposited amount from any earlier quarter) is over \$500, deposit the entire amount by the due date of Form 940 (January 31). If it is \$500 or less, you can make a deposit, pay the tax with a major credit card, or pay the tax with your Form 940 by January 31.

Table 4. When to Deposit FUTA Taxes

Quarter	Ending	Due Date
Jan.—Feb.—Mar.	Mar. 31	Apr. 30
Apr.—May—June	June 30	July 31
July—Aug.—Sept.	Sept. 30	Oct. 31
Oct.—Nov.—Dec.	Dec. 31	Jan. 31

Reporting FUTA tax. Use Form 940, Employer's Annual Federal Unemployment (FUTA) Tax Return, to report FUTA tax. File Form 940 by January 31, 2008. However, if you deposited all FUTA tax when due, you may file on or before February 11, 2008. The IRS will mail a preaddressed Form 940 to you if you filed a return for the year before. If you do not receive Form 940, you can get a form by calling 1-800-TAX-FORM (1-800-829-3676).

Household employees. If you did not report employment taxes for household employees on Form 941, Form 944, or Form 943, report FUTA tax for these employees on Schedule H (Form 1040), Household Employment Taxes. See Publication 926 for more information. You must have an EIN to file Schedule H (Form 1040).

Electronic filing by reporting agents. Reporting agents filing Forms 940 for groups of taxpayers can file them electronically. See the *Reporting Agent* discussion in section 7 of Publication 15-A.

NOTICE OF CONTRIBUTION RATE
 For Calendar Year 2008

notice has been issued to advise you of the contribution rate assigned to your Kentucky Unemployment Insurance Employer Reserve Account for the year indicated above. The figures provided on this form are taken from the account records maintained by the Division, and furnished to assist you in understanding how your contribution rate was calculated. Tax is due on the first \$8000 paid to each worker in a calendar year. **THIS IS NOT A BILL.**

KENERGY CORP
 6402 OLD CORYDON ROAD
 HENDERSON KY 42420

ACCOUNT # 487105-A 9
 UI RATE: .600

PREDECESSOR #	CODE	BENEFIT CHARGES	CODE	CONTRIBUTIONS	CODE	EMPLOYER RESERVE	CODE	THREE(3) FISCAL YEARS/TAXABLE WAGE
	29	5,605.00	99	6,389.48	15	363,377.13	59	4,080,764.70
TOTALS		5,605.00		6,389.48		363,377.13		4,080,764.70
CONTRIBUTIONS PAID AS OF OCT 31, 2007		-----ADD				6,389.48		A
BENEFIT CHARGES AS OF SEPT 30, 2007		---SUBTRACT				5,605.00		RATING FACTORS:
NET RESERVE BALANCE AS OF COMPUTATION DATE						364,161.61		RESERVE RATIO: 00008.923

KRS 341.430 PROVIDES AN APPEAL FROM THIS DETERMINATION MUST BE FILED WITHIN 20 DAYS FROM THE DATE OF THIS NOTICE

RATE SCHEDULE	EXPLANATION	VOLUNTARY CONTRIBUTION
If your reserve ratio is: Your UI rate is: 8.0% and over 0.600% 7.0% but under 8.0% 0.800% 6.0% but under 7.0% 0.900% 5.0% but under 6.0% 1.200% 4.6% but under 5.0% 1.600% 4.2% but under 4.6% 2.100% 3.9% but under 4.2% 2.400% 3.6% but under 3.9% 2.600% 3.2% but under 3.6% 2.700% 2.7% but under 3.2% 2.800% 2.0% but under 2.7% 2.900% 1.3% but under 2.0% 3.000% 0.0% but under 1.3% 3.100% -0.5% but under 0.0% 7.250% -1.0% but under -0.5% 7.500% -1.5% but under -1.0% 7.750% -2.0% but under -1.5% 8.000% -3.0% but under -2.0% 8.250% -4.0% but under -3.0% 8.500% -6.0% but under -4.0% 9.000% -8.0% but under -6.0% 9.250% less than -8.0% 9.750%	10 TRANSFERRED FROM PREDECESSOR 15 BALANCE FROM LAST COMPUTATION 28 TRANSFERRED FROM PREDECESSOR 29 BENEFIT CHARGES 30 VOLUNTARY CONTRIBUTION 58 TRANSFERRED FROM PREDECESSOR 59 YOUR TAXABLE WAGES 60 TRANSFERRED FROM PREDECESSOR 98 TRANSFERRED FROM PREDECESSOR 99 PAID SINCE LAST COMPUTATION RATING FACTORS A SUBJECT 12 QUARTERS B NOT SUBJECT 12 QUARTERS C DELINQUENT IN FILING REPORTS D DEFICIT BALANCE & RATIO U CONTRACT CONSTRUCTION	CHECK YOUR RATING FACTORS FOR ELIGIBILITY AND USE RATE SCHEDULE FOR COMPUTATION. VOLUNTARY CONTRIBUTION MADE TO REDUCE DETERMINED RATE FROM _____% TO _____% ATTACH REMITTANCE FOR \$ _____ MAKE PAYABLE TO: TREASURER, KY UNEMPLOYMENT INSURANCE FUND MAIL TO: OFFICE OF EMPLOYMENT AND TRAINING DIVISION OF UNEMPLOYMENT INSURANCE TAX STATUS AND ACCOUNTING BRANCH P.O. BOX 948 FRANKFORT, KENTUCKY 40602-0948 NOT ACCEPTABLE UNLESS POSTMARKED WITHIN 20 DAYS OF THIS NOTICE ACCOUNTING (502)564-2168 STATUS (502)564-227:



Workers' Compensation and Employers' Liability Policy

11875 W. 85th Street • P.O. Box 15147 • Lenexa, KS 66285-5147 • (913) 541-0150 • (800) 356-8360 • Facsimile (913) 541-9004

NGCI CODE: 14702

POLICY NUMBER:
16 WC 037-08

ITEM 1.
THE INSURED KENERGY Corp.
ADDRESS P.O. Box 18
 Henderson, KY 42419

INDIVIDUAL PARTNERSHIP
 CORPORATION _____

0
72
165
1/2

OTHER WORK PLACES NOT SHOWN ABOVE:
IDENTIFICATION NUMBER: Risk ID: 160053062 FEIN: 611345109

Item 2. POLICY PERIOD: FROM 01/01/2008 TO 01/01/2009 12:01 A.M. Standard Time at the Insured's Mailing Address

- Item 3. A. WORKERS' COMPENSATION INSURANCE: Part One of the policy applies to the Workers' Compensation law of the states listed here:
KENTUCKY
- B. EMPLOYERS' LIABILITY INSURANCE: Part Two of the policy applies to work in each state listed in Item 3A.
The limits of our liability under Part Two are:
- | | | |
|---------------------------|-----------|---------------|
| BODILY INJURY BY ACCIDENT | \$500,000 | EACH ACCIDENT |
| BODILY INJURY BY DISEASE | \$500,000 | POLICY LIMIT |
| BODILY INJURY BY DISEASE | \$500,000 | EACH EMPLOYEE |
- C. OTHER STATES INSURANCE: Part Three of the policy applies to the states, if any, listed here:
All Other States Except: ND, OH, WA, WV & WY
- D. THIS POLICY INCLUDES THESE ENDORSEMENTS AND SCHEDULES:
WC000000A(04/92) WC000113(01/06) WC000309B(01/06) WC000422(01/06) WC160601(12/97) WC 160602(10/99)
MISC END(1)

Item 4. The premium for this policy will be determined by our Manuals of Rules, Classification, Rates and Rating Plans.
All information required below is subject to verification and change by audit.

Classifications			Premium Basis	Rates	
Entries in this item, except as specifically provided elsewhere in this policy, do not modify any of the other provisions of the policy.	Code No.		Estimated Total Annual Remuneration	Per \$100 of Remuneration	Estimated Annual Premium
Electric Light or Power Cooperative - Rural Electrification Administration Projects only - all employees and drivers	KY 7540		\$6,809,171	5.05	\$343,863
Clerical Office Employees NOC	KY 8810		\$3,136,835	0.29	\$9,097
Salespersons, Collectors or Messengers--Outside	KY 8742		\$199,095	0.71	\$1,414
Increased Limits Factor	1.70 %	9807			6,024
Experience Modification	.770				(82,892)
Premium Discount		0064			(13,375)
Catastrophe Provisions for Foreign Terrorism	.027	9740			2,739
KY Workers Compensation Special Fund Assessment	6.50 %				\$17,347

MINIMUM PREMIUM \$0 DEPOSIT PREMIUM \$0 TOTAL ESTIMATED ANNUAL PREMIUM \$266,870
DATE OF ISSUE: 12/04/2007

NEW RENEWAL REWRITE OF:
PREVIOUS POLICY NO.
16 WC 037-07

COUNTERSIGNED BY Tony W. Hermesch
Authorized Agent

Kentucky Group Retention Program
For the Policy Period 1-1-2006 thru 12-31-2006
Developed Thru 12/30/07

Based on Retention of : 45%

Coop Name	(1) Earned Premiums	(2) Federated's Retention	(3) Systems' Case Base Losses	(1-2-3) Systems' Profit	(1-2-3) Systems' (Loss)	Refunds Issued on 07-01-07	Projected Refunds Issued on 07-01-08	Total Projected Refunds
	85,623	38,530	667	46,425	0	18,756	17,244	36,000
	193,218	86,948	29,222	77,047	0	31,127	28,618	59,745
	114,215	51,397	12,301	50,517	0	22,040	18,764	40,803
	60,158	27,071	0	33,087	0	13,367	12,290	25,657
	8,509	3,829	56,629	0	(51,949)	0	0	0
	114,638	51,587	44,660	18,391	0	7,899	6,831	14,730
	82,829	37,273	13,013	32,542	0	13,147	12,087	25,235
	77,725	34,976	17,067	25,682	0	10,602	9,539	20,141
	31,699	14,265	99	17,336	0	7,004	6,439	13,443
	162,015	72,907	51,612	37,496	0	15,149	13,927	29,076
	274,808	123,664	64,087	87,057	0	26,415	32,336	58,751
	229,548	103,297	100,630	25,621	0	10,351	9,517	19,868
KENERGY Corp.	335,549	150,997	38,783	145,769	0	58,891	54,143 (1)	113,035
	96,913	43,611	127,854	0	(74,552)	0	0	0
	122,384	55,073	84,923	0	(17,612)	0	0	0
	147,769	66,496	14,495	66,778	0	23,206	24,803	48,010
	262,619	118,179	82,562	61,878	0	25,196	22,984	48,180
	168,985	76,043	13,614	79,328	0	32,049	29,465	61,514
	27,553	12,399	0	15,154	0	6,122	5,629	11,751
	144,989	65,245	36,433	43,311	0	25,047	16,087	41,134
	64,480	29,016	600	34,864	0	14,085	12,950	27,035
	109,733	49,380	2,348	58,005	0	23,434	21,545	44,979
	312,615	140,677	206,159	0	(34,221)	13,445	0	13,445
	155,978	70,190	8,592	77,195	0	31,187	28,673	59,860
TOTAL	3,384,552	1,523,048	1,006,353	1,033,484	(178,334)	428,523	383,870	812,393

Exhibit 5, Page 8q

100% Refunds allocated to Individuals (Contribution Method) Total Profit(Loss) 855,150

5 % Refund allocated to Statewide	42,758	22,554	20,204
95% Refund allocated to Individual	812,393	428,523	383,870
	<u>855,150</u>	<u>451,077</u>	<u>404,073</u>

(1) 54,143
36,964 (from Page 8r)
91,107

Kentucky Group Retention Program
For the Policy Period 1-1-2007 thru 12-31-2007
Developed Thru 12/31/07

Based on Retention of : 45%

Exhibit 5, Page 8r

Coop Name	(1) Earned Premiums	(2) Federated's Retention	(3) Systems' Case Base Losses	(1-2-3) Systems' Profit	(1-2-3) Systems' (Loss)	Projected Refunds Issued on 07-01-08	Projected Refunds Issued on 07-01-09	Total Projected Refunds
	92,996	41,848	48,722	2,425	0	707	707	1,414
	194,388	87,475	5,282	101,631	0	29,627	29,627	59,254
	90,314	40,641	14,726	34,946	0	10,187	10,187	20,375
	71,065	31,979	3,071	36,014	0	10,499	10,499	20,997
	8,762	3,943	0	4,819	0	1,405	1,405	2,810
	105,936	47,671	266	57,999	0	16,907	16,907	33,815
	94,640	42,588	835	51,217	0	14,930	14,930	29,861
	70,544	31,745	134,743	0	(95,944)	0	0	0
	27,479	12,366	0	15,113	0	4,406	4,406	8,812
	138,635	62,386	52,914	23,336	0	6,803	6,803	13,605
	250,809	112,864	90,207	47,737	0	13,916	13,916	27,832
	252,469	113,611	235,889	0	(97,031)	0	0	0
KENERGY Corp.	290,515	130,732	32,983	126,801	0	36,964 (1)	36,964	73,928
	81,156	36,520	500	44,136	0	12,866	12,866	25,732
	118,623	53,380	61,579	3,664	0	1,068	1,068	2,136
	145,976	65,689	26,196	54,091	0	15,768	15,768	31,536
	210,067	94,530	11,063	104,474	0	30,455	30,455	60,911
	188,653	84,894	111,592	0	(7,833)	0	0	0
	31,078	13,985	0	17,093	0	4,983	4,983	9,966
	147,060	66,177	145,714	0	(64,831)	0	0	0
	63,745	28,685	6,227	28,833	0	8,405	8,405	16,810
	109,967	49,485	16,072	44,410	0	12,946	12,946	25,892
	275,660	124,047	26,681	124,932	0	36,419	36,419	72,838
	173,887	78,249	186,804	0	(91,167)	0	0	0
TOTAL	3,234,424	1,455,491	1,212,067	923,671	(356,805)	269,261	269,261	538,523

100% Refunds allocated to Individuals (Contribution Method)

Total Profit(Loss) 566,866

5 % Refund allocated to Statewide
 95% Refund allocated to Individual

28,343	14,172	14,172
538,523	269,261	269,261
<u>566,866</u>	<u>283,433</u>	<u>283,433</u>

(1) 36,964 - To Exhibit 5, Page 8q

DATE OF INVOICE 03-09-2007



Federated Rural Electric Insurance Exchange
 11875 W. 85th Street
 P.O. Box 15147
 Lenexa, KS 66285-5147
 (913) 541-0150 (800) 356-8360 Fax: (913) 541-9004

PLEASE REMIT TO:

P.O. Box 210663
 Kansas City, MO 64121-0663

POLICY NUMBER 16 ARB 037-07	TYPE OF POLICY ALL RISK BLANKET	PREMIUM ADJUSTMENT FOR THE PERIOD				
		FROM	TO			
EXPLANATION	CHARGES			CREDIT		
	CODE	EXPOSURE	.RATE	PREM. CHARGES	ITEM	CREDIT
Policy Period:	04-01-2007 to 04-01-2008				DEPOSIT PREMIUM	Gen. Lib.
1st Annual Premium:	\$315,742			328,939		105,143
Less Safety Accreditation				(13,197)		(4,206)
State Surcharge				4,736		1,514
Due:	04-01-2007			<u>320,478</u>		<u>102,451</u>
	Ky. municipal tax			12,630	- 3.94%	4,037
				<u>333,108</u>		<u>106,488</u>
					165.1	

TOTAL CHARGES 320,478 C TOTAL CREDIT _____
 LESS CREDIT _____ LESS TOTAL CHARGES _____
 PAY THIS AMOUNT 320,478 PAY CREDIT REMAINING TO YOUR ACCOUNT _____

CREDIT APPLIED ON POLICY NO. _____
 REFUND CHECK ENCLOSED



16037
 KENERGY Corp.
 P.O. Box 18
 Henderson, KY 42419

VOUCHER

22498C

OK 1.1



ALL RISK BLANKET PREMIUM BREAKDOWN

Insured: KENERGY Corp.

16037

Policy Number: 16 ARB 037-07

Effective Date: 04-01-2007

Expiration Date: 04-01-2008

Below is a breakdown of the All Risk Blanket policy premium to fit your own accounting purposes.

SECTION I

Fire	\$1,000 Ded.	\$45,998
Allied Lines		\$72,629
Burglary and Theft of Merchandise		\$2,421
Inland Marine		\$2,380
Optional Coverages		
Rental Reimbursement		\$730
Extra Expense		\$222
Loss of Income		\$47
Valuable Papers		\$61

SECTION II

General Liability - Bodily Injury		\$31,543	} 105143
- Property Damage	\$0 Ded.	\$73,600	
Automobile Liability - Bodily Injury		\$43,812	
- Property Damage		\$18,776	
- Comprehensive	\$500 Ded.	\$3,475	
- Collision	\$500 Ded.	\$11,876	
Medical Payments		\$0	
Optional Coverages			
Uninsured Motorist		\$5,376	
Non-Owned Automobiles		\$1,092	
Hired Automobiles		\$624	

SECTION III

Blanket Crime	\$810
Burglary and Theft	\$270

TOTAL ALL RISK BLANKET PREMIUM \$315,742

If you have any questions on these breakdowns or want further information, please let us know.

VOUCHERED

DATE OF INVOICE 9-27-07

	Federated Rural Electric Insurance Exchange 11875 W. 85th Street P.O. Box 15147 Lenexa, KS 66285-5147 (913) 541-0150 (800) 356-8360 Fax: (913) 541-9004	PLEASE REMIT TO: P.O. Box 210663 Kansas City, MO 64121-0663
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"Revised"

POLICY NUMBER 16 UMB 037-07	TYPE OF POLICY COMMERCIAL UMBRELLA	PREMIUM ADJUSTMENT FOR THE PERIOD		CHARGES			CREDIT		
		FROM	TO	CODE	EXPOSURE	RATE	PREM. CHARGES	ITEM	CREDIT
Policy Period: 04-01-2007 to 04-01-2008 1st Annual Premium: \$40,538 State Surcharge Due: 04-01-2007							40,538	DEPOSIT PREMIUM C	
							608		
							41,146		
KY Municipal Tax							1,621		
Less Payment Received							42,767		41,146

23400Z

TOTAL CHARGES	42,767 C	TOTAL CREDIT	
LESS CREDIT	41,146 C	LESS TOTAL CHARGES	
PAY THIS AMOUNT	1,621 FW	CREDIT REMAINING TO YOUR ACCOUNT	

VOUCHERED



16037
 KENERGY Corp.
 P.O. Box 18
 Henderson, KY 42419

- CREDIT APPLIED ON POLICY NO. _____
- REFUND CHECK ENCLOSED

OK
 10/23/07

Kenergy Corp.
2008 Rate Application
Schedule of Disallowed Expense Items
During Test Year Ending December 31, 2007

(a)	(b)	(c)	(d)	(e)	(f)
Item	Total Cost	Capitalized	Accounts Receivable	Non-Operating	Expensed
1 Board of Directors Costs (Account 930.210):					
2 Monthly Board Retainer	\$ 35,700 (1)				
3 Extra Per Diem for Chairperson	\$ 1,200 (1)				
4 Expenses for Non-Designated Delegate &					
5 Alternate to Attend State & National Meetings	\$ 28,115 (1)				
6 Directors Emeritus	\$ 3,600 (1)				
7 Per Diem for Other Meetings	\$ 26,850 (1)				
8 Directors Emeritus Mileage & Toll Expense	\$ 1,112 (2)				
9 Service Award	\$ 450 (2)				
10 Member Resource Committee Expense	\$ 8,922 (1)				
11 Election Committee Expenses	\$ 3,242 (1)				
12					
13 Total Board Costs	<u>\$ 109,191</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 109,191</u>
14					
15 Miscellaneous Costs:					
16 Donations (Account 426)	\$ 55,622 (3)				
17					
18 Institutional Advertising (Touchstone, Account 930.100)	\$ 78 (4)				
19					
20 Christmas Gifts (Account 930.200)	\$ 145 (5)				
21					
22 Public Relations Expenses (Account 930.240)	\$ 11,818 (6)				
Total Miscellaneous	<u>\$ 67,663</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 67,663</u>
25					
26					
27 Professional Services Expense:					
28 Health Insurance - Attorney (Account 923.000)	\$ 11,308 (7)				\$ 11,308
29					
30 Total Professional Services Expenses	<u>\$ 11,308</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ -</u>	<u>\$ 11,308</u>
31					
32					
33 Employee Costs:					
34 Life Insurance Over \$50,000, plus Spouse	\$ 55,756 (10)	\$ 20,517	\$ 105	\$ 119	\$ 35,015
35 FICA/Medicare on Life Insurance Over \$50,000	\$ 4,265 (8)	\$ 1,569	\$ 8	\$ 9	\$ 2,679
36 Personal Vehicle Usage	\$ 19,181 (9)	\$ -	\$ -	\$ -	\$ 19,181
37 FICA/Medicare on Personal Vehicle Usage	\$ 1,467 (8)	\$ -	\$ -	\$ -	\$ 1,467
38 Misc. Employee Costs (Christmas party, service awards, 39 retirement gifts, breakroom supplies, etc.)	\$ 36,038 (11)	\$ 600	\$ -	\$ -	\$ 35,438
40					
41 Total Employee Costs	<u>\$ 116,707</u>	<u>\$ 22,686</u>	<u>\$ 113</u>	<u>\$ 128</u>	<u>\$ 93,780</u>
42					
43 Total All Categories	<u>\$ 304,869</u>	<u>\$ 22,686</u>	<u>\$ 113</u>	<u>\$ 128</u>	<u>\$ 281,942</u>

46 Items from Response to First Information Request:

47 (1) See Item 30, Page 50	(7) See Item 34, Page 5	<u>To Adjustment Recap</u>	
48 (2) See Item 30, Page 70	(8) \$55,756 and \$19,181 times .0765	\$ 29,957	Operations
49 (3) See Item 31, Page 2	(9) Test year amount added to Form W-2	\$ 25,318	Maintenance
50 (4) See Item 29, Page 2	(10) See Exhibit 5, Page 8, Line 4, Col. E	\$ 19,337	Cust. Accts.
51 (5) See Item 30, Page 10	Application:	\$ 1,384	Cust. Services
52 (6) See Item 30, Page 5	(11) See Exhibit 5, Pages 9a - 9h	\$ 745	Sales
		\$ 149,579	A&G
		\$ 55,622	Donations
		<u>\$ 281,942</u>	

KENERGY CORP.
2008 RATE APPLICATION
MISCELLANEOUS EMPLOYEE COSTS

	Acct. No.	Retirement	Break Room Supplies	Service Awards	Christmas Party	Greeting Cards/Gifts	TOTAL
1	163			600.00			600.00
2	588	862.40	3,855.94	3,100.00	7,596.69	304.96	15,719.99
3	593.3					57.76	57.76
4	597					62.05	62.05
5	598	490.00	2,208.29	1,100.00	4,317.88	141.58	8,257.75
6	903	294.00	1,324.83	600.00	2,588.19	121.27	4,928.29
7	908						
8	912	19.59	88.17	100.00	172.66	5.65	386.07
9	920						
10	921	294.00	1,326.05	1,500.00	2,589.77	316.74	6,026.56
11	923						
12	930.2						
13	930.21						
14							
15	TOTAL	1,959.99	8,803.28	7,000.00	17,265.19	1,010.01	36,038.47
16		<i>Page 9b</i>	<i>Page 9e</i>	<i>Page 9f</i>	<i>Page 9g</i>	<i>Page 9h</i>	

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KENERGY CORP.
2008 RATE APPLICATION
BREAK ROOM SUPPLIES

Control No.	Vendor	Date	Check No.	588	598	903	912	921	Total
222691	Conrad's	1/12/07	43639	19.03	10.82	6.49	0.43	6.49	43.26
222841	Wal-Mart	1/19/07	43858	22.29	12.67	7.60	0.51	7.60	50.67
222935	Vendair Vending	1/19/07	43857	111.55	63.38	38.03	2.54	38.03	253.53
222936	Royal Crown	1/19/07	43844	127.30	72.33	43.40	2.89	43.40	289.32
222961	Pamida	1/19/07	43835	9.18	5.22	3.13	0.20	3.13	20.86
223296	Visa	2/2/07	44095	7.54	4.29	2.57	0.17	2.57	17.14
	cash receipts	2/22/07		(64.24)	(36.50)	(21.90)	(1.46)	(21.90)	(146.00)
223431	Visa	2/2/07	44095	11.60	6.59	3.95	0.27	3.95	26.36
			Jan	244.25	138.80	83.27	5.55	83.27	555.14
223925	Wal-Mart	2/16/07	44366	154.44	87.75	52.65	3.51	52.65	351.00
223988	Pamida	2/23/07	44517	21.41	12.17	7.30	0.49	7.30	48.67
224197	Vendair Vending	2/23/07	44562	102.37	58.17	34.90	2.33	34.90	232.67
224198	Vendair Vending	2/23/07	44562	108.77	61.80	37.08	2.47	37.08	247.20
224432	Royal Crown	3/2/07	44642	63.87	36.29	21.77	1.46	21.77	145.16
224446	Conrad's	3/2/07	44607	10.83	6.16	3.69	0.25	3.69	24.62
	cash receipts	2/5/07		(25.08)	(14.25)	(8.55)	(0.57)	(8.55)	(57.00)
	cash receipts	2/7/07		(103.40)	(58.75)	(35.25)	(2.35)	(35.25)	(235.00)
			Feb	333.21	189.34	113.59	7.59	113.59	757.32
224847	Vendair Vending	3/16/07	44892	96.04	54.57	32.74	2.19	32.74	218.28
224848	Vendair Vending	3/16/07	44892	145.02	82.40	49.44	3.30	49.44	329.60
225414	Clark Restaurant Svc	4/6/07	45198	18.54	10.54	6.32	0.42	6.32	42.14
225421	Vendair Vending	3/30/07	45159	107.04	60.82	36.49	2.44	36.49	243.28
225422	Royal Crown	3/30/07	45135	12.10	6.88	4.13	0.26	4.13	27.50
225423	Royal Crown	3/30/07	45135	80.43	45.70	27.42	1.82	27.42	182.79
225626	Pamida	4/6/07	45249	21.19	12.04	7.22	0.48	7.22	48.15
	cash receipts	3/16/07		(86.68)	(49.25)	(29.55)	(1.97)	(29.55)	(197.00)
			Mar	393.68	223.70	134.21	8.94	134.21	894.74
225683	Vendair Vending	4/13/07	45393	126.77	72.03	43.22	2.88	43.22	288.12
225781	Royal Crown	4/13/07	45374	110.51	62.79	37.67	2.52	37.67	251.16
226145	Vendair Vending	4/27/07	45690	139.52	79.28	47.57	3.16	47.57	317.10
	cash receipts	4/9/07		(77.00)	(43.75)	(26.25)	(1.75)	(26.25)	(175.00)
			Apr	299.80	170.35	102.21	6.81	102.21	681.38
226649	Pamida	5/11/07	45897	8.21	4.67	2.80	0.18	2.80	18.66
226658	Clark Restaurant Svc	5/11/07	45849	35.28	20.05	12.03	0.80	12.03	80.19
226877	Wal-Mart	5/18/07	46052	51.57	29.30	17.58	1.18	17.58	117.21
226993	Royal Crown	5/18/07	46034	103.28	58.68	35.21	2.35	35.21	234.73
227431	Visa	5/25/07	46249	5.38	3.06	1.83	0.12	1.83	12.22
227502	Vendair Vending	5/31/07	46369	137.80	78.30	46.98	3.12	46.98	313.18
227545	Barret-Fisher	6/22/07	46650	66.71	37.91	22.74	1.52	22.74	151.62
227548	Vendair Vending	5/31/07	46369	157.47	89.47	53.68	3.58	53.68	357.88
227683	Petty Cash	6/8/07	46495	2.26	1.29	0.77	0.05	0.77	5.14
JE 31	KAEC Training	5/31/07		(12.67)	(7.20)	(4.32)	(0.29)	(4.32)	(28.80)
	cash receipts	5/8/07		(21.87)	(12.43)	(7.46)	(0.50)	(7.45)	(49.71)
	cash receipts	5/11/07		(106.48)	(60.50)	(36.30)	(2.42)	(36.30)	(242.00)
			May	426.94	242.60	145.54	9.69	145.55	970.32

KENERGY CORP.
2008 RATE APPLICATION
BREAK ROOM SUPPLIES

Control No.	Vendor	Date	Check No.	588	598	903	912	921	Total
227935	Frank G Schmitt	6/15/07	46618	12.84	7.30	4.38	0.28	4.38	29.18
227942	Royal Crown	6/15/07	46614	(5.60)	(3.18)	(1.91)	(0.13)	(1.90)	(12.72)
227943	Royal Crown	6/15/07	46614	73.90	41.99	25.19	1.68	25.19	167.95
228053	Wal-Mart	6/15/07	46634	120.96	68.73	41.24	2.73	41.24	274.90
228078	Clark Restaurant Svc	8/3/07	47513	(30.28)					(30.28)
228505	Vendair Vending	6/29/07	46929	269.59	153.18	91.91	6.11	91.91	612.70
228510	Clark Restaurant Svc	8/3/07	47513	11.00	6.25	3.75	0.25	3.75	25.00
	cash receipts	6/1/07		(3.51)	(1.99)	(1.20)	(0.07)	(1.20)	(7.97)
	cash receipts	6/6/07		(81.40)	(46.25)	(27.75)	(1.85)	(27.75)	(185.00)
	cash receipts	6/28/07		(68.20)	(38.75)	(23.25)	(1.55)	(23.25)	(155.00)
			June	299.30	187.28	112.36	7.45	112.37	718.76
228871	Visa	7/9/07	47056	10.52	5.98	3.59	0.24	3.59	23.92
228954	Royal Crown	7/13/07	47143	44.98	25.56	15.33	1.03	15.33	102.23
228955	Royal Crown	7/13/07	47143	22.83	12.97	7.78	0.52	7.78	51.88
229020	Petty Cash	7/13/07	47155					1.20	1.20
229022	Pamida	7/13/07	47131	8.52	4.84	2.90	0.20	2.90	19.36
229037	Frank G Schmitt	7/13/07	47145	24.97	14.19	8.51	0.57	8.51	56.75
229149	Wal-Mart	7/20/07	47257	9.58	5.44	3.27	0.21	3.27	21.77
229609	Petty Cash	7/27/07	47423	14.65	8.33	5.00	0.32	5.00	33.30
229752	Visa	8/3/07	47568	22.16	12.59	7.56	0.50	7.56	50.37
229793	Royal Crown	8/3/07	47567	87.66	49.81	29.88	1.99	29.88	199.22
	cash receipts	7/24/07		(87.12)	(49.50)	(29.70)	(1.98)	(29.70)	(198.00)
			July	158.75	90.21	54.12	3.60	55.32	362.00
229893	Lowe's	8/10/07	47653	14.89	8.46	5.08	0.34	5.08	33.85
229961	Vendair Vending	8/10/07	47690	220.03	125.02	75.01	4.99	75.01	500.06
230067	Royal Crown	8/17/07	47768	52.70	29.95	17.97	1.19	17.97	119.78
230537	Frank G Schmitt	8/31/07	48113	16.56	9.41	5.64	0.38	5.64	37.63
230803	Royal Crown	9/21/07	49391	69.96	39.75	23.85	1.59	23.85	159.00
230985	Wal-Mart	8/31/07	48149	102.62	58.31	34.98	2.33	34.98	233.22
	cash receipts	8/7/07		(34.51)	(19.61)	(11.77)	(0.78)	(11.77)	(78.44)
	cash receipts	8/24/07		(95.04)	(54.00)	(32.40)	(2.16)	(32.40)	(216.00)
			Aug	347.21	197.29	118.36	7.88	118.36	789.10
231728	Pamida	10/5/07	49942	4.61	2.62	1.57	0.10	1.57	10.47
232486	Clark Restaurant Svc	9/21/07	49153	50.65	28.78	17.27	1.15	17.27	115.12
232927	Conrad's	9/28/07	49530	11.48	6.52	3.91	0.26	3.91	26.08
232928	Conrad's	9/28/07	49530	9.81	5.57	3.34	0.23	3.34	22.29
232978	Visa	9/28/07	49762	14.46	8.22	4.93	0.32	4.93	32.86
			Sept	91.01	51.71	31.02	2.06	31.02	206.82
233601	Canteen Service Co	10/12/07	50010	81.35	46.22	27.73	1.85	27.73	184.88
233776	Wal-Mart	10/19/07	50215	139.59	79.31	47.59	3.16	47.59	317.24
233797	Canteen Service Co	10/19/07	50122	54.47	30.95	18.57	1.24	18.57	123.80
233804	Petty Cash	10/15/07	50106	24.75	14.07	8.44	0.56	8.44	56.26
233993	Canteen Service Co	10/26/07	50257	100.25	56.96	34.18	2.27	34.18	227.84
234055	Warren Supply	11/2/07	50528	40.89	23.24	13.94	0.93	13.94	92.94
234111	Canteen Service Co	10/26/07	50257	5.70	3.24	1.94	0.13	1.94	12.95
234329	Canteen Service Co	11/2/07	50451	83.01	47.17	28.30	1.89	28.30	188.67
234353	Visa	11/2/07	50514	7.00	3.98	2.38	0.16	2.38	15.90

KENERGY CORP.
2008 RATE APPLICATION
BREAK ROOM SUPPLIES

Control No.	Vendor	Date	Check No.	588	598	903	912	921	Total
234408	Warren Supply	11/21/07	50862	24.11	13.70	8.22	0.55	8.22	54.80
234409	Warren Supply	11/21/07	50862	43.87	24.93	14.96	0.98	14.96	99.70
234425	Clark Restaurant Svc	11/2/07	50460	49.90	28.36	17.01	1.14	17.01	113.42
234426	Pamida	11/2/07	50503	17.47	9.93	5.96	0.39	5.96	39.71
	cash receipts	10/1/07		(117.92)	(67.00)	(40.20)	(2.68)	(40.20)	(268.00)
	cash receipts	10/19/07		(27.98)	(15.90)	(9.54)	(0.64)	(9.54)	(63.60)
			Oct	526.46	299.16	179.48	11.93	179.48	1,196.51
234858	Royal Crown	11/16/07	50759	70.43	40.02	24.01	1.59	24.01	160.06
234950	Canteen Service Co	11/21/07	50794	13.19	7.50	4.50	0.29	4.50	29.98
234951	Canteen Service Co	11/21/07	50794	24.15	13.72	8.23	0.55	8.23	54.88
234994	Canteen Service Co	11/21/07	50794	62.37	35.44	21.26	1.41	21.26	141.74
234995	Canteen Service Co	11/21/07	50794	5.70	3.24	1.94	0.13	1.94	12.95
235460	Canteen Service Co	11/30/07	50904	28.49	16.19	9.71	0.65	9.71	64.75
235484	Canteen Service Co	11/30/07	50904	5.70	3.24	1.94	0.13	1.94	12.95
235915	Canteen Service Co	12/7/07	51187	81.45	46.28	27.77	1.85	27.77	185.12
	cash receipts	11/8/07		(91.52)	(52.00)	(31.20)	(2.08)	(31.20)	(208.00)
			Nov	199.96	113.63	68.16	4.52	68.16	454.43
236216	Wal-Mart	12/14/07	51565	97.25	55.26	33.15	2.21	33.15	221.02
236313	Royal Crown	1/4/08	51931	85.58	48.63	29.18	1.94	29.18	194.51
236314	Canteen Service Co	12/21/07	51595	27.26	15.49	9.29	0.63	9.29	61.96
236315	Canteen Service Co	12/21/07	51595	92.34	52.47	31.48	2.09	31.48	209.86
236417	Canteen Service Co	12/21/07	51595	47.25	26.85	16.11	1.07	16.11	107.39
236559	Visa	12/28/07	51805	27.15	15.43	9.25	0.62	9.25	61.70
236892	Pamida	1/4/08	51923	22.50	12.78	7.67	0.51	7.67	51.13
236945	Warren Supply	1/18/08	52225	51.52	29.28	17.57	1.16	17.57	117.10
236964	Canteen Service Co	1/4/08	51863	100.91	57.34	34.40	2.29	34.40	229.34
237232	Clark Restaurant Svc	1/11/08	51999	32.45	18.44	11.06	0.74	11.06	73.75
	cash receipts	12/4/07		(48.84)	(27.75)	(16.65)	(1.11)	(16.65)	(111.00)
			Dec	535.37	304.22	182.51	12.15	182.51	1,216.76
				3,855.94	2,208.29	1,324.83	88.17	1,326.05	8,803.28

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**KENERGY CORP.
2008 RATE APPLICATION
SERVICE AWARDS**

Control No.	Vendor	Date	Check No.	163	588	598	903	912	921	930.210	Total
224574	Visa	3/9/07	44765			700.00					700.00
233558	Wal-Mart	10/12/07	50097		500.00						500.00
235618	Don Moore Chevrolet	12/7/07	51327		500.00						500.00
235984	Lazy Boy Furniture	12/7/07	51293	600.00							600.00
236006	Brian Bumm Designs	12/7/07	51182						400.00		400.00
236561	Visa	12/28/07	51805		450.00		150.00	100.00			700.00
236569	Visa	12/28/07	51805		1,150.00	400.00	450.00		500.00	450.00	2,950.00
236701	Visa	12/28/07	51805						150.00		150.00
				600.00	2,100.00	400.00	600.00	100.00	1,050.00	450.00	5,300.00
				600.00	3,100.00	1,100.00	600.00	100.00	1,050.00	450.00	7,000.00

To Page 9a

KENERGY CORP.									
2008 RATE APPLICATION									
2007 CHRISTMAS PARTY									
Control No.	Vendor	Date	Check No.	588	598	903	912	921	Total
224276	Hines Center	2/23/07	44461	110.00	62.50	37.50	2.50	37.50	250.00
225089	Limos By Knight	3/23/07	44967	137.28	78.00	46.80	3.12	46.80	312.00
226201	Visa	4/27/07	45661	25.21	14.32	8.59	0.58	8.59	57.29
233327	Visa	10/5/07	49955	26.90	15.28	9.17	0.61	9.17	61.13
234371	Petty Cash	11/2/07	50510	18.04	10.25	6.15	0.41	6.15	41.00
234514	Smith & Butterfield	11/21/07	50852	10.48	5.95	3.57	0.24	3.57	23.81
JE 7	Postage	11/30/07		13.89	9.47	3.16	0.32	4.74	31.58
				42.41	25.67	12.88	0.97	14.46	96.39
237215	Moonlite BBQ	1/11/08	52065	4,029.41	2,289.44	1,373.66	91.58	1,373.66	9,157.75
235986	Budweiser of Owensboro	12/4/07	51145	11.00	6.25	3.75	0.25	3.75	25.00
235953	Petty Cash	12/5/07	51146	1,100.00	625.00	375.00	25.00	375.00	2,500.00
235956	Limos By Knight	12/7/07	51300	137.28	78.00	46.80	3.12	46.80	312.00
235955	Dale Sanders (DJ)	12/7/07	51374	220.00	125.00	75.00	5.00	75.00	500.00
236421	Petty Cash	12/21/07	51679	2.79	1.59	0.95	0.06	0.95	6.34
236599	Hines Center	12/28/07	51759	550.00	312.50	187.50	12.50	187.50	1,250.00
236701	Visa	12/28/07	51805	152.19	86.47	51.88	3.46	51.88	345.88
236984	Visa	1/4/08	51932	275.98	156.81	94.08	6.27	94.08	627.22
236994	Petty Cash	1/4/08	51941	98.64	56.05	33.63	2.24	33.63	224.19
237214	Welborn Floral (decorations)	1/11/08	52109	677.60	385.00	231.00	15.40	231.00	1,540.00
				7,254.89	4,122.11	2,473.25	164.88	2,473.25	16,488.38
				7,596.69	4,317.88	2,588.19	172.66	2,589.77	17,265.19

To Page 9a

KENERGY CORP.
2008 RATE APPLICATION
Greeting Cards (Non-employee)
Greeting Cards (Employee)
Gifts (Employee)

Control No.	Vendor	Date	Check No.	588	593.3	597	598	903	912	921	Total
223052	Visa	1/26/07	43988	89.86			51.06	30.63	2.05	30.63	204.23
222962	Conrad's	1/19/07	43780	29.82							29.82
223338	Reflections of Home	2/2/07	44093							42.40	42.40
				119.68	-	-	51.06	30.63	2.05	73.03	276.45
225638	Moonlite BBQ	4/6/07	45245			62.05					62.05
				-	-	62.05	-	-	-	-	62.05
227431	Visa	5/25/07	46249	103.74			58.94	35.37	2.35	35.37	235.77
227615	Ralph's Hickory Pit	5/31/07	46357							47.18	47.18
				103.74	-	-	58.94	35.37	2.35	82.55	282.95
233063	Moonlite BBQ	9/28/07	49707							65.41	65.41
234366	Visa	11/2/07	50515		57.76						57.76
234528	Thomason BBQ	11/9/07	50666							58.80	58.80
				-	57.76	-	-	-	-	58.80	116.56
235500	Visa	11/30/07	51093	55.57			31.58	18.95	1.25	18.95	126.30
234634	Conrad's	11/9/07	50564					36.32			36.32
				55.57	-	-	31.58	55.27	1.25	18.95	162.62
236994	Petty Cash	1/4/08	51941							18.00	18.00
236569	Visa	12/28/07	51805	25.97							25.97
				25.97	-	-	-	-	-	18.00	43.97
				304.96	57.76	62.05	141.58	121.27	5.65	316.74	1,010.01

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KENERGY CORP.
2008 RATE APPLICATION
SCHEDULE OF NON-RECURRING EXPENSE ITEMS
DURING TEST YEAR 2007

	(a)	(b)
1	Legal - Retirement Plan Work	\$ 5,342 (1)
2		
3	CEO Search Expenses	\$ 67,219 (2)
4		
5	Various PSC Cases - Legal	\$ 7,351 (3)
6		
7	Other Legal Expenses	<u>\$ 8,533 (4)</u>
8		
9		<u>\$ 88,445</u>
10	Less:	
11	Recurring audit of retirement plan not booked in 2007	<u>\$ (6,000) (5)</u>
12		
13		<u>\$ 82,445</u>
14		
15	From response to first information request:	
16	(1) See Item 34, Page 2, Col. C	
17	(2) See Item 34, Page 2 (\$65,335) and Item 30, Page 50 (1,884)	
18	(3) See Item 34, Page 2, Col. H	
19	(4) See Item 34, Page 2, Col. J (923 total)	
20	(5) See Exhibit 5, Page 10a	
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McElroy, Mitchell & Associates, LLP

812 Second Street
P. O. Box 255
Henderson KY 42419-0255

Phone: (270) 827-5828

Fax: (270) 830-7500

remcpa@bellsouth.net

Kenergy Corporation

Invoice #: 9972

Date: 10/31/2007

Date Due: 12/14/2007

Client ID: 1688

Please put invoice number on check.

Amount enclosed \$ _____

For Professional Services Rendered as Follows:

Audit of Financial Statements for the Kenergy Corp Savings and Retirement Plan for the plan year ended December 31, 2006.

New Charges:	\$6,000.00	C
Plus Prior Balance:	0.00	
New Balance:	\$6,000.00	FAF

Aged Balances						
<u>10/31/2007</u>	<u>9/30/2007</u>	<u>8/31/2007</u>	<u>7/31/2007</u>	<u>6/30/2007</u>	<u>5/31/2007+</u>	<u>Total</u>
6,000.00	0.00	0.00	0.00	0.00	0.00	\$6,000.00

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VOUCHERED

KENERGY CORP.
2008 RATE APPLICATION
OUTSIDE VENDOR STORM REPAIR EXPENSE

		(1)		(2)		Adjusted Amount
		Original Amount		Inflation Adjustment		
1	1995	\$ -		1.361		\$ -
2	1996	\$ 455,863	x	1.321	=	\$ 602,195
3	1997	\$ -		1.292		\$ -
4	1998	\$ -		1.272		\$ -
5	1999	\$ -		1.245		\$ -
6	2000	\$ -		1.204		\$ -
7	2001	\$ -		1.171		\$ -
8	2002	\$ 44,182	x	1.153	=	\$ 50,919
9	2003	\$ -		1.127		\$ -
10	2004	\$ 79,458	x	1.098	=	\$ 87,245
11	2005	\$ -		1.062		\$ -
12	2006	\$ 190,495	x	1.028	=	\$ 195,829
13	2007	\$ -		1.000		\$ -
14						\$ 936,188 /13 yrs. = <u>\$72,014</u>

17 The test year outside vendor storm repair expense has been adjusted to reflect a reasonable, ongoing
18 level of expense using historic levels. See Final Order Excerpt from Case No. 90-158 on Page 7d of
19 Exhibit 5. Information not available for years prior to 1995.

20
21 **NOTE:**

22 Outside vendor expense incurred for restoration of the February 11th ice storm damage was \$816,183.
23 The 14 year average including this storm is \$125,169.

24
25 (1) Payments to outside vendors for storm repairs reduced by FEMA reimbursements and amounts
26 charged to capital work orders for pole replacements.

27
28 (2) See Exhibit 5, pages 11a and 11b.
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Change Output Options: From: 1982 To: 2008

include graphs **NEW!**

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Data extracted on: March 17, 2008 (3:14:17 AM)

Consumer Price Index - All Urban Consumers

Exhibit 5, Page 11a

Series Id: CUUR0000SA0														
Not Seasonally Adjusted														
Area: U.S. city average														
Item: All items														
Base Period: 1982-84=100														
Year	Jan	Feb	Mar	Apr	May	Jun	Jul	Aug	Sep	Oct	Nov	Dec	Annual	NAIPI
1982	94.3	94.6	94.5	94.9	95.8	97.0	97.5	97.7	97.9	98.2	98.0	97.6	96.5	
1983	97.8	97.9	97.9	98.6	99.2	99.5	99.9	100.2	100.7	101.0	101.2	101.3	99.6	
1984	101.9	102.4	102.6	103.1	103.4	103.7	104.1	104.5	105.0	105.3	105.3	105.3	103.9	102.9
1985	105.5	106.0	106.4	106.9	107.3	107.6	107.8	108.0	108.3	108.7	109.0	109.3	107.6	106.6
1986	109.6	109.3	108.8	108.6	108.9	109.5	109.5	109.7	110.2	110.3	110.4	110.5	109.6	109.1
1987	111.2	111.6	112.1	112.7	113.1	113.5	113.8	114.4	115.0	115.3	115.4	115.4	113.6	112.4
1988	115.7	116.0	116.5	117.1	117.5	118.0	118.5	119.0	119.8	120.2	120.3	120.5	118.3	116.8
1989	121.1	121.6	122.3	123.1	123.8	124.1	124.4	124.6	125.0	125.6	125.9	126.1	124.0	122.7
1990	127.4	128.0	128.7	128.9	129.2	129.9	130.4	131.6	132.7	133.5	133.8	133.8	130.7	128.7
1991	134.6	134.8	135.0	135.2	135.6	136.0	136.2	136.6	137.2	137.4	137.8	137.9	136.2	135.2
1992	138.1	138.6	139.3	139.5	139.7	140.2	140.5	140.9	141.3	141.8	142.0	141.9	140.3	139.2
1993	142.6	143.1	143.6	144.0	144.2	144.4	144.4	144.8	145.1	145.7	145.8	145.8	144.5	143.7
1994	146.2	146.7	147.2	147.4	147.5	148.0	148.4	149.0	149.4	149.5	149.7	149.7	148.2	147.2

1995	150.3	150.9	151.4	151.9	152.2	152.5	152.5	152.9	153.2	153.7	153.6	153.5	152.4	151.5
1996	154.4	154.9	155.7	156.3	156.6	156.7	157.0	157.3	157.8	158.3	158.6	158.6	156.9	155.8
1997	159.1	159.6	160.0	160.2	160.1	160.3	160.5	160.8	161.2	161.6	161.5	161.3	160.5	159.9
1998	161.6	161.9	162.2	162.5	162.8	163.0	163.2	163.4	163.6	164.0	164.0	163.9	163.0	162.3
1999	164.3	164.5	165.0	166.2	166.2	166.2	166.7	167.1	167.9	168.2	168.3	168.3	166.6	165.4
2000	168.8	169.8	171.2	171.3	171.5	172.4	172.8	172.8	173.7	174.0	174.1	174.0	172.2	170.8
2001	175.1	175.8	176.2	176.9	177.7	178.0	177.5	177.5	178.3	177.7	177.4	176.7	177.1	176.6
2002	177.1	177.8	178.8	179.8	179.8	179.9	180.1	180.7	181.0	181.3	181.3	180.9	179.9	178.9
2003	181.7	183.1	184.2	183.8	183.5	183.7	183.9	184.6	185.2	185.0	184.5	184.3	184.0	183.3
2004	185.2	186.2	187.4	188.0	189.1	189.7	189.4	189.5	189.9	190.9	191.0	190.3	188.9	187.6
2005	190.7	191.8	193.3	194.6	194.4	194.5	195.4	196.4	198.8	199.2	197.6	196.8	195.3	193.2
2006	198.3	198.7	199.8	201.5	202.5	202.9	203.5	203.9	202.9	201.8	201.5	201.8	201.6	200.6
2007	202.416	203.499	205.352	206.686	207.949	208.352	208.299	207.917	208.490	208.936	210.177	210.036	207.342	205.709
2008	211.080	211.693												



Exhibit 5, Page 11b

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$$\begin{aligned}
 & \text{2007} \quad \text{1995} \\
 \text{1995 Factor} &= \frac{207.342}{152.4} = 1.361 \\
 \text{1996 Factor} &= \frac{207.342}{156.9} = 1.321
 \end{aligned}$$

Kenergy Corp.
2008 Rate Application
Depreciation Adjustment

Line No.	(a)	(b)	(c)	(1) (d)	(e)
	Description	Account Number	Balance 12/31/2007	Depreciation Rate	Proforma Depreciation
1	Land and Land Rights	360.000	\$902,201	n/a	0
2	Station	362.000	\$18,758,963	0.0220	\$412,697
3	Supervisory Control	362.100	\$1,931,794	0.0670	\$129,430
4	Microwave Equipment	362.200	\$2,077,294	0.0670	\$139,179
5	Microwave Towers	362.223	\$1,354,846	0.0300	\$40,645
6	Owensboro Fiber Loop	362.400	\$915,009	0.0400	\$36,600
7	Poles, Tower's, and Fixtures	364.000	\$61,856,998	0.0420	\$2,597,994
8	Overhead Conductor's and Devices	365.000	\$46,941,867	0.0340	\$1,596,023
9	Underground Conduit	366.000	\$14,166	0.0220	\$312
10	Underground Conductor and Devices	367.000	\$11,665,566	0.0310	\$361,633
11	Line Transformer's	368.000	\$28,007,725	0.0290	\$812,224
12	Services	369.000	\$19,624,667	0.0380	\$745,737
13	Meters	370.000	\$5,020,734	0.0330	\$165,684
14	Installation on Customer's Premises	371.000	\$3,065,306	0.0440	\$134,873
15	Street Lighting	373.000	<u>\$705,642</u>	0.0380	\$26,814
16					
17	Total - Distribution Plant		<u>\$202,842,778</u> (2)		\$7,199,845
18					
19			Test year		<u>\$7,027,484</u> (3)
20					
21			Adjustment		<u>\$172,361</u>
22					
23					

(1) Per Depreciation Study approved by the Rural Utilities Service in the fall of 2006 for the 5 years (2007 - 2011) (see page 12 a/b). Approved by the Kentucky Public Service Commission in Case No. 2006-00369.

(2) See Exhibit 10, page 7, accounts 362 - 373.

(3) See Exhibit 10, page 8, accounts 403.250 and 403.600.



United States Department of Agriculture
Rural Development

October 20, 2006

Mr. Mark A. Bailey
President & Chief Executive Officer
Kenergy Corporation
P.O. Box 18
Henderson, Kentucky 42419-0018

file

Dear Mr. Bailey:

We have reviewed the depreciation study prepared for Kenergy Corporation (Kenergy) using traditional depreciation study methodologies and actual December 31, 2005, plant and reserve balances. The study requests the Rural Utilities Service's (RUS) approval of depreciation rates as listed below. RUS approval is required since Kenergy is setting depreciation rates that vary from those prescribed in RUS Bulletin 183-1, *Depreciation Rates and Procedures*.

Based upon the information provided in the study and in response to your request, RUS hereby approves the utilization of the following depreciation rates.

	Account	Proposed Rates
362	Station Equipment Supervisory Control	2.2%
362.1	Equipment	6.7%
362.2	Microwave Equipment	6.7%
362.223	Microwave Towers	3.0%
362.4	Owenboro Tower	4.0%
364	Poles, Towers & Fixtures	4.2%
365	Overhead Conductors & Devices	3.4%
366	Underground Conduit	2.2%
367	Underground Conductors and Devices	3.1%
368	Line Transformers	2.9%
369	Services	3.8%
370	Meters	3.3%
371	Installations on Customers' Premises	4.4%
373	Street Lighting & Signal Systems	3.8%

RUS' approval is granted for a 5-year period beginning January 1, 2007, and terminating December 31, 2011. If Kenergy wishes to continue to utilize depreciation rates that fall outside of the RUS prescribed ranges of rates beyond this 5-year period, a revised depreciation study updating this information must be submitted to RUS.

1400 Independence Ave, SW • Washington, DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."

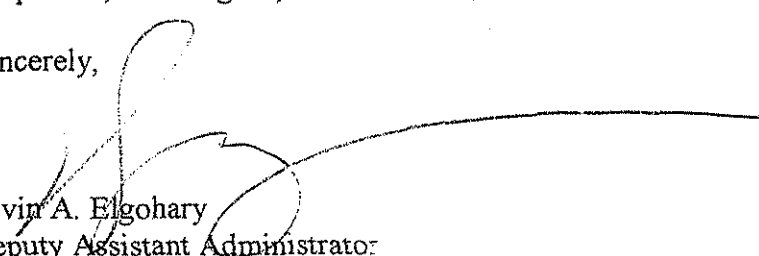
To file a complaint of discrimination write USDA, Director, Office of Civil Rights, Room 326-W, Whitten Building, 14th and Independence Avenue, SW, Washington, DC 20250-9410 or call (202) 720-5964 (voice or TDD).

Mr. Mark A. Bailey

2

If you have any questions or if we can be of further assistance, please contact
Mr. Joseph Badin, Director, Northern Regional Division, 1400 Independence Ave. SW,
Stop 1566, Washington, D.C. 20250-1566.

Sincerely,



Nivir A. Elgohary
Deputy Assistant Administrator
Rural Development - Utilities Programs
Electric Programs

**KENERGY CORP.
2008 RATE APPLICATION
INTEREST EXPENSE ADJUSTMENT**

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)
	O/S Principal at 12/31/07	Lender	Current Rates	Interest Renewal Date	Principal Maturity	Proforma Interest	Test Yr. Interest	Adjustment
1								
2	\$ 17,605,336	RUS	5%	N/A Fixed to Maturity	2009 - 2039	\$880,267		
3	\$ 2,324,692	RUS	5.125%	N/A Fixed to Maturity	2033	\$119,140		
4	\$ 1,707,403	RUS	4.125%	N/A Fixed to Maturity	2032	\$70,430		
5	\$ 5,813,073	RUS	3.750%	7 yr fixed 1/31/2012	2036	\$217,990		
6	\$ 17,000,821	RUS	3.250%	1 yr fixed 3/31/2009	2036	\$552,527		
7	\$ 8,990,969	RUS	2.625%	4 yr fixed 3/31/2009	2036	\$236,013		
8	\$ 10,913,655	RUS	3.000%	5 yr fixed 4/30/2010	2036	\$327,410		
9	\$ 7,598,590	RUS	3.250%	7 yr fixed 7/31/2012	2036	\$246,954		
10	\$ 1,306,811	RUS	3.125%	6 yr fixed 5/31/2011	2029	\$40,838		
11	\$ 1,702,991	RUS	3.500%	8 yr fixed 12/31/2013	2032	\$59,605		
12	\$ 1,384,219	RUS	4.000%	8 yr fixed 08/31/2013	2032	\$55,369		
13	\$ (10,003,531)	RUS		N/A (Prepaid Debt Service)				
14	\$ 66,345,029	Total RUS				\$2,806,543		
15	\$ 1,955,513	RUS Ec. Devel.		Ec. Development Loans				
16	\$ 20,578,425	Federal Financing Bank	4.940%	N/A Fixed to Maturity	2037	\$1,016,574		
17	\$ 3,983,083	US Treasury	4.690%	N/A Fixed to Maturity	2040	\$186,807		
18	\$ 3,984,512	US Treasury	5.120%	N/A Fixed to Maturity	2040	\$204,007		
19	\$ 4,481,787	US Treasury	4.900%	N/A Fixed to Maturity	2040	\$219,608		
20	\$ 4,482,363	US Treasury	5.070%	N/A Fixed to Maturity	2040	\$227,256		
21	\$ 5,157,061	US Treasury	4.470%	N/A Fixed to Maturity	2040	\$230,521		
22	\$ 22,088,806	Total US Treasury				\$1,068,199		
23	\$ 9,836	CoBank	5.520%	(1) N/A Fixed to Maturity	2008	\$543		
24	\$ 1,075,886	CoBank	3.99%	(1) N/A Fixed to Maturity	2015	\$42,928		
25	\$ 871,304	CoBank	4.24%	(1) N/A Fixed to Maturity	2017	\$36,943		
26	\$ 1,565,941	CoBank	4.32%	(1) N/A Fixed to Maturity	2018	\$67,649		
27	\$ 1,291,853	CoBank	4.12%	(1) N/A Fixed to Maturity	2016	\$53,224		
28	\$ 3,592,242	CoBank	4.29%	(1) N/A Fixed to Maturity	2014	\$154,107		
29	\$ 2,220,305	CoBank	5.54%	(1) 3 Yr. Fixed until 2/16/2009	2022	\$123,005		
30	\$ 2,207,866	CoBank	5.55%	(1) 4 Yr. Fixed until 2/16/2010	2028	\$122,537		
31	\$ 2,609,113	CoBank	5.56%	(1) 5 Yr. Fixed until 2/16/2011	2025	\$145,067		
32	\$ 2,814,093	CoBank	5.59%	(1) 6 Yr. Fixed until 2/16/2012	2029	\$157,308		
33	\$ 24,605	CoBank	5.54%	(1) 2 Yr. Fixed until 6/20/2009	2009	\$1,363		
34	\$ 4,915,454	CoBank	5.04%	(1) 3 Yr. Fixed until 10/13/2008	2032	\$247,739		
35	\$ 23,198,498	Total Cobank				\$1,152,413		
36	\$ (4,609,293)	Principal due within one year						
37								
38								
39								
40								
41	\$ 129,556,978	Total Long-Term Debt (Line 42 - Form 7)			TOTALS	\$6,043,729	\$5,776,153	\$267,576
42		(See Exhibit 13A, Page 2, Line 41)					(2)	

(1) Including .65% reduction for cash capital credit refunds. The Cobank capital plan provides for a 100 basis point total capital credit allocation on average loans outstanding, with a 65 basis point cash payment and a 35 basis point non-cash allocation.

(2) See Exhibit 10, Page 8, Accounts 427.100 - 427.230.

KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT TO INTEREST - CUSTOMER DEPOSITS

1	Remove Interest on a \$1,000,000 Customer Deposit Refunded October 2007	<u>\$ 44,876</u>
2		
3		See Exhibit 10, Page 9, Account 431.200
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KENERGY CORP.
 2008 RATE APPLICATION
 LINE OF CREDIT INTEREST EXPENSE ADJUSTMENT

1	2007 Test Year Expense	=	\$ 63,516 (1)
2			
3	Five-Year Average	=	<u>20,491</u>
4			
5	Adjustment:		<u><u>\$ 43,025</u></u>
6			
7			
8			

9	2007	\$ 63,516	
10	2006	29,760	
11	2005	4,507	
12	2004	444	
13	2003	<u>4,228</u>	
14		<u>\$ 20,491</u>	Five-Year Average
15			

16 (1) See Exhibit 10, Page 9, Account 431.100.

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**KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT - PSC ASSESSMENT TAX**

(a)	(b)
1 Normalized Revenues - Exhibit 5, Page 1, Line 8, Column d	\$ 358,950,889
2	
3 Normalized Power Costs - Exhibit 5, Page 1, Line 15, Column d	\$ 324,828,848
4	
5 Less One-Half	<u>\$ (162,414,424)</u>
6	
7	<u>\$ 162,414,424</u>
8	
9 Normalized Assessable Revenues (Line 1 less 7)	\$ 196,536,465
10	
11 Times 2007 Tax Rate	<u>0.001706 (1)</u>
12 Normalized PSC Assessment Tax:	<u>\$ 335,291</u>
13 Test Year PSC Assessment Tax:	<u>\$ 281,061 (2)</u>
14	
15 Adjustment:	<u>\$ 54,231</u>
16	
17 Adjustment to Cost of Service number	<u>\$ (1,981)</u>
18	<u>\$ 52,250</u>
19	
20 Proforma PSC Tax Adjustment:	
21 Proposed Revenue Increase	\$ 3,232,258
22 times 2007 Tax Rate	<u>0.001706 (1)</u>
23	<u>5,513</u>
24	
25	
26 (1) Tax Paid July 2007 - <u>\$300,439</u> = .001706	
27 Assessable Revenue \$176,107,467	
28	
29 (2) See Exhibit 10, Page 8, Accounts 408.710 - 408.740.	
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KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT FOR RATE CASE EXPENSE - OUTSIDE VENDORS

	(a)	(b)	(c)
1 Rate Case Cost of Outside Vendors Expensed During Test Year			\$ 6,373 (1)
2			
3 Total Rate Case Cost of Outside Vendors - Case No. 2006-00369		\$ 53,316 (2)	
4		Divided by 3 =	\$ 17,772
5			<u>17,772</u>
6 Increase to Test Year Expense			<u>\$ 11,399</u>
7			

8 (1) See Item 34, Page 7, Line 24 of the response to the First Staff Data Request.

9
10 (2) See Item 35, Pages 2-3, of the response to the First Staff Data Request.

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KENERGY CORP.
2008 RATE APPLICATION
ADJUSTMENT TO NON-OPERATING MARGINS - INTEREST

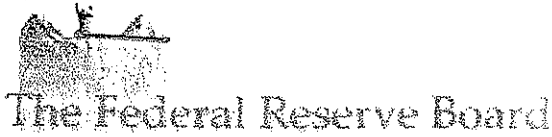
	(a)	(b)	(c)	(d)
	TEST YEAR	PROFORMA	ADJUSTMENT	ADJUSTMENT
1				
2				
3	RUS Cushion of Credit	\$ 572,585	\$ 500,177 (1)	\$ (72,408)
4	CFC CTC's	\$ 95,104	\$ 95,104	\$ -
5	Deferred Compensation Earnings	\$ 112,191	\$ 112,191	\$ -
6	Aleris Customer Deposit	\$ 39,317	\$ - (2)	\$ (39,317)
7	Overnight & 30 Day Investments	\$ 109,004	\$ 64,312	\$ (44,692)
8	Energy Resource Conservation Interest	\$ 369	\$ 369	\$ -
9				
10		<u>\$ 928,570</u>	<u>\$ 772,153</u>	<u>\$ (156,417)</u>
11		(4)		
12				
13				
14				

15	(1) RUS Cushion of Credit:			
16	Account Balance @ 12/31/07	= \$ 10,003,531		
17		x 5%		
18	Proforma Income	<u>\$ 500,177</u>		
19				
20	(2) Customer Deposit Refunded October 2007			
21				
22	(3) Average federal funds rate during test year	= 5.05% (5)		
23	Federal funds rate 1/30/08	= 3.00% (5)		
24	Percentage decrease = 3.00%/5.05%	= 59%		
25	Times Test Year Earnings	<u>109,004</u>		
26				
27	Proforma Earnings	<u>\$ 64,312</u>		
28				

29 (4) See Exhibit 10, Page 8, Accounts 419 - 419.300.

30
31 (5) See Page 18a.

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Open Market Operations

Open market operations—purchases and sales of U.S. Treasury and federal agency securities—are the Federal Reserve's principal tool for implementing monetary policy. The short-term objective for open market operations is specified by the Federal Open Market Committee (FOMC). This objective can be a desired quantity of reserves or a desired price (the federal funds rate). The federal funds rate is the interest rate at which depository institutions lend balances at the Federal Reserve to other depository institutions overnight.

The Federal Reserve's objective for open market operations has varied over the years. During the 1980s, the focus gradually shifted toward attaining a specified level of the federal funds rate, a process that was largely complete by the end of the decade. Beginning in 1994, the FOMC began announcing changes in its policy stance, and in 1995 it began to explicitly state its target level for the federal funds rate. Since February 2000, the statement issued by the FOMC shortly after each of its meetings usually has included the Committee's assessment of the risks to the attainment of its long-run goals of price stability and sustainable economic growth.

For more information on open market operations, see the [article in the Federal Reserve Bulletin \(102 KB PDF\)](#).

Intended federal funds rate Change and level, 1990 to present

Date	Change (basis points)		Level (percent)
	Increase	Decrease	
<u>2008</u>			
January 30	...	50	3.00
January 22	...	75	3.50
<u>2007</u>			
December 11-31	...	25	4.25
October 31-Dec 10	...	25	4.50
September 18-08 30	...	50	4.75
Jan 1-Sept 17	...		5.25
<u>2006</u>			
June 29	25	...	5.25
May 10	25	...	5.00
March 28	25	...	4.75
January 31	25	...	4.50
<u>2005</u>			
December 13	25	...	4.25
November 1	25	...	4.00
September 20	25	...	3.75

$$\begin{aligned}
 &4.25 \times 21 \text{ days} = 89.25 \\
 &4.50 \times 41 \text{ days} = 184.50 \\
 &4.75 \times 43 \text{ days} = 204.25 \\
 &5.25 \times 365 \text{ days} = 1916.25 \\
 &\hline
 &1365.00 / 365 = 5.05\%
 \end{aligned}$$

KENERGY CORP.
2008 RATE APPLICATION
NON-CASH CAPITAL CREDIT ALLOCATION

1	(a)	(b)	(c)	(d)
2		booked test year 2007	NORMALIZED	ADJUSTMENT
3	CoBank - Estimated 2007 (2)	\$ 120,270		
4				
5	CoBank - Adjust 2006 to Actual	<u>\$ 78,583</u>		
6				
7	Total CoBank:	<u>\$ 198,853</u>	<u>\$ 81,195 (1)</u>	<u>\$ 117,658</u>
8				
9	Federated - Estimated 2007 (2)	\$ 42,000		
10				
11	Federated - Adjust 2006 to Actual	<u>\$ 7,368</u>		
12				
13	Total Federated	<u>\$ 49,368</u>	<u>\$ 49,368</u>	<u>\$ -</u>
14				
15	KAEC & United Utility	\$ 25,057	\$ 25,057	\$ -
16				
17	CFC	<u>\$ 2,419</u>	<u>\$ 2,419</u>	<u>\$ -</u>
18				
19	TOTAL	<u>\$ 275,697</u>	<u>\$ 158,039</u>	<u>\$ 117,658</u>
20		(3)		

(1) CoBank principal balance @ 12/31/07
(See Exhibit 5, Page 13, Line 36, Col. a)

times	1%
	<u>\$ 231,985</u>
times	35%
	<u>\$ 81,195</u>

(2) Actual 2007 amounts will be known in mid-2008.

Explanation:

This adjustment reflects CoBank's capital plan, which provides for a patronage distribution of 1% of the average loans outstanding, with 65% cash and 35% non-cash. The cash portion has been reflected in the interest rates shown for CoBank on the interest expense adjustment.

(3) See Exhibit 10, Page 8, Account 424.000.

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1 Q5. Have you previously submitted testimony before other regulatory agencies?

2

3 A. Yes. I submitted testimony with the Mississippi Public Service
4 Commission.

5

6 Q6. What is Kenergy requesting in this case?

7

8 A. Kenergy is requesting an adjustment in existing rates that will result in
9 additional annual revenues of approximately \$3.2 million, or a .90%
10 increase in total annual revenues. Excluding the direct-served customers,
11 the percentage increase is 4.15%. Additionally, Kenergy is seeking
12 approval to significantly revise its tariffs and rules and regulations to
13 improve their clarity.

14

15 Q7. Why is Kenergy seeking this increase in revenues?

16

17 A. Kenergy needs this additional revenue to offset increased costs it has
18 incurred since its last rate proceeding in Case No. 2006-00369 and to
19 maintain a TIER sufficient to satisfy mortgage covenant requirements and
20 to build equity to desired levels.

21

22 The largest cost increases are interest and depreciation expense due to plant
23 investment for new customer growth and replacement of existing facilities
24 to maintain and improve reliability. These two areas have increased
25 \$931,733 and \$789,645 respectively since 2005.

26

27 Kenergy is also seeking additional revenues to increase its margin level in
28 order to build equity, which has fallen to the minimum level of 30%
29 contained in its capital management policy. The margin level requested to
30 achieve a 2.00 TIER is \$2,202,863 higher than the amount requested in
31 Case No. 2006-00369. The method/approach used to determine the
32 revenue increase is explained in the testimony of Steve Thompson found in
33 Exhibit 7.

34

35 Q8. What specific adjustments in rates are being proposed by Kenergy?

36

37 A. In keeping with the Commission's Order in Case No. 2003-00165, "..... to
38 address the disparity between customer classes and cost of service",
39 Kenergy is proposing that a larger percentage increase be applied to the
40 customer classes with rates of return lower than the system average. The

41

1 method/approach used to determine the increases by class is explained in
2 the testimony of Jack Gaines found in Exhibit 8.

3
4 Q11. If Kenergy's proposals are accepted by the Commission, will Kenergy have
5 rates that are fair, just, reasonable and nondiscriminatory?

6
7 A. Yes, I believe that if Kenergy's proposals are approved by the Commission,
8 this criteria will be satisfied. Kenergy will continue to offer some of the
9 lowest rates in the nation as well as the state of Kentucky.

10
11 Q12. Why is Kenergy making such numerous changes to its tariffs and rules and
12 regulations?

13
14 A. A major review of Kenergy's tariffs and rules and regulations has not
15 occurred since its creation in 2000 resulting from the consolidation of
16 Green River Electric Corporation and Henderson Union Electric
17 Cooperative Corp. A number of housekeeping changes, consolidation of
18 information, and improved clarity were identified as a desirable outcome of
19 a complete review. Accordingly, the proposed changes are submitted as
20 Exhibits 3A and 3B, and are explained further in the testimony of Steve
21 Thompson found in Exhibit 7.

22
23 Q13. Does this conclude your testimony?

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25 A. Yes.
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

14 **In the Matter of:**

15
16 **THE APPLICATION OF KENERGY CORP.) CASE NO. 2008-00323**
17 **FOR AN ADJUSTMENT OF EXISTING)**
18 **RATES)**
19

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TESTIMONY OF STEVE THOMPSON

30 Q1. Please state your name, business address and occupation.

31
32
33 A. Steve Thompson, 6402 Old Corydon Road, Henderson, Kentucky 42420. I am
34 employed by Kenergy Corp. as Vice President of the Finance and Accounting
35 Department.
36

37 Q2. Please describe your educational and work experience background.

38
39 A. I received a Bachelor of Science degree with a major in Accounting from
40 Brescia University. I worked for a local accounting firm for two years and am
41 licensed as a certified public accountant by the Kentucky State Board of
42 Accountancy. I was employed by Green River Electric Corporation for 21 years
43 in the positions of Supervisor of General Accounting and Assistant Director of
44 Accounting, and I have held my current position with Kenergy Corp. since July
1, 1999.

Q3. Please explain to the Commission how your position at Kenergy Corp. has
involved you in the preparation of this application.

A. I have been involved in the preparation of this application since the outset at the
direction of Kenergy's President and CEO. My duties included developing the
information required in this application from the Company's records and
providing information to our rate design and cost of service consultant, JDG
Consulting LLC.

Q4. Have you previously testified before this Commission?

A. Yes, on several occasions.

Q5. Are you familiar with the exhibits to the application of Kenergy?

1 A. Yes. I am familiar with the contents of the application of Kenergy and all
2 exhibits to it. To the best of my knowledge and belief, all facts stated in the
3 exhibits and in the notice are true and correct.
4

5 Q6. How were the members of Kenergy notified of the rate changes proposed by
6 Kenergy in its notice and application before this Commission?
7

8 A. A copy of the notice utilized is shown in Exhibit 4. We will publish appropriate
9 notice of the hearing in this matter in accordance with Commission regulations
10 and the statutes of Kentucky.
11

12 Q7. What method or approach did Kenergy utilize to determine its revenue
13 requirement?
14

15 A. Kenergy utilized the times interest earned ratio (TIER) approach in determining
16 the amount of the revenue increase being requested, while also looking at its
17 current and desired equity/total capital ratio.
18

19 Kenergy has requested a TIER of 2.00 in its application. Rural Utilities Service
20 requires a minimum of 1.25 TIER when the best two of the latest three calendar
21 years are averaged per the mortgage agreement. Kenergy believes a 2.00 TIER
22 is needed to allow a safety net for business risks and uncertainties, such as the
23 \$1,300,000 expense incurred in February 2008 for a major ice storm and mild
24 temperatures affecting heating/cooling usage. As mentioned above, Kenergy is
25 also requesting a 2.00 TIER in order to hopefully increase its equity/total capital
26 ratio from 30% to 35% over the next several years, the mid-range level
27 contained in the board-approved capital management policy. Based on the
28 current long-range forecast, Kenergy needs to increase its equity level an
29 average of \$4.3 million per year to achieve a 35% equity/total capital ratio by
30 2016, which assumes zero general capital credit retirements. The determination
31 of the requested revenue increase is summarized in Exhibit 5, page 1.
32

33 Q8. What period of time did you use as a test year for the purpose of determining the
34 result of the proposed rate changes upon the operations of Kenergy?
35

36 A. We used the twelve-month period ending December 31, 2007. This test period
37 was used because it was the most recent calendar year period available to
38 Kenergy.
39

40 Q9. Will you please explain the effect that rate design changes proposed by Kenergy
41 will have upon the revenues of Kenergy, the total additional amount of money
42 resulting from the proposed increase, the percentage of change and the effect
43 upon the average customer's bill?
44

1 A. Based upon the normalized test year ending December 31, 2007, the proposed
2 changes in Kenergy's rates will increase Kenergy's total annual normalized
3 revenues by \$3,232,258, representing a .90% increase in total annual revenues.
4 Excluding direct served customers, Kenergy will realize an increase of
5 \$3,234,270 from its non-direct served customers, increasing total annual
6 revenues from those customers to \$81,166,332. Looking only at the non-direct
7 served classes, this represents a 4.15% increase in total annual revenue. The
8 percentage of change and the effect upon the average bill by class is shown in
9 Exhibit 4, page 4.

10
11 Q10. What proforma adjustments have been made to the test year that you are
12 sponsoring?

13
14 A. The adjustments made that I am sponsoring are shown and explained in Exhibit
15 5, excluding pages 6 and 6A. I am also sponsoring the adjustments to other
16 revenues found in Exhibit 9, page 10. Mr. Gaines is sponsoring the adjustments
17 to normalize test year revenues and power costs and the determination of the
18 proposed rates found in Exhibit 9.

19
20 Q11. Can you summarize the key changes made to Kenergy's tariff sheets contained
21 in Exhibits 3A and 3B?

22
23 A. Expanding on Mr. Novick's comments in A12 of his testimony, Kenergy has
24 proposed a complete revision of its tariff sheets shown as PSC No. 2 cancelling
25 PSC No. 1. Kenergy has elected to use the option of showing the present and
26 proposed tariffs in comparative form on the same sheet side-by-side. Symbols
27 are shown in the left hand margin of the proposed tariff sheets indicating the
28 type of change made.

29
30 Kenergy has moved the entire footer showing the Date of Issue, Date Effective,
31 etc. to the left side of the sheet allowing room for the PSC stamp of approval.
32 The order of several rate classification sheets were re-arranged to provide a
33 more logical flow. The All Non-Residential sheet was moved from No. 4 to No.
34 3, with the two Three-Phase sheets moved from No. 2 and No. 3 to No. 5 and
35 No. 7. The four existing sheets for lighting schedules were consolidated into
36 two sheets, No. 15 and No. 16. The Class A, B and C Direct-Served sheets were
37 placed in consecutive order, with a separate Class B sheet for self-generation. A
38 new sheet showing the calculation of the Class C facilities charge was added.
39 The sheets for Special Charges and Cable Television Attachments were moved
40 from the Rules and Regulations Section to the Classification of Service Section.
41 New sections added to all applicable sheets are "adjustment clauses" and "all
42 other Rules and Regulations." The word "Kenergy" has been used to replace
43 "cooperative" or "company". An expanded definition of Residential Services
44 has been added to Sheet No. 1 of Schedule 1.
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In the Rules and Regulations sections, the Members Bill of Rights has been added as Sheet No. 100. Several sheets have been deleted and combined with other sheets, or deemed not necessary. A lot of the "T" symbols represent using "Kenergy" vs. "cooperative", or changing text to improve clarity. The Extension to Permanent Underground Service has been revised to require customers to provide all secondary conductor trenching and conduit installation, have the option of Kenergy providing primary conductor trenching and conduit installation (and pay the cost), and for the customer to pay for all underground boring costs. Kenergy is proposing to eliminate the wording from the regulation on customer deposits and show the proposed Kenergy policy on Sheets no. 162 and 162A. Sheet No. 119 has been deleted, as the various items are shown on proposed Sheet No. 164. The remaining billing statements have been deleted as proposed Sheet No. 164 is considered sufficient to illustrate the billing format.

Q12. Does this conclude your testimony?

A. Yes.

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**Before the Kentucky Public Service Commission
Case No. 2008-00323**

**DIRECT TESTIMONY OF JACK D. GAINES
On Behalf of Kenergy Corp.**

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I. Introduction

1. Q. PLEASE STATE YOUR NAME AND BUSINESS ADDRESS.

A. My name is Jack D. Gaines. My business address is P.O. Box 88039,
Dunwoody, Georgia 30356.

2. Q. BY WHOM ARE YOU EMPLOYED AND IN WHAT CAPACITY?

A. I am employed by and am president of JDG Consulting, LLC ("JDG").

3. Q. PLEASE DESCRIBE YOUR EDUCATIONAL AND PROFESSIONAL
BACKGROUND.

A. I graduated from the Georgia Institute of Technology receiving a Bachelor
of Science Degree in Industrial Management. I was previously employed
by Southern Engineering for approximately 25 years as a utility rate and
cost of service specialist. From August 1, 2000 until February 1, 2004, I
was employed by Clough Harbour & Associates, LLP in the same
capacity. I have prepared or assisted in the preparation of electric rate and
cost of service studies for either cooperative or municipal utility systems in
thirteen different states, including Kentucky.

4. Q. HAVE YOU PREVIOUSLY TESTIFIED AS AN EXPERT WITNESS
BEFORE REGULATORY AUTHORITIES?

A. I have submitted testimony and exhibits before the Indiana Utility

1 Regulatory Commission, the Kentucky Public Service Commission, the
2 Vermont Public Service Board, the Virginia State Corporation
3 Commission, the Georgia Public Service Commission, the Illinois
4 Commerce Commission, the New York Public Service Commission, the
5 West Virginia Public Service Commission, the Public Service
6 Commission of Maryland, the Delaware Public Service Commission and
7 the Federal Energy Regulatory Commission.

8 5. Q. WHAT IS THE PURPOSE OF YOUR TESTIMONY IN THIS
9 PROCEEDING?

10 A. The purpose of my testimony is to identify and describe the exhibits and
11 schedules that I am sponsoring including those prepared by me or by
12 Kenergy Corp. under my direction.

13 6. Q. PLEASE IDENTIFY THE EXHIBITS THAT YOU ARE SPONSORING
14 OR CO-SPONSORING.

15 A. I am sponsoring or co-sponsoring the following Exhibits:

16 Exhibit 3A - Proposed Tariffs

17 Exhibit 5, page 6 – Adjustment to Normalize Power Cost

18 Exhibit 9, page 1 through 9 and 11 – Consumption Analysis;

19 Present, Normalized and Proposed Revenue by Class of Customer

20 Exhibit 14 - Cost of Service Study

21 **II. Supporting Exhibits**

22 7. Q. PLEASE DESCRIBE AND EXPLAIN THE SUPPORTING EXHIBITS.

23 A. Page 6 of Exhibit 5 shows how adjusted Regular Tariff power cost is

1 determined based on increased purchases as a result of customer
2 growth. The Summary of Revenue, page 2 of Exhibit 9, provides a
3 breakdown of customers, kWh sales and revenues by tariff, both per
4 books and adjusted. The Consumption Analyses on pages 2 through
5 9 of Exhibit 9 provide for each tariff a breakdown of annual billing
6 determinants in accordance with the tariff structure. Page 11 of
7 Exhibit 9 is the Schedule of the Adjustment for Year End Level of
8 Customers that shows how customer growth by rate class is
9 calculated Exhibit 14 contains the cost of service study ("COSS").

10 8. Q. PLEASE DESCRIBE THE ADJUSTMENTS TO REVENUES
11 AND POWER COSTS THAT ARE REFLECTED IN COLUMN (c)
12 OF PAGE 1 of EXHIBIT 5.

13 A. Revenues are adjusted for customer growth, for the new tariffs approved
14 by the PSC and placed into effect in 2007, and to eliminate the Kenergy
15 Wholesale Discount Adjustment which is a pass through of the Big Rivers
16 Member Discount Adjustment Rider. Big Rivers will discontinue the
17 Member Discount Adjustment Rider effective September 1, 2008. Power
18 cost is also adjusted for increased sales due to customer growth.

19 9. Q. PLEASE EXPLAIN HOW KENERGY HAS CALCULATED ITS
20 ADJUSTMENTS TO BILLING DETERMINANTS FOR CUSTOMER
21 GROWTH.

22 A. Customer growth adjustments have been made for Residential, Non-
23 Residential, and Three Phase 0-1,000 kW. The adjustments to billing

1 determinants for Residential, Non-Residential and Three Phase 0-1,000
2 kW are calculated by multiplying the increase in number of customers
3 times test year average consumption. The calculations for each affected
4 rate class are shown on pages 2, 3, and 4 respectively of Exhibit 9. To
5 calculate adjusted revenues for all of the classes, the adjusted consumption
6 was applied to the rates through the consumption analyses for the
7 respective classes.

8 **III. Allocated Cost of Service Study**

9 10. Q. PLEASE EXPLAIN THE ALLOCATED COST-OF-SERVICE STUDY.

10 A. The allocated cost of service study has been accomplished in two steps. In
11 step 1 which is presented on pages 1 and 2 of Exhibit 14, the costs and
12 revenues assigned and allocated to the Class A, Class B and Class C Direct
13 Serve Customers is separated from the rural system cost and revenues. In
14 step 2, beginning with page 3 of Exhibit 14, traditional cost allocation
15 procedures are used to allocate costs to each of Kenergy's non-direct
16 served classes.

17 11. Q. PLEASE EXPLAIN HOW COSTS ARE ASSIGNED TO THE DIRECT
18 SERVE CLASSES.

19 A. Beginning January 2002, Kenergy has been using an activity based
20 accounting system to track costs by certain activities. Included in the
21 accounting system are expense sub-accounts dedicated solely to the Class
22 A, Class B, and Class C Direct Serve industrial customers. Kenergy uses
23 those accounts primarily as a means of tracking actual direct labor (DL)

1 and associated overheads.

2 12. Q. PLEASE DESCRIBE THE NON-DIRECT SERVED SYSTEM COST OF
3 SERVICE STUDY IN EXHIBIT 14.

4 A. The methodology employed in the allocated cost of service study is
5 principally based on the general concepts and guidelines stated in the
6 *Electric Utility Cost Allocation Manual* as prepared by the National
7 Association of Regulatory Commissioners (NARUC). The methodology
8 is also consistent with the methodology approved by the Commission in
9 previous cooperative rate cases, including Case No. 90-152, filed by Green
10 River EC in 1991, Case No. 97-220 filed by Henderson Union EC in 1997,
11 Case 2000-395 filed by Kenergy, Case No. 2003-00165 filed by Kenergy,
12 and Case No. 2006-00369 filed by Kenergy. The allocated cost of service
13 study has been prepared using a spreadsheet model developed by JDG
14 primarily for use by electric cooperatives. It is designed to produce both
15 class revenue requirements and unbundled cost and rate components by
16 class. The model is set up to functionalize a cooperative's plant
17 investment, expenses and margin requirements into the production,
18 transmission and distribution functions. In addition to functionalizing, the
19 model is designed so that the distribution costs can be sub-functionalized
20 into: 1) sub-transmission; 2) substation; 3) three phase and single phase
21 primary distribution; 4) transformers; 5) secondary distribution; 6) meters;
22 7) metering; 8) billing; 9) three categories of consumer services; 10)
23 security lights and 11) street lights. Sub-functionalized costs are then

1 classified as energy related, demand related, consumer related, revenue
2 related or direct assignment. The remainder of the model is devoted to
3 the allocation of the functionalized and sub-functionalized components of
4 cost and to the determination of unit costs by class for each component
5 and sub-functional level of revenue requirement.

6 13. Q. DESCRIBE THE FUNCTIONALIZATION AND
7 SUBFUNCTIONALIZATION PROCESS OF THE COST OF SERVICE
8 STUDY.

9 A. The first step performed in the cost of service study is to functionalize
10 utility plant, labor, and other utility expenses into production, transmission
11 and distribution functions. Kenergy does not directly own generation
12 facilities or transmission facilities. Therefore, all of Kenergy's investment
13 in utility plant has been assigned to the distribution function. With the
14 exception of purchased power expense, all labor expense and other utility
15 expenses are assigned to the distribution category. After functionalizing,
16 distribution-related investment, labor and expenses are sub-functionalized.
17 Only the utility plant, labor and utility expenses that are functionalized as
18 distribution are sub-functionalized. The sub-functional categories are as
19 follows:

- 20 • Subtransmission
- 21 • Substation
- 22 • Primary 3-Phase
- 23 • Primary 1-Phase
- 24 • Transformation

- 1 • Secondary and Services
- 2 ➤ Meters, 3-Phase
- 3 ➤ Meters, Single Phase
- 4 ➤ Metering
- 5 ➤ Billing
- 6 ➤ Consumer Services 1, 2, and 3
- 7 ➤ Security Lights
- 8 ➤ Street Lights

9 Sub-functionalization follows the same general approach as that of
10 functionalization in that the first step is to sub-functionalize plant, which
11 creates sub-functional ratios. Then, labor is sub-functionalized primarily
12 on the basis of the plant ratios. Finally, utility expenses are sub-
13 functionalized using both plant and labor ratios.

14 14. Q. PLEASE DESCRIBE THE CLASSIFICATION PROCESS.

15 A. Sub-transmission and substation plant (accounts 350 through 358 and
16 accounts 360 through 362) are classified as demand related. Account 370,
17 meters, is directly classified as consumer related. All other plant accounts,
18 364-368, are classified as both demand and consumer. The amounts
19 classified as either demand or consumer related are determined by using
20 the minimum intercept methodology described in the NARUC cost
21 allocation manual. Generally, expenses are then classified using ratios
22 calculated from comparable plant investments. For example, operation
23 and maintenance expenses for overhead conductors are assumed to be
24 directly related to plant investment in overhead conductors. Both labor
25 and utility expenses booked in Accounts 583 and 593 are classified into
26 demand and customer components on the basis of the demand and
27 consumer ratios derived from the classification of the plant investment in
28 Account 365. Direct labor is functionalized and classified primarily on the
29 basis of functionalized and classified utility plant. This classification of
30 labor is then used to create a labor ratio, which is used to classify labor-

1 related expenses such as fringe benefits, and payroll taxes booked in the
2 administrative and general expenses.

3 15. Q. PLEASE DESCRIBE THE ALLOCATION PROCESS OF THE COST
4 OF SERVICE STUDY.

5 A. The allocation process is accomplished on pages 79 through 133 of the
6 COSS. Allocation of the cost by customer class is handled by using direct
7 assignments and various types of demand, energy, consumer or revenue
8 allocators developed using consumer usage and load characteristics from
9 the test year.

10 16. Q. PLEASE DESCRIBE THE DEMAND ALLOCATION
11 METHODOLOGY USED FOR THE RURAL SYSTEM WHOLESALE
12 DEMAND COSTS.

13 A. Rural System wholesale demand costs, including transmission costs are
14 purchased from Big Rivers based on Kenergy's rural system peak demand
15 in each month. Estimates were made of each class's contribution to the
16 system's 12-month average peak billing demand. These class demand
17 contributions form the basis for allocating demand costs.

18 17. Q. PLEASE EXPLAIN THE METHODOLOGY USED TO DETERMINE
19 CLASS DEMAND ALLOCATORS FOR THE DEMAND RELATED
20 DISTRIBUTION SYSTEM PLANT AND EXPENSES.

21 A. For sub-transmission, substation and the primary distribution system class
22 demand responsibility, demand allocators based on the average and excess
23 methodology have been used. For transformation and secondary
24 distribution related investment and expenses, calculated maximum
25 demands by class have been used.

26 18. Q. PLEASE DESCRIBE THE CONSUMER ALLOCATORS.

27 A. A weighting factor of one (1) has been used to develop the consumer
28 allocator for most of the consumer-related costs. Customer Accounting
29 expenses were allocated based upon consumers. Meter reading expense
30 and Billing expense were allocated using meter reading and billing

1 allocators.

2 19. Q. PLEASE DESCRIBE THE PLANT, RATE BASE AND EXPENSE
3 ALLOCATIONS.

4 A. The allocation process is handled in sequence starting with Production
5 followed by sub-transmission, then substation, then 3-phase primary
6 distribution, then 1-phase primary distribution, then transformers and
7 secondary distribution, then the investment in 3-phase and 1-phase meters,
8 then metering, billing, consumer services and lights.

9 20. Q. PLEASE PROVIDE A SUMMARY THE RESULTS OF THE COSS.

10 A. The results are summarized for present rates on The Allocated Income
11 Statement on page 3 of Exhibit 14. The Cost of Service Summary found
12 on page 4 shows the rates of return under proposed rates. As shown on
13 page 3, each class's rate of return and relative rate of return under present
14 rates are as follows:

15

<u>Class</u>	<u>Rates of Return</u>	<u>Relative Rates of Return</u>
Security Lighting	7.65%	1.94
Residential & Single Phase	1.89%	.48
Non-residential Single Phase	4.40%	1.12
Three Phase – 0-1,000 kW	20.28%	5.16
Three Phase -Sec. > 1,000 kW	9.85%	2.50
Three Phase – Pri. > 1,000 kW	13.69%	3.48
Tot. Regular Tariff System Average	3.93%	1.00

16

17 **IV. Proposed Revenues, Rate Design and Class Revenue Distribution**

18 21. Q. IN ITS PREVIOUS ORDERS, THE COMMISSION HAS DIRECTED
19 KENERGY TO ADDRESS CLASS PARITY ISSUES IN THIS AND
20 FUTURE RATE CASES. PLEASE DESCRIBE GENERALLY HOW
21 KENERGY HAS COMPLIED WITH THE COMMISSION'S
22 DIRECTIVES.

1 A. To address parity, Kenergy is proposing to hold the Direct Served Class A
2 and Class B rates at current levels, to hold the Direct Served Class C rates
3 at current levels except for a slight reduction in the monthly facilities
4 charge applicable to direct investment, and to allocate proportionately
5 more of the non-direct served rate increase to Residential & Single Phase
6 so that the rate of return of each non-direct served class will move closer
7 to the system average for the non-direct served classes as measured by
8 relative rates of return.

9 22. Q PLEASE EXPLAIN THE COMPOSITION OF THE PROPOSED
10 REVENUE INCREASE AND HOW IT IS ALLOCATED.

11 Kenergy has determined that an overall revenue increase of \$3,232,258
12 will produce a test year TIER of approximately 2.00. The \$3,232,258
13 includes \$3,228,725 from sales and \$3,533 from increases in
14 miscellaneous revenues. The \$3,228,725 from sales is net of a \$2,012
15 decrease in Dedicated Delivery Point - Class C Direct Served revenue. The
16 \$2,012 reduction in Class C revenues is the net result of a decrease in the
17 Class C monthly facilities charge applicable to direct investment which
18 reduces Class C revenue by \$5,145 per year and a \$3,131 increase in Class
19 C revenues from the transfer of an existing customer, Valley Grain, from
20 Kenergy's Three Phase - Over 1,000 kW rate to Schedule 31 – Dedicated
21 Delivery point - Class C. Therefore, the increase applicable to non-direct
22 served rate classes is \$3,230,737. To address parity, Kenergy is proposing
23 to allocate the non-direct served rate increase as follows:

1

<u>Class</u>	<u>Revenue</u>	<u>Percent</u>
Security Lighting	\$46,996	3.49%
Residential & Single Phase	\$2,323,936	4.58%
Non-residential Single Phase	\$305,514	3.69%
Three Phase – 0-1,000 kW	\$415,855	3.48%
Three Phase-Sec. > 1,000 kW	\$81,045	3.49%
Three Phase-Pri. > 1,000 kW	\$57,391	3.32%
Tot. Regular Tariff System Average	\$3,230,737	4.23%

2

3

The proposed allocation of the increase affects the cost of service results as follows:

4

<u>Class</u>	<u>Rates of Return</u>	<u>Relative Rates of Return</u>
Security Lighting	8.61%	1.49
Residential & Single Phase	3.67%	.63
Non-residential Single Phase	5.82%	1.00
Three Phase – 0-1,000 kW	23.46%	4.05
Three Phase -Sec. > 1,000 kW	13.40%	2.31
Three Phase – Pri. > 1,000 kW	18.66%	3.22
Tot. Regular Tariff System Average	5.79%	1.00

5

6

Although the rates of return from each class have increased, as measured by comparing the relative rates of return under present and proposed rates, the classes have each moved much closer to the system average and parity.

7

8

9

This is accomplished in part because a higher percentage increase has been applied to Residential & Single Phase and in part because the overall return has increased which affects the ratio of the class return to the total.

10

11

12

For example, the rate of return for Three Phase – 0-1,000 kW would increase from 20.28% to 23.46%. However, the overall rate of return is

13

1 increasing from 3.03% to 5.79%. The ratio of 20.28% to 3.03% is 5.16
2 while the ratio of 23.46% to 5.79% is 4.05. Thus, the Three Phase – 0-
3 1,000 kW rate of return is comparatively closer to the system average
4 under proposed rates.

5 23. Q. PLEASE EXPLAIN THE DEDICATED DELIVERY POINT - CLASS C
6 MONTHLY FACILITIES CHARGE APPLICABLE TO DIRECT
7 INVESTMENT AND THE PROPOSED CHANGE.

8 A. Dedicated Delivery Point - Class C tariff is applicable to customers for
9 which Kenergy purchases power under the Big Rivers Industrial Tariff. In
10 most cases, such customers are served directly from the Big Rivers owned
11 transmission and substation facilities. However, in some cases, Kenergy
12 owns and operates distribution facilities to link the customer with the Big
13 Rivers facilities. In those cases, a monthly facilities charge applicable to
14 direct investment is applied by Kenergy to recover the cost of the direct
15 investment in distribution facilities. The month facilities charge is stated as
16 a percentage factor equivalent to Kenergy's fixed charge rate for plant
17 investment. As shown on page 163 of Exhibit 14, it includes factors for
18 O&M, A&G, depreciation, general plant cost, and rate of return. Each
19 factor is stated in terms of distribution plant investment and the costs are
20 derived from the adjusted test year cost of service study.

21 24. Q. PLEASE EXPLAIN WHY KENERGY IS TRANSFERRING VALLEY
22 GRAIN FROM THREE PHASE – OVER 1,000 kW TO THE
23 DEDICATED DELIVERY POINT - CLASS C TARIFF.

1 A. Kenergy purchases power for Valley Grain under the Big Rivers Industrial
2 Tariff and for consistency in applicability and to insure the proper pass
3 through of costs, Valley Grain should be served under the Dedicated
4 Delivery Point - Class C tariff.

5 25. Q. PLEASE SUMMARIZE THE PROPOSED TARIFF CHANGES

6 A. Non-Demand Charge Single Phase Tariffs -
7 Kenergy is not proposing any structural changes in its rates tariffs for
8 single phase service. To achieve a more cost based rate design Kenergy is
9 proposing to emphasize the month Facilities Charge of the Residential
10 tariff. The Residential Facilities Charge is proposed to increase from \$9.91
11 to \$12.00 with the energy charge increasing from \$.059956 per kWh to
12 \$.06154 per kWh. The result is that 48% of the proposed Residential
13 increase is generated from the Facilities Charge and 52% from the energy
14 charge. The Non-residential Single Phase Facilities Charge was increased
15 from \$12.00 to \$15.61 in Case No. 2006-00369 so in this case a more
16 moderate increase is proposed from \$15.61 to \$16.00. Also, in this way
17 over time the Residential and the Non-residential Single Phase Facilities
18 Charges can be brought together. By comparison to the proposed Facilities
19 Charges of \$12.00 and \$16.00, respectively, as shown on page 6 of Exhibit
20 14, the cost of service produces a consumer related cost for single phase
21 service of \$20.64 per month including margins at the proposed level of
22 2.39% of rate base.

23 Three Phase Demand Tariffs-

1 The adjustments to Three Phase – 0 to 1,000 kW and Three Phase Over
2 1,000 kW have been applied to the demand charges to better reflect the
3 component costs.

4 Street Light & Security Lights –

5 A detailed analysis of costs for each type of light provided by Kenergy was
6 prepared and is provided on pages 164 through 171 of Exhibit 14. For each
7 type of light, the fixed costs of investment and O&M, as well the allocated
8 system cost is calculated based on the present day fixture cost, fixture
9 wattage, fixture life, and allocated costs from the cost of service study. A
10 similar approach is used for each type of pole that Kenergy provides. The
11 results are used as guide for the proposed adjustments in the rates for each
12 specific light. The general approach was to increase the light rates by
13 approximately 3% to 3.5% (15% for poles) except that the rate is not
14 changed where the cost of the individual light is less that the present rate.

15 26. Q. PLEASE EXPLAIN PAGE 1 OF EXHIBIT 9.

16 A. The revenue changes by class are summarized on page 1 of Exhibit 9, the
17 Summary of Revenue. This exhibit summarizes the changes in test year
18 revenues by class. Column (d) shows tariff revenues annualized for the test
19 year at current levels. Column (e) shows the proposed revenues while
20 column (f) shows the proposed change. Column (g) provides the net
21 proposed percentage change compared to present rates.

22 27. Q. HAVE YOU REVIEWED KENERGY'S PROPOSED RATE LEVEL
23 FROM AN OVERALL REVENUE REQUIREMENTS PERSPECTIVE?

1 A. Yes, I have.

2 28. Q. IS IT YOUR OPINION THAT KENERGY NEEDS ALL OF THE
3 REVENUE REQUESTED IN THIS CASE TO MAINTAIN FINANCIAL
4 INTEGRITY?

5 A. Yes. Kenergy could support a higher TIER but needs at least a 2.00 TIER.
6 Kenergy is prepared to seek relief as necessary should the rates requested
7 in this case not adequately preserve Kenergy's equity and safeguard its
8 loan covenants.

9 29. Q. DOES THIS CONCLUDE YOUR TESTIMONY AT THIS TIME?

10 A. Yes, it does.

KENERGY CORP.
2008 RATE APPLICATION
SUMMARY OF REVENUE - TEST YEAR 2007

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)
	RATE	AVG. NO. CUSTOMERS	KWH BILLED	REVENUE BILLED (includes WDAR)	NORMALIZED AVG. NO. CUSTOMERS	NORMALIZED KWH BILLED	ADJ. TEST YEAR REV. NORMALIZED	REVENUE PROPOSED	REVENUE CHANGE	PERCENT CHANGE
1 Residential - Single & Three Phase										
2 Base Rate		44,758	754,569,094	\$49,509,526	44,978	758,294,134	\$ 50,781,809	\$ 53,105,745		
3 WDA				(\$881,929)			\$ -	\$ -		
4 Subtotal				<u>\$48,627,597</u>			<u>\$ 50,781,809</u>	<u>\$ 53,105,745</u>	\$ 2,323,936	4.58%
5 All Non-Residential										
6 Base Rate		8,688	113,938,556	\$8,067,956	8,751	114,775,448	\$ 8,281,357	\$ 8,586,872		
7 WDA				(\$132,739)			\$ -	\$ -		
8 Subtotal				<u>\$7,935,217</u>			<u>\$ 8,281,357</u>	<u>\$ 8,586,872</u>	\$ 305,515	3.69%
9 Three-Phase Demand (Non-Dedicated)										
10 (0 - 1,000 KW)										
11 Base Rate		860	202,623,169	\$11,947,171	877	201,715,564	\$ 11,934,316	\$ 12,350,171		
12 WDA				(\$238,174)			\$ -	\$ -		
13 Subtotal				<u>\$11,708,997</u>			<u>\$ 11,934,316</u>	<u>\$ 12,350,171</u>	\$ 415,855	3.48%
14 Three-Phase Demand (Non-Dedicated)										
15 (1,001 KW & Over)										
16 Base Rate		12	86,046,104	\$3,845,822	13	90,865,304	\$ 4,056,222	\$ 4,194,658		
17 WDA				(\$100,955)			\$ -	\$ -		
18 Subtotal				<u>\$3,744,867</u>			<u>\$4,056,222</u>	<u>\$ 4,194,658</u>	\$ 138,436	3.41%
19 Total Unmetered Lighting										
20 Base Rate			13,553,572	\$1,344,981		13,553,572	\$ 1,344,981	\$ 1,391,977		
21 WDA				(\$15,871)			\$ -	\$ -		
22 Subtotal				<u>\$1,329,110</u>			<u>\$ 1,344,981</u>	<u>\$ 1,391,977</u>	\$ 46,996	3.49%
23 Total Non direct served - Billings										
24 Base Rate		54,318	1,170,730,495	\$74,715,456	54,619	1,179,204,022	\$ 76,398,685	\$ 79,629,423		
25 WDA				(\$1,389,668)			\$ -	\$ -		
26 Subtotal		54,318	1,170,730,495	<u>\$73,345,788</u>	54,619	1,179,204,022	<u>\$ 76,398,685</u>	<u>\$ 79,629,423</u>	\$ 3,230,738	4.23%
27 Unbilled Impact			8,827,817	\$884,247			\$0	\$0		
28 Total Non direct served - booked		54,318	1,179,558,312	<u>74,230,035</u>	54,619	1,179,204,022	<u>\$ 76,398,685</u>	<u>\$ 79,629,423</u>	\$ 3,230,738	4.23%
29 Direct served (Class A)		2	7,289,181,090	\$250,900,383	2	7,289,181,090	\$ 250,900,383	\$ 250,900,383	\$ -	0.00%
30 Direct served (Class B)		3	695,776,202	\$20,582,517	3	695,776,202	\$ 21,235,264	\$ 21,235,264	\$ -	0.00%
31 Direct Served (Class C)		15	208,743,012	\$8,629,340	15	208,743,012	\$ 8,883,181	\$ 8,881,169	\$ (2,012)	-0.02%
32 Total Direct Serves		20	8,193,700,304	<u>\$280,112,239</u>	20	8,193,700,304	<u>\$ 281,018,828</u>	<u>\$ 281,016,816</u>	\$ (2,012)	0.00%
33 Subtotal - all		54,338	9,373,258,616	<u>354,342,274</u>	54,639	9,372,904,326	<u>357,417,513</u>	<u>360,646,239</u>	\$ 3,228,726	0.90%
34 Misc. Revenues		NA	NA	\$1,531,502	NA		\$1,533,379	\$ 1,536,912	\$ 3,533	0.23%
35 Total All		54,338	9,373,258,616	<u>\$355,873,776</u>	54,639	9,372,904,326	<u>\$358,950,892</u>	<u>\$ 362,183,151</u>	\$ 3,232,259	0.90%

KENERGY CORP.
2006 RATE APPLICATION
RESIDENTIAL CONSUMPTION ANALYSIS

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	
		TEST YEAR DATA					Adjustment to year-end level of customers		Normalized	Proposed Rate	Proposed Revenue (8)	
			(1)	Present								
1	Customer charge:		\$7.91	\$9.91				\$9.91				
2	Number of bills per consumption analysis	535,036	146,063	388,973								
3	adjustment to number booked	(274)	(75)	(199)			(2)	(5)				
4	Number of bills per books with customer charge	534,762	145,988	388,774	\$5,007,515		2,640	537,402	\$5,325,654	\$12.00	\$ 6,448,824	
5	plus yard light only bills(no customer charge)	2,339										
6	Total bills issued per books	<u>537,101</u>										
7												
8	Energy Charge:		at	at (1)				at				
9			\$0.056769	\$ 0.059956				\$ 0.059956				
10	Kwh sales per consumption analysis	756,042,756	229,756,283	526,286,473	\$44,597,066	\$0.058987						
11	Adjustment to KWH booked	-1,473,662	at	\$ 0.058987	(\$86,928)		(3)	(6)				
12	KWH booked	<u>754,569,094</u>					3,725,040	758,294,134	45,464,283	\$	0.061540	\$ 46,665,421
13												
14								at (7)				
15								0.000000				
16	Wholesale discount adjustment	<u>754,569,094</u>		(\$0.001169)	(\$881,929)			758,294,134	\$ -	0.000000	\$ -	
17					\$48,635,725				\$50,789,937		\$ 53,114,245	
18	Adjustment for revenue difference				(\$8,128)				(\$8,128)	-0.0160%	\$ (8,500)	
19	Revenue per books				<u>\$48,627,597</u>				<u>\$50,781,809</u>		<u>\$ 53,105,745</u>	
20												
21												

(1) Rate change effective March 1, 2007

(2) Customers billed December 2007 44,964 (4)
 13 month average 44,744 (4)
 Increase 220 (4)
 Times 12 months 12 (4)
 2,640 (4)

(3) KWH Booked 754,569,094
 Number Bills 534,762
 Average KWH 1,411
 Times 2,640

(4) See Exhibit 9, Page 11

(5) (Line 4, Col. b) 534,762 + (Line 32, Col. b) 2,640

(6) (Line 12, Col. b) 754,569,094 + (Line 37, Col. f) 3,725,040

(7) Test year wholesale discount adjustment 1,403,244.11 (See Item 20, Page 2 of 5, Information Request No. 1) divided by KWH billed 1,170,730.495 (See Exhibit 9, Page 1, Line 32, Col. c)

(8) Col. h times Col. j

KENERGY CORP.
2008 RATE APPLICATION
ALL NON-RESIDENTIAL SINGLE PHASE CONSUMPTION ANALYSIS

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)
		TEST YEAR DATA					Adjustment to year-end level of customers	at	Normalized	Proposed Rate	Proposed Revenue (8)
1			at	at	(1)						
2	Customer charge:		\$12.00	\$15.61	Present			\$15.61			
3	Number of bills per consumption analysis	102,782	28,502	74,280							
4	Adjustment to number booked	128	35	93			(2)	(5)			
5	Number of bills per books with customer charge	102,910	28,537	74,373	\$1,503,407		756	103,666	\$1,618,226	\$16.00	\$ 1,658,656
6	plus yard light only bills(no customer charge)	1,343									
7	Total bills issued per books	<u>104,253</u>		ADJ.	-1872						
8											
9	Energy Charge:		at	at	(1)			at			
10			\$0.056769	\$ 0.058417				\$ 0.058417			
11	KWH sales per consumption analysis	113,688,825	28,953,942	84,734,883	\$6,593,644	\$0.057997					
12	Adjustment to KWH booked	249,731		\$ 0.057997	\$14,484		(3)	(6)			
13	KWH booked	<u>113,938,556</u>					836,892	114,775,448	6,704,837	\$ 0.060740	\$ 6,971,461
14								(7)			
15								0.000000			
16	Wholesale discount adjustment	<u>113,938,556</u>		(\$0.001165)	(\$132,739)			114,775,448	\$ -	0.000000	\$ -
17											
18					\$7,976,923				\$8,323,064		\$ 8,630,117
19	Adjustment for revenue difference				(\$41,707)				(\$41,707)	-0.5011%	\$ (43,245)
20	Revenue per books				<u>\$7,935,217</u>				<u>\$8,281,357</u>		<u>\$ 8,586,872</u>

(1) Rate Change effective March 1, 2007

(2) Customers billed December 2007
13 month average 8,747 (4)
increase 8,684 (4)
Times 12 months 63 (4)
756 (4)

(3) KWH Booked 113,938,556
Number Bills 102,910
Average KWH 1,107
Times 756 836,892

(4) See Exhibit 9, Page 11

(5) (Line 5, Col. b) 102,910 + (Line 29, Col. b) 756

(6) (Line 16, Col. B) 113,938,556 + (Line 34, Col. F) 836,892

(7) Test year wholesale discount adjustment 1,403,244.11 (See Item 20, Page 2 of 5, Information Request No. 1) divided by KWH billed 1,170,730.495 (See Exhibit 9, Page 1, Line 32, Col. c)

(8) Col. h times Col. j

KENERGY CORP.
2008 RATE APPLICATION
THREE-PHASE NON-DEDICATED OVER 1,000 KW CONSUMPTION ANALYSIS

Line No.	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
	TEST YEAR DATA				Add Cust. transferred to Over 1000kw	(1)	At rates in column c except wdar Normalized	Proposed Rate	Proposed Revenue (2)
	at		Present						
1									
2	Customer charge	<u>146</u> \$	575.00 \$	83,950	<u>10</u>	<u>156</u>	\$ 89,700	\$575.00	\$ 89,700
3									
4	High load factor:								
5	Demand charge per kw	<u>183,938</u> \$	8.00 \$	1,471,501	<u>10,118</u>	<u>194,056</u>	\$ 1,552,448 \$	8.65	\$ 1,678,585
6	Energy charge:								
7	1st 200kwh per kw	36,621,211 \$	0.0275 \$	1,007,083	2,023,680	38,644,891	\$ 1,062,735 \$	0.0275	\$ 1,062,735
8	next 200kwh per kw	33,528,187 \$	0.0250 \$	838,205	2,023,680	35,551,867	\$ 888,797 \$	0.0250	\$ 888,797
9	over 400kwh per kw	13,350,306 \$	0.0230 \$	307,057	771,840	14,122,146	\$ 324,809 \$	0.0230	\$ 324,809
10	Subtotal energy - high lf	<u>83,499,704</u>			<u>4,819,200</u>	<u>88,318,904</u>	\$ 2,276,341		\$ 2,276,341
11	Low load factor:								
12	Demand charge per kw	<u>12,226</u> \$	4.30 \$	52,573		<u>12,226</u>	\$ 52,573 \$	4.80	\$ 58,686
13	Energy charge:								
14	1st 150kwh per kw	1,833,930 \$	0.0400 \$	73,357		1,833,930	\$ 73,357 \$	0.0420	\$ 77,025
15	Over 150kwh per kw	712,470 \$	0.0360 \$	25,649		712,470	\$ 25,649 \$	0.0360	\$ 25,649
16	Subtotal energy - low lf	<u>2,546,400</u>				<u>2,546,400</u>	\$ 99,006		\$ 102,674
17	Total kw	<u>196,164</u>				<u>206,282</u>			
18	Total kwh	<u>86,046,104</u>				<u>90,865,304</u>			
19									
20	Primary Meter discount	<u>77,286</u> \$	(0.50) \$	(38,643)	<u>10,118</u>	<u>87,404</u>	\$ (43,702) \$	(0.50)	\$ (43,702)
21			\$	-					
22	Power factor penalty per kw	<u>2,738</u> \$	8.00 \$	21,904	<u>665</u>	<u>3,403</u>	\$ 27,224 \$	8.65	\$ 29,436
23	Power factor penalty per kw	<u>612</u> \$	4.30 \$	2,633		<u>612</u>	\$ 2,633 \$	4.80	\$ 2,939
24									
25									
26	Wholesale discount adjustment	<u>86,046,104</u> \$	(0.001173) \$	(100,955)	<u>4,819,200</u>	<u>90,865,304</u>	\$ - \$	-	\$ -
27			\$	3,744,314					
28	Adjustment for revenue difference		\$	553			\$ -		\$ -
29	Revenue per Books		<u>\$</u>	<u>3,744,867</u>			<u>\$ 4,056,222</u>		<u>\$ 4,194,658</u>

(1) Col. b + Col. f

(2) Col. f times Col. H

Exhibit 9, Page 5

KENERGY CORP.
2008 RATE APPLICATION
INDIVIDUAL & STREET LIGHT RATE ANALYSIS

	<u>Lumens</u>	<u>Watts</u>	<u>Number</u>	<u>Present Rate</u>	<u>Proposed Rate</u>	<u>Present Revenue</u>	<u>Proposed Revenue</u>	<u>Difference</u>	<u>Percent</u>
	a	b	c	d	e	f	g	h	i
1	9,500	100 Watt	149.500	\$ 6.95	\$ 6.95	\$ 12,468	\$ 12,468	\$ -	0.00%
2	27,000	250 Watt	118.000	\$ 9.69	\$ 9.98	\$ 13,721	\$ 14,132	\$ 411	2.99%
3	61,000	400 Watt	-	\$ 11.06	\$ 11.39	\$ -	\$ -	\$ -	-
4		100 Watt	-	NA	\$ 6.53	\$ -	\$ -	\$ -	-
5		400 Watt	-	NA	\$ 13.45	\$ -	\$ -	\$ -	-
6	7,000	175 Watt	11,565.917	\$ 6.95	\$ 7.16	\$ 964,597	\$ 993,744	\$ 29,146	3.02%
7	12,000	250 Watt	201.583	\$ 8.20	\$ 8.45	\$ 19,836	\$ 20,441	\$ 605	3.05%
8	20,000	400 Watt	598.333	\$ 9.69	\$ 9.98	\$ 69,574	\$ 71,656	\$ 2,082	2.99%
9	9,500	100 Watt	580.083	\$ 6.95	\$ 6.95	\$ 48,379	\$ 48,379	\$ -	0.00%
10	27,000	250 Watt	63.000	\$ 8.10	\$ 10.10	\$ 6,124	\$ 7,636	\$ 1,512	24.69%
11		100 Watt	-	NA	\$ 6.53	\$ -	\$ -	\$ -	-
12		400 Watt	-	NA	\$ 13.24	\$ -	\$ -	\$ -	-
13	7,000	175 Watt	387.167	\$ 6.95	\$ 7.16	\$ 32,290	\$ 33,265	\$ 976	3.02%
14	20,000	400 Watt	128.583	\$ 8.10	\$ 10.02	\$ 12,498	\$ 15,461	\$ 2,963	23.70%
15	20,000	400 Watt	2.000	\$ 10.00	\$ 10.00	\$ 240	\$ 240	\$ -	0.00%
16	9,500	100 Watt	3.750	\$ 18.98	\$ 18.98	\$ 854	\$ 854	\$ -	0.00%
17	12,600	140 Watt	31.000	\$ 16.85	\$ 17.36	\$ 6,268	\$ 6,458	\$ 190	3.03%
18	6,300	70 Watt	113.667	\$ 9.54	\$ 9.83	\$ 13,013	\$ 13,408	\$ 396	3.04%
19	6,300	70 Watt	351.333	\$ 9.54	\$ 9.83	\$ 40,221	\$ 41,443	\$ 1,223	3.04%
20	140,000	1000 Watt	1.000	\$ 25.66	\$ 26.17	\$ 308	\$ 314	\$ 6	1.99%
21	140,000	1000 Watt	-	\$ 25.66	\$ 26.17	\$ -	\$ -	\$ -	-
22	28,000	250 Watt	68.417	\$ 8.73	\$ 8.99	\$ 7,167	\$ 7,381	\$ 213	2.98%
23	28,000	250 Watt	3.000	\$ 9.97	\$ 10.27	\$ 359	\$ 370	\$ 11	3.01%
24	61,000	400 Watt	88.000	\$ 11.06	\$ 11.39	\$ 11,679	\$ 12,028	\$ 348	2.98%
25	61,000	400 Watt	10.333	\$ 12.38	\$ 12.75	\$ 1,535	\$ 1,581	\$ 46	2.99%
26	107,000	1000 Watt	21.500	\$ 22.97	\$ 26.17	\$ 5,926	\$ 6,752	\$ 826	13.93%
27	107,000	1000 Watt	40.000	\$ 24.82	\$ 26.17	\$ 11,914	\$ 12,562	\$ 648	5.44%
28	19,500	250 Watt	14.333	\$ 8.36	\$ 8.61	\$ 1,438	\$ 1,481	\$ 43	2.99%
29	19,500	250 Watt	0.667	\$ 9.62	\$ 9.91	\$ 77	\$ 79	\$ 2	3.01%
30	32,000	400 Watt	94.333	\$ 11.03	\$ 11.36	\$ 12,486	\$ 12,860	\$ 374	2.99%
31	32,000	400 Watt	30.500	\$ 12.14	\$ 12.50	\$ 4,443	\$ 4,575	\$ 132	2.97%
32	9,500	100 Watt	0.667	\$ 10.63	\$ 10.95	\$ 85	\$ 88	\$ 3	3.01%
33	9,000	100 Watt	-	\$ 9.39	\$ 9.67	\$ -	\$ -	\$ -	-
34	9,000	100 Watt	-	\$ 9.20	\$ 9.48	\$ -	\$ -	\$ -	-
35	16,600	175 Watt	11.000	\$ 10.52	\$ 10.84	\$ 1,389	\$ 1,431	\$ 42	3.04%
36	16,600	175 Watt	-	\$ 7.98	\$ 10.96	\$ -	\$ -	\$ -	-
37	16,600	175 Watt	17.667	\$ 11.40	\$ 11.74	\$ 2,417	\$ 2,489	\$ 72	2.98%
38						\$ 1,301,306	\$ 1,343,574	\$ 42,268	3.25%
39									
40			72.750	\$ 2.42	\$ 2.49	\$ 2,113	\$ 2,174	\$ 61	2.89%
41			29.583	\$ 2.18	\$ 2.25	\$ 774	\$ 799	\$ 25	3.21%
42			68.833	\$ 2.75	\$ 2.83	\$ 2,272	\$ 2,338	\$ 66	2.91%
43						\$ 5,158	\$ 5,310	\$ 152	2.95%
44									
45						\$ 1,306,464	\$ 1,348,884	\$ 42,420	3.25%
46		25ft.	27.833	\$ 5.52	\$ 6.35	\$ 1,844	\$ 2,121	\$ 277	15.0%
47		30ft.	47.000	\$ 6.22	\$ 7.15	\$ 3,508	\$ 4,033	\$ 525	15.0%
48		39ft.	20.000	\$ 10.45	\$ 12.02	\$ 2,508	\$ 2,885	\$ 377	15.0%
49		30 ft.	29.000	\$ 6.55	\$ 3.98	\$ 2,279	\$ 1,385	\$ (894)	-39.2%
50		28ft.	5.000	\$ 7.11	\$ 8.18	\$ 427	\$ 491	\$ 64	15.0%
51		20ft.	-	\$ -	\$ 13.08	\$ -	\$ -	\$ -	-
52		25 ft	-	\$ -	\$ 13.80	\$ -	\$ -	\$ -	-
53		30ft	-	\$ -	\$ 42.18	\$ -	\$ -	\$ -	-
54		15ft.	24.000	\$ 7.60	\$ 8.74	\$ 2,189	\$ 2,517	\$ 328	15.0%
55		9ft.	-	\$ -	\$ -	\$ -	\$ -	\$ -	-
56		14ft.	5.000	\$ 8.35	\$ 9.60	\$ 501	\$ 576	\$ 75	15.0%
57						\$ 13,256	\$ 14,007	\$ 752	5.7%
58									
59		30 ft.	11.000	\$ 1.85	\$ 2.13	\$ 244	\$ 281	\$ 37	15.1%
60		28ft.	468.833	\$ 4.45	\$ 5.12	\$ 25,036	\$ 28,805	\$ 3,769	15.1%
61						\$ 25,280	\$ 29,086	\$ 3,806	15.1%
62									
63						\$ 38,535	\$ 43,094	\$ 4,558	11.83%
64									
65						ADJUSTMENT	\$ (18)	\$ 18	-100.00%
66						\$ 1,344,981	\$ 1,391,977	\$ 46,996	3.49%

KENERGY CORP.
 2008 RATE APPLICATION
 DIRECT SERVED CUSTOMERS (2)
 CLASS A
 CONSUMPTION ANALYSIS

1	Billings from Wholesale Power Suppliers to Kenergy for Resale to Smelters			\$ 250,509,633
2				
3	Kenergy Customer Charges:			
4		24 x	\$ 2,614 =	\$ 62,736
5				
6				
7				
8	Kenergy Charges:			
9		7,289,181,090 x	0.000045 =	<u>\$ 328,014</u>
10				
11				
12				<u>\$ 250,900,383</u>
13				
14				
15				
16				
17				<u>\$ 250,900,383</u>
18				
19				
20				

KENERGY CORP.
 2008 RATE APPLICATION
 DIRECT SERVED CUSTOMERS (3)
 CLASS B
 CONSUMPTION ANALYSIS

1	Billings from Wholesale Power Supplier to Kenergy for Resale					\$	20,364,535
2							
3	Kenergy Customer Charges:						
4		36	x	\$ 1,028	=	\$	37,008
5							
6							
7							
8	Kenergy Charges:						
9	Energy Resolc	695,776,202	x	0.000166	=	\$	115,499
10							
11							
12	Energy Co-Generated At Site	394,429,914	x	0.000166	=	\$	<u>65,475</u>
13							
14						\$	<u>180,974</u>
15							
16							
17						\$	<u>20,582,517</u>
18							
19	Remove Wholesale Discount Adjustment					\$	651,747
20							
21						\$	<u>21,235,264</u>
22							
23							
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KENERGY CORP.
2008 RATE APPLICATION
DIRECT SERVED CUSTOMERS
CLASS C
CONSUMPTION ANALYSIS

	(a)		(b) Present Rate		(c) Present Revenue		(d) Proposed Rate		(e) Proposed Revenue		(f) Change		(g)
1	Billings from Wholesale Power Supplier to Kenergy for Resale to Schedule 31 Customers												2
2					\$ 7,445,025				\$ 7,445,025				
3	Kenergy Customer Charges:												4
4		157 x	\$100	=	\$ 15,700		\$100	=	\$ 15,700				
5													
6	Kenergy Facility Charges @1.35% per \$ Investment:												7
7			\$ 857,481	1.35% times 12 =	\$ 138,912		1.30% times 12 =		\$ 133,767				
8													
9	Kenergy Charges per KWH:												10
10		199,866,100 @	\$ 0.00300	=	\$ 599,598		\$ 0.00300	=	\$ 599,598				
11													
12					<u>\$ 8,199,235</u>				<u>\$ 8,194,090</u>		\$ (5,145)		
13													
14													
15	VALLEY GRAIN (move from Schedule 3 to Schedule 31)												16
16	Billings from Wholesale Power Supplier to Kenergy for Resale to Schedule 3 Customer												17
17					NA				\$ 371,354			\$ 7,816,379	
18	Kenergy Customer Charges:												19
19		12 x	\$575	=	\$ 6,900		\$100	=	\$ 1,200				
20													
21	Kenergy Facility Charges @1.35% per \$ Investment:												22
22			\$ 218,285	=	-		1.30% times 12 =		\$ 34,052				
23													
24	Kenergy Charges per KW:												25
25		22,218 x	\$ 8.00	=	\$ 177,744								
26		22,218 x	\$ (0.50)	=	\$ (11,109)								
27					<u>\$ 166,635</u>								
28													
29	Power Factor Penalty:												30
30					From Power Bill	\$ 35,160					In Power Cost		
31													
32	Kenergy Charges per KWH:												33
33		0-200 4,443,600	\$ 0.0275		\$ 122,199	\$ 0.00300			\$ 13,331				
34		200-400 4,155,330	\$ 0.0250		\$ 103,883	\$ 0.00300			\$ 12,466				
35		Over 277,982	\$ 0.0230		\$ 6,394	\$ 0.00300			\$ 834				
36		<u>8,876,912</u>			<u>\$ 232,476</u>				<u>\$ 26,631</u>				
37													
38													
39					Subtotal	\$ 441,171			\$ 433,237				
40													
41					WDA	From Power Bill	\$ (11,065)				In Power Cost		
42													
43					VALLEY GRAIN TOTAL	<u>\$ 430,106</u>			<u>\$ 433,237</u>	\$ 3,131		0.73%	
44													
45													
46					CLASS C TOTAL (Line 13 + Line 43)	<u>\$ 8,629,341</u>			<u>\$ 8,627,328</u>	\$ (2,013)		-0.02%	
					Remove Wholesale discount adjustment	\$ 253,841			\$ 253,841				
					<u>\$ 8,883,182</u>				<u>\$ 8,881,169</u>	\$ (2,013)		-0.02%	

KENERGY CORP.
2008 RATE APPLICATION
MISCELLANEOUS REVENUES ADJUSTMENT

	(a) Account No.	(b) Description	(c) Test Year No.	(d) Normalized No.	(e) Proforma No.	(f) Charges			(g) Revenue			(h) Adjustment	
						(i) Test Year	(j) Normalized	(k) Proforma	(l) Test Year	(m) Normalized	(n) Proforma	(o) Amount	(p) Percent
1	450.000	Forfeited Discounts				5%	5%	5%	\$474,402	\$474,402	\$474,402	\$0	0.00%
2	450.230	Forfeited Discounts - Class B				5%	5%	5%	\$505	\$505	\$505	\$0	0.00%
3	450.240	Forfeited Discounts - Class C				5%	5%	5%	\$10,569	\$10,569	\$10,569	\$0	0.00%
4		Subtotal - Forfeited Discounts							\$485,476	\$485,476	\$485,476	\$0	0.00%
5		Special Charges:											
6	451.000	Turn on Service Charge	89	89	89	\$30.00	\$30.00	\$30.00	\$2,670	\$2,670	\$2,670	\$0	0.00%
7	451.100	Reconnect Charge - Regular	1,126	1,126	1,126	\$30.00	\$30.00	\$30.00	\$33,785	\$33,780	\$33,780	\$0	0.00%
8	451.100	Reconnect Charge - After hours	95	95	95	\$80.00	\$80.00	\$90.00	\$7,600	\$7,600	\$8,550	\$950	12.50%
9	451.200	Terminate Service Charge	4,101	4,101	4,101	\$30.00	\$30.00	\$30.00	\$123,030	\$123,030	\$123,030	\$0	0.00%
10	451.300	Meter Reading Charge	6,088	6,088	6,088	\$30.00	\$30.00	\$30.00	\$182,640	\$182,640	\$182,640	\$0	0.00%
11	451.400	Meter Test Charge	4	4	4	\$45.00	\$45.00	\$45.00	\$180	\$180	\$180	\$0	0.00%
12	451.500	Revenue - Returned check charge	1,282	1,282	1,282	\$10.00	\$10.00	\$10.00	\$12,815 (1)	\$12,820	\$12,820	\$0	0.00%
13	451.600	Revenue- Unnecessary trip by serviceman	6	6	6	\$40.00	\$40.00	\$30.00	\$240	\$180	\$180	-\$60	-25.00%
14	451.600	Revenue- Unnecessary trip by serviceman	9	9	9	\$70.00	\$70.00	\$90.00	\$610 (1)	\$630	\$810	\$180	28.57%
15		Subtotal - Special Charges							\$363,570	\$363,590	\$364,660	\$1,070	0.29%
16		Telephone Attachment Fees:											
17													
18	454.000	Revenue from Bellsouth							\$506,869	\$482,554	\$482,554	\$0	0.00%
19	454.110	Revenue from Others:							\$13,859	\$15,031	\$15,031	\$0	0.00%
20		Subtotal - Telephone Attachment Fees							\$520,728	\$497,585	\$497,585	\$0	0.00%
21		Revenue Tower Leases:											
22	454.100	Revenue from Various Companies							\$84,300	\$105,000	\$105,000	\$0	0.00%
23		Subtotal - Tower Leases							\$84,300	\$105,000	\$105,000	\$0	0.00%
24		Cablevision Attachment Fees:											
25	454.110	Cable Attachment Fees - 2 Party Pole	7,667	7,788	7,788	\$4.42	\$5.00	\$5.24	\$33,902	\$38,940	\$40,809	\$1,869	4.80%
26	454.110	Cable Attachment Fees - 3 Party Pole	4,176	4,242	4,242	\$3.47	\$3.98	\$4.12	\$14,500	\$16,883	\$17,477	\$594	3.52%
27		Subtotal - Cable Attachment Fees							\$48,402	\$55,823	\$58,286	\$2,463	4.41%
28		Fiber Optic Attachment Fees:											
29	454.110	Revenue from Fiber Optic attachments							\$1,779	\$3,981	\$3,981	\$0	0.00%
30	454.120	Revenue from Fiber Optic attachments							\$3,400	\$3,600	\$3,600	\$0	0.00%
31		Subtotal - Fiber Optic Attachment Fees							\$5,179	\$7,581	\$7,581	\$0	0.00%
32													
33	454.200	Revenue- Rental from Personal Property							\$5,523	\$0	\$0	\$0	#DIV/0!
34	454.300	Revenue- Sturgis Sub-Lease							\$2,520	\$2,520	\$2,520	\$0	0.00%
35	456.000	Sales Tax Compensation Fees							\$15,804	\$15,804	\$15,804	\$0	0.00%
36													
37													
38		TOTAL							\$1,531,502	\$1,533,379	\$1,536,912	\$3,533	0.23%
39													
40		(1) includes reductions of \$5 and \$20 occurring during the test year for misc. adjustments											
41													

KENERGY CORP.
2008 RATE APPLICATION
YEAR-END LEVEL OF CUSTOMER'S

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	
		Rate Code Description						
		Commercial -						
		Commercial - Three-Phase				Direct		
		Residential	Single Phase	Three-Phase (0-1,000 KW)	(1001-4,999 KW)	Serves	TOTAL	
1	No. Customers	Dec-06	44,571	8,644	849	12	19	54,095
2		Jan-07	44,638	8,659	848	12	19	54,176
3		Feb-07	44,688	8,673	850	12	19	54,242
4		Mar-07	44,703	8,668	854	12	19	54,256
5		Apr-07	44,676	8,673	856	12	19	54,236
6		May-07	44,646	8,670	851	12	19	54,198
7		Jun-07	44,695	8,674	854	12	20	54,255
8		Jul-07	44,720	8,665	860	12	20	54,277
9		Aug-07	44,768	8,684	863	12	20	54,347
10		Sep-07	44,807	8,689	869	12	20	54,397
11		Oct-07	44,876	8,706	872	12	20	54,486
12		Nov-07	44,920	8,745	871	13	20	54,569
13		Dec-07	44,964	8,747	877	13	20	54,621
14	13 Month Average		44,744	8,684	860	12	20	54,320
5	Avg. Less Dec 06		220	63	17	1	0	301
16	Change times 12		2,640	756	204	12	0	3,612
17								
18								
19								
20								
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KENERGY
2008 RATE APPLICATION
TRIAL BALANCE
DECEMBER 31, 2007

102000	ELECTRIC PLANT PURCHASED OR SOLD	\$	-
107100	CONSTRUCTION W.I.P.-CONTRACTORS	\$	136,611.90
107200	CONSTRUCTION W.I.P. - KENERGY	\$	1,177,018.05
107202	DEFERRED LABOR-CONSTRUCTION	\$	-
107212	COMPUTER SYSTEMS-SET UP LABOR	\$	-
107230	HARTFORD OFFICE BROADBAND PROJECT	\$	-
107240	GENERATOR BACKUP FOR FUEL PUMPS	\$	-
107250	CARD ACCESS EQUIPMENT-SECURITY SYSTEM	\$	-
107260	HAWESVILLE OFFICE BROADBAND PROJECT	\$	-
107265	OMU/KENERGY WIRELESS PROJECT	\$	-
107275	OWENSBORO SHOP AREA DRAINAGE	\$	-
107280	RACE CREEK FIBER EXTENSION PROJECT	\$	-
107300	CONST W.I.P. SPECIAL EQUIPMENT	\$	-
107301	CWIP-SPECIAL EQUIP IN PAYABLE ACCT	\$	-
107310	CONST W.I.P. CONSUMER CONTRIBUTIONS	\$	(301,169.36)
107500	LABOR AND OHS-INCLEMMENT WEATHER	\$	84,701.83
107800	CATHODIC PROTECTION OF UG CABLE	\$	31.34
107900	OVERHEADS - CONTRACTOR WORK ORDERS	\$	-
108620	ACCUM PROVI DEPRECIATION-SUBSTATION	\$	(3,691,173.76)
108621	ACCUM PROVI DEPRECIATION-SCADA	\$	(1,336,226.05)
108622	ACCUM PROVI DEPRECIATION-MICROWAVE	\$	(1,098,910.49)
108623	ACCUM PROVI DEPRECIATION-TOWERS	\$	(398,776.09)
108624	ACCUM PROVI DEPR-OWENSBORO FIBER	\$	(464,367.29)
108664	ACCUM PROVI DEPRECIATION-POLES	\$	(10,097,490.95)
108665	ACCUM PROVI DEPRECIATION-OH CONDUCT	\$	(8,718,422.29)
108666	ACCUM PROVI DEPRECIATION-UG CONDUIT	\$	(10,384.11)
108667	ACCUM PROVI DEPRECIATION-UG CONDUCT	\$	(2,306,584.52)
108668	ACCUM PROVI DEPRECIATION-TRANSFORME	\$	(7,575,089.84)
108669	ACCUM PROVI DEPRECIATION-SERVICES	\$	(5,559,602.68)
108670	ACCUM PROVI DEPRECIATION-METERS	\$	(910,551.03)
108671	ACCUM PROV DEPR-INSTALL ON PREMISES	\$	(516,867.63)
108673	ACCUM PROVI DEPRECIATION-STR LIGHTS	\$	(143,188.22)
108700	ACC PROVISION DEPR-BUILDINGS	\$	(2,639,306.03)
108710	ACC PROVISION DEPR-OFFICE EQUIPMENT	\$	(965,952.64)
108720	ACC PROVISION DEPR-TRANSPORTATION	\$	(3,826,034.59)
108730	ACC PROVISION DEPR STORES EQUIPMENT	\$	(133,251.21)
108740	ACC PROV DEPR-SHOP & GARAGE EQUIP	\$	(237,926.25)
108741	ACC PROVISION DEPR-TOOLS-WORK EQUIP	\$	(360,590.16)
108750	ACC PROVISION DEPR-LABORATORY EQUIP	\$	(421,440.04)
108760	ACC PROV DEPR-POWER OPERATED EQUIP	\$	(454,188.07)
108761	ACC PROVISION DEPR-ROW EQUIPMENT	\$	(215,481.90)
108770	ACC PROVISION DEPR-COMM EQUIPMENT	\$	(941,448.45)
108780	ACC PROVISION DEPR-MISC EQUIPMENT	\$	(341,425.43)
108800	KENERGY RETIREMENT WORK ORDERS	\$	59,040.66
108810	CONTRACTOR RETIREMENT WORK ORDERS	\$	1,638.40
111000	ACCUMULATED AMORT ELEC UTILITY PLT	\$	(15,540.12)

121000	NONUTILITY PROPERTY	\$	31,626.99
121100	HOME SECURITY CPU	\$	2,847.32
121200	LIFEGARD UNITS	\$	3,617.30
121300	POINT-TO-POINT FIBER SERVICE ASSETS	\$	8,962.33
121400	ALL ASSETS RELATED TO WIRELESS ISP	\$	49,973.20
122000	ACCUM PROVISION FOR NONUTILITY PRTY	\$	(26,718.83)
122100	DEPR RESERVE FOR HOME SECURITY	\$	(2,758.58)
122200	DEPR RESERVE FOR LIFEGARD UNITS	\$	(3,617.30)
122300	DEPRECIATION-POINT-TO-POINT FIBER	\$	(3,450.99)
122400	DEPRECIATION ON ASSETS RELATED-ISP	\$	(44,454.76)
123100	INV ASS ORG BIG RIVERS CAP CREDITS	\$	-
123101	CONTRA-ACCOUNT TO 123.100	\$	-
123110	INV ASS ORG OTHERS CAP CREDITS	\$	724,898.22
123220	INVESTMENT-CAP TERM CERTIFICATE CFC	\$	1,333,063.00
123221	INVESTMENT-CTC'S-CFC	\$	961,864.70
123222	CTC'S CFC 3% LOAN	\$	233,950.00
123223	CTC CFC NON-INTEREST BEARING	\$	-
123230	OTHER INVEST'S ASSOC ORGANIZATIONS	\$	1,025.00
123233	INVESTMENT PCB CERTIFICATE	\$	5,000.00
123234	RECIPROCAL CONTRIBUTION-FEDERATED	\$	212,355.00
124100	INVESTMENT-COBANK	\$	1,658,601.39
124210	INVEST-ECONOMIC DEV-RDK HOSPITALITY	\$	100,023.13
124220	ECO DEV LOAN-FRESH MEAL SOLUTIONS	\$	404,166.63
124230	ECONOMIC DEV-LIBERTY PLAZA	\$	108,278.55
124240	ECO DEV LOAN-LITTLE KY SMOKEHOUSE	\$	304,166.55
124250	ECONOMIC DEV - DAPCO	\$	53,693.85
124270	ECONOMIC DEV LOAN-SCOTT FOAM TECH	\$	170,833.11
124280	ECO LOAN-WEST KY REG IND DEV AUTHOR	\$	299,999.88
124290	ECONOMIC DEV LOAN-LITTLE KY SMOKEHO	\$	514,351.87
124400	INVEST-OHIO CO INDUSTRIAL DEVELOP	\$	1,500.00
124500	INV-DAVISS CO INDUSTRIAL FOUNDATIO	\$	5,000.00
124510	INV-HANCOCK CO INDUSTRIAL FOUNDATIO	\$	100.00
124600	ERC LOAN RECEIVABLE	\$	9,224.74
128000	OTHER SPECIAL FUNDS (DEF. COMP.)	\$	1,268,540.66
131110	CASH-GENERAL FUND-US BANK	\$	(33,009.68)
131111	CASH-PAYROLL ACCOUNT-US BANK	\$	12,323.22
131112	CASH-CAPITAL CREDIT ACCOUNT-US BANK	\$	1,637.88
131113	CASH-SECTION 125 MED ACCT-US BANK	\$	18,210.84
131114	CASH-CONSTRUCTION FUND-US BANK	\$	-
131115	CASH-MARION BANK AND TRUST	\$	26,649.73
131125	CASH-OHIO VALLEY NATIONAL BANK	\$	8,972.28
131135	CASH-MORGANFIELD NATIONAL BANK	\$	3,000.00
131145	CASH-DIXON BANK	\$	3,941.10
131150	CASH CAPITAL CREDITS-AREA BANK	\$	351.51
131155	CASH-OLD NATIONAL BANK-MMKT	\$	1,633.10
131175	CASH-FIFTH THIRD BANK-HENDERSON	\$	2,192.19
131180	CASH GEN FUND COMMONWEALTH COMM BK	\$	26,566.73
131185	CASH-OLD NATIONAL BANK	\$	(150.24)
131400	CASH TRANSFERS	\$	-
135000	WORKING FUNDS-PETTY CASH-ETC	\$	7,150.00
136000	TEMPORARY CASH INVESTMENTS	\$	7,473,880.76
142101	ACCTS REC-CYCLE 1 (BILLED ON 1ST)	\$	44,920.79

142103	ACCTS REC-CYCLE 3 (BILLED ON 3RD)	\$	54,237.49
142106	ACCTS REC-CYCLE 6 (BILLED ON 6TH)	\$	71,596.43
142108	ACCTS REC-CYCLE 8 (BILLED ON 8TH)	\$	96,455.65
142110	ACCTS REC-CYCLE 10(BILLED ON 10TH)	\$	69,429.74
142113	ACCTS REC-CYCLE 13 (BILLED ON 13TH)	\$	195,345.01
142115	ACCTS REC-CYCLE 15(BILLED ON 15TH)	\$	205,290.42
142117	ACCTS REC-CYCLE 17(BILLED ON 17TH)	\$	279,101.62
142120	ACCTS REC-CYCLE 20(BILLED ON 20TH)	\$	320,889.28
142121	ACCTS REC-CYCLE 21 (BILLED ON 21ST)	\$	290,188.63
142124	ACCTS REC-CYCLE 24 (BILLED ON 24TH)	\$	565,200.35
142127	ACCTS REC-CYCLE 27 (BILLED 27TH)	\$	546,461.70
142130	ACCTS REC-PAYMENT VOUCHERS-LIHEAP	\$	14,568.57
142150	CONSUMER A/R ELECTRIC DISCONNECT	\$	268,472.92
142160	ACC-REC COMMONWEALTH ALUMINUM	\$	460,905.41
142165	ACCTS REC-HOPKINS CO COAL	\$	7,013.87
142170	ACC-REC WEYERHAEUSER	\$	566,344.73
142171	ACCTS REC-DYSON CREEK MINE	\$	1,537.85
142175	ACCOUNTS REC-ALCAN	\$	9,100,623.72
142177	ACCTS REC-ARMSTRONG COAL CO	\$	11,225.20
142180	ACC-REC CENTURY	\$	11,986,334.17
142181	ACCT REC-ACCURIDE	\$	88,720.04
142184	ACCTS REC-ALLIED RESOURCES	\$	103,837.67
142186	ACCT REC-DOTIKI	\$	16,461.15
142187	ACCT REC-TYSON	\$	182,244.73
142188	ACCT REC-KBI ALLOYS	\$	31,837.94
142190	ACC-REC ALCOA AUTO CASTINGS	\$	17,964.77
142191	ACCT REC-KMMC L L C	\$	51,944.08
142192	ACCT REC-PATRIOT COAL	\$	88,076.08
142193	ACCT REC-CARDINAL RIVER RESOURCES	\$	607.70
142194	ACC-REC ROLL COATER	\$	57,314.92
142195	ACC-REC KIMBERLY CLARK	\$	696,436.24
142196	ACC-REC OHIO COUNTY COAL	\$	-
142197	ACCT REC-MIDWAY MINE AND PREP PLANT	\$	1,266.20
142198	ACCT REC-VALLEY GRAIN	\$	36,721.67
142200	CUSTOMER ACCOUNTS RECEIVABLE	\$	723,842.62
142210	CONSUMER A/R RETURNED CHECKS	\$	219.00
142250	A/R-SURGE PROTECTION PROGRAM	\$	585.00
142270	ACCTS REC-POINT-TO-POINT FIBER SERV	\$	-
142290	ACCTS REC-WIRELESS ISP	\$	-
143000	ACCOUNTS RECEIVABLE - EMPLOYEES	\$	2,141.12
143100	ACCOUNTS RECEIVABLE - OTHER	\$	74,753.65
143200	ACCOUNTS REC-COBANK	\$	120,270.11
143300	ACCOUNTS RECEIVABLE-OMU	\$	-
143400	OTHER A/R-EMPLOYEE CONTRIBUTIONS	\$	(1,252.44)
143500	ACCTS REC-LABOR-TOWER ATTACHMENTS	\$	-
143600	ACCTS REC-CUSTOMER BILLINGS	\$	-
143700	ACCTS REC-CONSUMER OWNED FACILITIES	\$	-
144100	ACC PROV-UNCOLL ACCTS-BANKRUPTCY	\$	(1,660,132.32)
144101	UNCLAIMED CONSUMER DEPOSITS	\$	(5,353.68)
144102	UNCLAIMED CONSUMER ADVANCE PAYMENTS	\$	(38,751.93)
144110	ACC PROVISION UNCOLL CONS ACCTS	\$	1,521,004.97
144111	ACC. PROV. FOR UNCOLL.-COLLECT FEES	\$	50,048.64

146000	A/R BIG RIVERS ELECTRIC CORP	\$	149,287.50
146100	A/R-BREC INCENTIVE PROGRAM	\$	25,765.00
154000	MATERIAL-SUPPLIES-ELECTRIC	\$	891,150.03
154001	INVENTORY-OPEN STOCK	\$	-
154010	INVENTORY-COPPER WIRE	\$	11,478.62
154100	SPARE SUBSTATION EQUIPMENT	\$	189,031.66
154200	GARAGE INVENTORY ACCOUNT	\$	-
155000	MATERIALS FOR GT SYSTEMS	\$	36,386.74
155200	INVENTORY-SURGE PROTECTORS	\$	1,375.76
156000	OTHER MATERIALS AND SUPPLIES	\$	-
163000	STORES EXPENSE - UNDISTRIBUTED	\$	-
163100	STORES CLEARING - SPREAD ITEMS	\$	62.63
165100	PREPAYMENTS - INSURANCE	\$	101,219.50
165120	PREPAID INSURANCE-WORKERS COMP	\$	(14,030.00)
165200	PREPAYMENTS - OTHER	\$	164,543.86
165210	PREPAYMENTS - PENSION TRUST FUND	\$	-
165220	PREPAYMENTS - EMPLOYEE INSURANCE	\$	-
171000	INTEREST DIVIDENDS RECEIVABLE	\$	23,971.69
171100	ERC INTEREST RECEIVABLE	\$	23.20
173000	ACCRUED UTILITY REVENUES	\$	7,971,562.68
182300	OTHER REGULATORY ASSETS	\$	-
183100	LONG RANGE PLAN	\$	-
183200	WORK PLAN 2004-2006	\$	-
183500	WORK PLAN 2007-2010	\$	59,898.12
184100	TRANSPORTATION EXPENSE CLEARING	\$	-
184407	PROPERTY TAXES CLEARING ACCT	\$	-
184408	PAYROLL TAXES-CLEARING ACCOUNT	\$	-
184409	PSC TAXES-CLEARING ACCOUNT	\$	-
184924	BUSINESS LIABILITY INS-CLEARING	\$	-
184926	HEALTH, LIFE DISAB INS-CLEARING ACC	\$	-
184927	PENSION PLANS-CLEARING ACCT	\$	-
186000	DEFERRED DEBIT-EMERG TRANSF PROGRAM	\$	-
186110	POWER COST PREPMT/ENGY DEFERRED PMT	\$	-
186200	PAST SERVICE PENSION COSTS-NRECA	\$	-
186210	PENSION-DEFINED BEN(FORMER GR & HU)	\$	169,000.00
200100	MEMBERSHIPS ISSUED (\$5.00)	\$	(226,165.00)
200110	MEMBERSHIPS ISSUED (\$25.00)	\$	(14,845.00)
201100	PATRONS CAPITAL CREDITS- (MEMBERS)	\$	(35,619,332.93)
201101	PATRONS CAP CREDIT-FORMER HUEC D/S	\$	(3,648,910.23)
201102	PATRONS CAP CREDIT-FORMER GREC D/S	\$	(6,622,610.63)
201103	PATRONS CAP CREDIT-KENERGY D/SERVES	\$	(4,139,212.41)
201110	PATRONS CAPITAL CREDITS (NON-MEMBER	\$	(269,340.86)
201120	MEMBER-OTHER SERVICES	\$	21,047.01
201200	PATRONAGE CAPITAL ASSIGNABLE	\$	1,648,013.54
201201	PATRONAGE CAPITAL - PRIOR YEARS	\$	-
208000	DONATED CAPITAL-OWENSBORO	\$	(11,961.06)
208100	DONATED CAPITAL-HENDERSON	\$	(7,844.57)
217000	RETIRED CAPITAL CREDITS-GAIN-OBORO	\$	(3,130,044.35)
217100	RETIRED CAPITAL CREDITS GAIN-HENDER	\$	-
217200	DECEASED MEMBERS RETAINED CAPITAL	\$	(333,371.71)
219100	OPERATING MARGINS	\$	(78,650.91)
219200	NON-OPERATING MARGINS	\$	(338.50)

219400	OTHER MARG & EQUITIES-PRIOR PERIODS	\$	-
219500	OTHER COMPREHENSIVE INCOME	\$	533,000.00
224140	OTHER L T DEBT - MISCELLANEOUS	\$	(21,546,497.16)
224150	NOTES EXECUTED-OTHER DEBT	\$	-
224160	RUS ECONOMIC DEV LOAN-FRESH MEAL SO	\$	(354,166.59)
224165	ECO DEV LOAN-LITTLE KY SMOKEHOUSE	\$	(254,166.51)
224170	RUS-ECONOMIC DEV LOAN-RDK HOSPITALI	\$	(50,023.09)
224175	RUS-ECONOMIC DEV LOAN-SCOTT FOAM TE	\$	(120,833.07)
224180	RUS ECONOMIC DEV LOAN-LIBERTY PLAZA	\$	(58,278.51)
224185	ECO DEV LOAN-WEST KY REG IND DEV	\$	(249,999.84)
224190	RUS ECONOMIC DEV LOAN-DAPCC	\$	(31,471.65)
224195	ECONOMIC DEV LOAN-LITTLE KY SMOKEHO	\$	(453,240.79)
224300	L T DEBT RUS NOTES EXECUTED 2%	\$	-
224330	LT DEBT-RUS NOTES EXEC VARIOUS RATE	\$	(57,440,650.54)
224350	RUS NOTES EXECUTED-5% (WEST)	\$	(16,902,625.36)
224370	FEDERAL FINANCING BANK-NOTES EXECUT	\$	(20,281,023.37)
224380	RUS TREASURY LOAN-NOTES EXECUTED	\$	(26,980,033.78)
224400	RUS NOTES EXECUTED-CONST DEBT	\$	-
224470	L T DEBT-FEDERAL FINANCING BANK	\$	-
224480	LT DEBT-RUS TREASURY LOAN	\$	5,162,500.00
224500	INTEREST ACCRUED DEFERRED RUS NOTES	\$	-
224600	RUS ADVANCED PAYMENTS UNAPPLIED	\$	10,003,531.48
228100	ACCRUED LEAVE-K WEST EMPLOYEES	\$	(464,486.29)
228200	POST RETIREMENT HEALTH INS-HEADQTRS	\$	-
228250	POST RET HEALTH BENEFITS-DIRECTORS	\$	(17,259.02)
228300	POST RETIREMENT HEALTH INS-OBORO	\$	-
228310	HEALTH INSURANCE-2001 RETIREES	\$	-
228320	HEALTH INSURANCE-LTD EMPLOYEES	\$	-
228330	ADDITIONAL MINIMUM LIABILITY-PENSIO	\$	(533,000.00)
228340	PENSION-DEFINED BEN(FORMER GR EMP	\$	-
228400	ACCUM MISC OPERATING PROVISIONS	\$	(1,268,540.66)
231000	NOTES PAYABLE - SHORT TERM	\$	-
231100	NOTES PAYBALE-RUS/COBANK	\$	(4,609,292.52)
232100	ACCOUNTS PAYABLE GENERAL	\$	(28,723,075.66)
235000	CONSUMERS DEPOSITS-OWENSBORO	\$	(1,765,755.00)
235100	CONSUMER DEPOSIT-COMMONWEALTH	\$	-
235300	CONSUMER DEPOSIT-ACMI	\$	(15,000.00)
235500	CONSUMER DEPOSIT-ARMSTRONG COAL	\$	(24,000.00)
235600	CONSUMER DEPOSIT-HOPKINS CO COAL	\$	(2,700.00)
235700	CONSUMER DEPOSIT-CARDINAL RIVER	\$	(3,200.00)
235800	CONSUMER DEPOSIT-CENTURY ALUMINUM	\$	-
235900	DEPOSITS-PURCHASE POWER AGREEMENTS	\$	(43,207.00)
236100	ACCRUED PROPERTY TAXES	\$	(590.00)
236200	ACCRUED FED UNEMP TAXES	\$	-
236300	ACCRUED SOCIAL SECURITY TAXES-FICA	\$	(48,942.67)
236400	KY UMEMPLOYMENT INSURANCE TAX	\$	-
237100	INTEREST ACCRUED-REA CONSTRUCTION	\$	-
237200	INTEREST ACCRUED-COBANK	\$	(112,490.14)
237210	INTEREST ACCRUED-FEDERAL FINANACING	\$	-
237220	INTEREST ACCRUED-RUS TREASURY LOAN	\$	-
237300	INTEREST ACCR.-LINE OF CREDIT NOTES	\$	0.01
237400	ACC INT EXP-CONSUMER DEPOSITS-OBORO	\$	(51,376.08)

237420	ACCRUED INTEREST-COMMONWEALTH DEPOS	\$	-
237430	ACC INTEREST EXP-DEPOSIT-ARMSTRONG	\$	(1,050.56)
237440	ACCRUED INTEREST-ACMI (ALCOA)	\$	(831.12)
237450	ACCRUED INTEREST-CARDINAL RIVER	\$	(131.92)
237460	ACCRUED INTEREST EXP-HOPKINS CO COA	\$	(172.10)
238100	PATRONAGE CAPITAL PAYABLE	\$	-
241000	TAXES PAYABLE-SALES TAX	\$	(123,547.92)
241100	TAXES PAYABLE-U S INCOME TAX W/HELD	\$	-
241200	TAXES PAYABLE-KY INCOME TAX W/HELD	\$	(18,889.82)
241250	TAXES PAYABLE-INDIANA TAX W/HELD	\$	-
241300	TAXES PAYABLE-HANCOCK CO OCC TAX	\$	(1,236.66)
241310	OHIO CO OCCUPATIONAL TAX	\$	(677.42)
241320	CALDWELL COUNTY OCCUPATIONAL TAX	\$	(261.36)
241330	MARION OCCUPATIONAL TAX	\$	(765.56)
241340	MCLEAN COUNTY OCCUPATIONAL TAX	\$	(476.35)
241350	ACCRUED GROSS REVENUE TAX-CRITTENDE	\$	(5,433.92)
241360	ACCRUED GROSS REV TAX-UNION COUNTY	\$	-
241370	DAVISS CO OCCUPATIONAL TAX	\$	-
241380	UNION CO OCCUPATIONAL TAX	\$	(139.03)
241390	CITY OF OWENSBORO OCCUPATIONAL TAX	\$	-
241395	CITY OF HENDERSON-OCCUPATIONAL TAX	\$	-
241400	TAXES PAYABLE-OHIO CO UTILITY	\$	(11,042.77)
241450	ACCRUED GROSS REVENUE TAX-CALDWELL	\$	(3,166.87)
241500	TAXES PAYABLE-HANCOCK CO UTILITY	\$	(12,448.40)
241550	ACCRUED GROSS REVENUE TAX-UNION CO	\$	(7,183.25)
241600	TAXES PAYABLE-DAVISS CO UTILITY	\$	(60,417.34)
241650	ACCRUED GROSS REV TAX-LIVINGSTON	\$	(18.06)
241700	TAXES PAYABLE-MCLEAN CO UTILITY	\$	(10,645.50)
241750	ACCRUED GROSS REV TAX-PROVIDENCE	\$	(7.10)
241800	TAXES PAYABLE-HENDERSON CO UTILITY	\$	(27,989.92)
241850	ACCRUED GROSS REVENUE TAX-LYON CO	\$	(3,442.60)
241870	TAXES PAYABLE-BRECKENRIDGE CO	\$	(6.36)
241900	TAXES PAYABLE-WEBSTER CO UTILITY	\$	(16,317.95)
241950	TAXES PAYABLE - HOPKINS CO. UTILITY	\$	2.49
241970	TAXES PAYABLE-OWENSBORO FRANCHISE	\$	(18,104.72)
242200	ACCRUED PAYROLL	\$	(175,592.86)
242210	PAYROLL DEDUCTION-UNITED FUND	\$	(50.00)
242220	PAYROLL DEDUCTION-CREDIT UNION	\$	-
242230	PAYROLL DED-SURE CONTRUBUTION	\$	(975.00)
242240	PAYROLL DED-CANCER & LIFE INS	\$	(307.06)
242250	PAYABLE-DEFINED CONTR PENSION PLAN	\$	(11,452.33)
242260	401K LOAN REPAYMENT	\$	(1,216.63)
242270	SECTION 125 PREMIUM	\$	-
242280	SECTION 125 MEDICAL SAVINGS	\$	(11,569.24)
242300	ACCRUED VACATION	\$	(660,649.82)
242320	ACCRUED LEAVE	\$	-
242410	WINTERCARE PAYABLE	\$	(289.96)
242500	OTHER CURRENT/ACCRUED LIABILITIES	\$	-
242700	ACCRUED NRECA DUES	\$	-
252000	CONSUMER ADV FOR CONST-MOBILE HOMES	\$	(84,139.70)
252100	CONSUMER ADV FOR CONST-TEMP SERVICE	\$	(580,945.35)
252200	CUSTOMER CONTRIBUTIONS-NEW LINE	\$	(76,164.72)

253000	ADVANCE JOINT-USE RENTAL	\$	-
253100	CONSUMER ACCOUNT CR BALANCES-REFUND	\$	-
253120	UNREDEEMED GIFT CERTIFICATES	\$	(358.56)
253150	CONSUMER CLEARING ACCOUNT-OTHER	\$	-
253200	OTHER DEFERRED CREDITS-BREC ECO DEV	\$	-
253250	DEFERRED CREDIT-BREC HANSON LEASE	\$	-
253300	OTHER DEFERRED CREDITS-SPECIAL EQP	\$	(29,425.84)
302000	FRANCHISES AND CONSENTS	\$	19,355.24
360000	DIST PLANT-LAND AND LAND RIGHTS	\$	44,267.64
360100	DIST PLANT-LAND AND LAND RIGHTS	\$	857,934.74
362000	DIST PLANT-STATION EQUIPMENT	\$	18,758,962.70
362100	DIST PLANT-SUPERVISORY CONTROL EQP	\$	1,931,793.73
362200	MICROWAVE SYSTEM-EQUIPMENT	\$	2,077,293.50
362223	MICROWAVE SYSTEM TOWERS	\$	1,354,846.47
362400	DIST PLANT-OWENSBORO FIBER	\$	915,008.80
364000	DIST PLANT-POLES-TOWERS-FIXTURES	\$	61,856,997.63
365000	DIST PLANT-OVERHEAD CONDUCTORS	\$	46,941,867.21
366000	UNDERGROUND CONDUIT	\$	14,166.24
367000	DIST PLANT-UNDERGROUND CONDUCTORS	\$	11,665,566.08
368000	DIST PLANT-LINE TRANSFORMERS	\$	28,007,724.97
369000	DIST PLANT-SERVICES	\$	19,624,667.30
370000	DIST PLANT-METERS	\$	5,020,733.65
371000	DIST PLANT-INSTALLED ON CONSUMER	\$	3,065,305.87
373000	DIST PLANT-STREET&SIGNAL SYSTEMS	\$	705,641.64
389000	GEN PLANT-LAND & LAND RIGHTS	\$	469,363.28
390000	GEN PLANT-STRUCTURES & IMPROVEMENTS	\$	6,890,891.37
390100	STRUCTURES & IMPROVEMENTS-MARION	\$	184,868.88
390200	STRUCTURES & IMPROVEMENTS-STRUGIS	\$	39,350.59
391000	GEN PLANT-OFFICE FURN & FIXTURES	\$	737,227.41
391100	COMPUTER AND RELATED EQUIPMENT	\$	454,873.84
391110	COMPUTER SOFTWARE	\$	3,228.65
391150	FIBER OPTIC EQUIPMENT	\$	37,163.56
392000	GEN PLANT-TRANSPORTATION EQUIPMENT	\$	6,964,942.32
392100	GEN PLANT-R.O.W. TRANS EQUIPMENT	\$	-
393000	GEN PLANT-STORES EQUIPMENT	\$	181,594.77
394000	GEN PLANT-SHOP & GARAGE EQUIPMENT	\$	414,487.00
394100	GEN PLANT-TOOLS & WORKING EQUIPMENT	\$	558,535.44
394200	GEN PLT - ROW TOOLS & WORKING EQUIP	\$	59,742.07
395000	GEN PLANT-LABORATORY EQUIPMENT	\$	613,451.41
395100	LABORTORY EQUIPMENT-MICROWAVE SYS	\$	44,940.55
395200	FIBER OPTIC TEST EQUIPMENT	\$	21,953.11
396000	GEN PLANT-POWER OPERATED EQUIPMENT	\$	183,372.47
396100	GEN PLANT-RIGHT-OF-WAY EQUIPMENT	\$	315,325.08
396200	GEN PLANT-POWER OPERATED EQUIPMENT	\$	254,041.57
396300	GEN PLANT-TRACK VEHICLES	\$	130,395.07
397000	GEN PLANT-COMMUNICATION EQUIPMENT	\$	1,217,978.44
397100	GEN PLT-COMM EQUIP UNDER CAP LEASE	\$	799.05
397200	GENERAL PLANT-FIBER OPTIC SONET	\$	485,546.49
398000	GEN PLANT-MISCELLANEOUS EQUIPMENT	\$	187,917.79
398100	GEN PLANT-GIS EQUIPMENT	\$	375,482.02
403220	GENERAL PLANT DEPRECIATION-CLASS A	\$	-
403230	GENERAL PLANT DEPRECIATION-CLASS B	\$	-

403240	GENERAL PLANT DEPRECIATION-CLASS C	\$	-
403250	DEPRE-DIST PLANT-CLASS C	\$	28,826.21
403600	DEPRECIATION EXP-DISTRIBUTION PLANT	\$	6,998,657.72
403700	DEPRECIATION EXP-GENERAL PLANT	\$	387,594.28
403710	DEPRECIATION-GENERAL PLT-BUILDINGS	\$	-
404000	AMORTIZATION LIMITED TERM ELEC PLT	\$	-
408120	PROPERTY TAXES-CLASS A	\$	290.24
408130	PROPERTY TAXES-CLASS B	\$	171.01
408140	PROPERTY TAXES-CLASS C	\$	716.39
408700	TAXES-OTHER	\$	-
408710	REGULATORY ASSESSMENT TAX	\$	78,613.08
408720	REGULATORY ASSESSMENT TAX-CLASS A	\$	169,347.90
408730	REGULATORY ASSESSMENT TAX-CLASS B	\$	22,228.38
408740	REGULATORY ASSESSMENT TAX-CLASS C	\$	10,871.94
409100	INCOME TAX EXPENSE	\$	13,063.92
415000	REVENUES FROM GEOTHERMAL	\$	(208,256.90)
415600	REVENUES-SURGE PROTECTOR SALES	\$	-
415601	REVENUE-SURGE PROTECTORS LEASED	\$	(16,075.00)
416000	COSTS & EXPENSES-GEOTHERMAL	\$	186,338.46
416100	GENERAL MERCHANDISING ACTIVITIES	\$	(607.83)
416600	COST & EXPENSES - SURGE PROTECTORS	\$	12,059.07
417000	REVENUES-NON UTILITY OPS	\$	-
417002	REVENUE-INTERNET-LOCAL/LONG DISTANC	\$	(37,813.38)
417006	POINT-TO-POINT FIBER SERVICE-REVENU	\$	-
417007	REVENUE-WIRELESS ISP	\$	(17.07)
417100	EXPENSES-NON UTILITY OPS	\$	(14.59)
417102	EXPENSES-INTERNET-LOCAL/LONG DISTAN	\$	1,002.99
417105	EXPENSES-HOME SECURITY	\$	286.08
417106	EXPENSES-POINT TO POINT FIBER SERV	\$	-
417107	EXPESES-WIRELESS ISP	\$	12,648.13
418100	EQUITY IN EARNINGS OF SUBSIDIARY	\$	-
419000	INTEREST-DIVIDEND INCOME	\$	(888,912.76)
419100	INTEREST-COMMONWEALTH DEPOSIT	\$	(39,317.08)
419300	ERC INTEREST INCOME	\$	(340.14)
421000	MISC NON-OPERATING INC-DEDUCTIONS	\$	(826.60)
421100	GAIN ON DISPOSITION OF PROPERTY	\$	(27,520.95)
421200	LOSS ON DISPOSITION OF PROPERTY	\$	26,982.87
421220	NON-OPERATING INCOME CLASS A	\$	-
421230	NON-OPERATING INCOME CLASS B	\$	-
421240	NON-OPERATING INCOME CLASS C	\$	-
423000	G AND T COOP CAPITAL CREDITS	\$	-
423100	CONTRA-ACCOUNT G & T CAPITAL CR	\$	-
424000	OTHER CAPITAL CR ALLOCATIONS	\$	(275,696.31)
426100	OTHER INCOME DEDUCTIONS-DONATIONS	\$	53,038.30
426400	MISC INC DED-EXP FOR CIVIC POL ACT	\$	2,162.50
426500	MISC INC DED-OTHER DEDUCTIONS	\$	420.21
427100	INTEREST ON REA CONSTRUCTION LOAN	\$	2,672,425.29
427125	INTEREST RUS-CLASS C	\$	46,493.96
427200	INTEREST -LONG TERM DEBT-CFC	\$	(5,642.47)
427210	INTEREST ON COBANK LOANS	\$	1,316,157.75
427220	INTEREST-FEDERAL FINANCING BANK	\$	1,020,376.61
427230	INTEREST-RUS TREASURY LOAN	\$	726,340.70

427300	INTEREST ON CWIP	\$	(73,029.22)
431000	INTEREST EXP - CONSUMER DEPOSITS	\$	100,460.77
431100	INTEREST EXPENSE-SHORT TERM LOANS	\$	63,515.96
431200	INTEREST EXPENSE-COMMONWEALTH DEPOS	\$	44,875.74
431300	INTEREST EXPENSE-ARMSTRONG COAL	\$	1,050.56
431400	INTEREST EXPENSE-ACMI (ALCOA)	\$	901.14
431500	INTEREST EXPENSE-CARDINAL RIVER	\$	193.05
431600	INTEREST EXPENSE-HOPKINS CO COAL	\$	160.72
434000	EXTRAORDINARY INCOME	\$	-
435000	EXTRAORDINARY DEDUCTIONS	\$	-
435100	CUMULATIVE EFFECT ON PRIOR YEARS	\$	-
440000	CONSOLIDATION CREDIT	\$	-
440100	REVENUE-RESIDENTIAL(EXCLUD SEASONAL	\$	(50,006,677.21)
440200	REVENUE-RESIDENTIAL-SEASONAL	\$	(35,037.45)
442100	REVENUE-COMMERCIAL-SINGLE PHASE	\$	(7,450,438.40)
442101	REV-COMMERCIAL-3PHASE-UNDER 1000KW	\$	(9,817,488.75)
442103	REVENUE-FORMER HUEC-PIONEER PLASTIC	\$	(32,171.98)
442200	REV-COMMERCIAL-3PHASE(OVER 1000KW)3	\$	(3,823,741.91)
442210	REVENUE-COMM-COMMONWEALTH ALUMINUM	\$	(5,845,937.86)
442219	REVENUE-ALCAN	\$	(108,247,344.93)
442220	REVENUE-INDUSTRIAL-WEYERHAEUSER	\$	(6,603,097.38)
442230	REVENUE-COMM-INDUSTRIAL-CENTURY	\$	(142,653,037.64)
442240	REVENUE-INDUSTRIAL ALCOA AUTO CAST	\$	(243,280.67)
442270	REVENUE-ARMSTRONG COAL CO	\$	(82,984.95)
442280	REVENUE-COMM- ROLL COATER	\$	(836,880.21)
442290	REVENUE-INDUSTRIAL-KIMBERLY CLARK	\$	(8,133,481.51)
442291	REVENUE-INDUSTRIAL-OHIO COUNTY COAL	\$	(46,565.13)
442298	REVENUE-MIDWAY MINE & PREP PLANT	\$	(1,159.74)
442801	REVENUE-ACCURIDE	\$	(1,160,394.39)
442804	REVENUE-ALLIED RESOURCES	\$	(1,049,184.85)
442805	REVENUE-HOPKINS CO COAL	\$	(81,759.50)
442806	REVENUE-DOTIKI #3	\$	(178,120.38)
442807	REVENUE-TYSON	\$	(2,335,408.36)
442808	REVENUE-KBI ALLOYS	\$	(398,182.45)
442809	REVENUE-LODESTAR ENERGY	\$	-
442810	REVENUE-KMMC L L C	\$	(632,155.26)
442811	REVENUE-PATRIOT COAL	\$	(997,942.46)
442812	REVENUE-CARDINAL RIVER RESOURCES	\$	(103,957.21)
442814	REVENUE-VALLEY GRAIN	\$	(430,105.18)
442817	REVENUE-DYSON CREEK MINE	\$	(51,258.87)
444000	REVENUE-PUBLIC STREET&HWY LIGHTS 5	\$	(219,014.45)
445000	REVENUE-PUBLIC AUTHORITIES-SINGLE P	\$	(734,640.99)
445100	REVENUE-PUBLIC AUTHORITIES-3PHASE	\$	(2,110,823.01)
450000	REVENUE-FORFEITED DISCOUNTS	\$	(474,402.15)
450220	FORFEITED DISCOUNTS-CLASS A	\$	-
450230	FORFEITED DISCOUNTS-CLASS B	\$	(505.40)
450240	FORFEITED DISCOUNTS-CLASS C	\$	(10,568.70)
451000	REVENUE-TURN-ON CHARGE	\$	(2,670.00)
451100	REVENUE-RECONNECT CHARGE	\$	(41,385.13)
451200	REVENUE-TERMINATION OR FIELD CONNEC	\$	(123,030.00)
451220	MISC SERVICE REVENUES-CLASS A	\$	-
451230	MISC SERVICE REVENUE-CLASS B	\$	-

451240	MISC SERVICE REVENUE-CLASS C	\$	-
451300	REVENUE-SPECIAL METER READING CHARG	\$	(182,640.00)
451400	REVENUE-METER TEST CHARGE	\$	(180.00)
451500	REVENUE-RETURNED CHECK CHARGE	\$	(12,815.00)
451600	REVENUE-UNNECESSARY TRIP BY S/MAN	\$	(850.00)
454000	REVENUE-RENT FROM BELL SOUTH ATTACH	\$	(506,868.66)
454100	REVENUE-RENTAL FROM TOWER LEASES	\$	(84,300.00)
454110	REVENUE-RENT FROM CABLE CO ATTACHME	\$	(64,040.48)
454120	REVENUE-FIBER LEASING	\$	(3,400.00)
454200	REVENUE-RENTAL PERSONAL PROPERTY	\$	(5,523.15)
454300	REVENUE-ERVIN CABLE	\$	(2,520.00)
456000	KY SALES TAX RETURN COMPENSATION	\$	(15,803.11)
555000	PURCHASED POWER RURAL	\$	43,288,339.81
555101	PURCHASED POWER-ACCURIDE	\$	1,051,907.67
555104	PURCHASED POWER-ALLIED RESOURCES	\$	971,364.43
555105	PURCHASED POWER-HOPKINS CO COAL	\$	73,558.75
555106	PURCHASED POWER-DOTIKI #3	\$	159,561.06
555107	PURCHASED POWER-TYSON	\$	2,028,158.89
555108	PURCHASED POWER-KBI ALLOYS	\$	371,437.81
555109	PURCHASED POWER-LODESTAR ENERGY	\$	77,578.89
555110	PURCHASED POWER-KMMC L L C	\$	588,715.26
555111	PURCHASED POWER-PATRIOT COAL	\$	922,672.91
555112	PURCHASED POWER-CARDINAL RIVER RES	\$	97,442.98
555114	PURCHASED POWER-VALLEY GRAIN	\$	371,353.89
555117	PURCHASED POWER-DYSON CREEK MINE	\$	49,470.42
555200	PURCHASED POWER-COMMONWEALTH ALUM	\$	5,802,708.58
555300	PURCHASED POWER-WEYERHAEUSER	\$	6,489,310.39
555400	PURCHASED POWER-LEM-CENTURY	\$	73,828,333.80
555401	PURCHASED POWER-BREC-CENTURY	\$	68,602,972.73
555402	PURCHASED POWER-SIGECO-CENTURY	\$	-
555403	PURCHASED POWER-CONSTELLATION ENERG	\$	-
555500	PURCHASED POWER---ALCOA AUTO CASTIN	\$	239,154.83
555600	PURCHASED POWER-LEM-ALCAN	\$	52,790,734.99
555601	PURCHASED POWER-CINERGY-ALCAN	\$	11,989.56
555602	PURCHASED POWER-SIGECO-ALCAN	\$	-
555603	PURCHASED POWER-BREC-ALCAN	\$	55,275,602.31
555604	PURCHASED POWER-HENDERSON MUNICIPAL	\$	-
555900	PURCHASED POWER- ROLL COATER	\$	768,781.62
555950	PURCHASED POWER-KIMBERLY CLARK	\$	8,072,515.57
555960	PURCHASED POWER-OHIO COUNTY COAL	\$	44,187.03
555970	POWER COST-MIDWAY MINE & PREP PLANT	\$	1,033.49
580000	DISTRIBUTION-EXP-OPS-SUPERVISION	\$	-
581000	LOAD DISPATCHING & VOLTAGE CONTROL	\$	-
582000	DISTRIBUTION-EXP-OPS STATION EXP	\$	230,619.24
582200	DIST EXP OPR - MICROWAVE SYSTEM	\$	20,652.55
583000	DISTRIBUTION-EXP-OPS OVERHEAD LINE	\$	1,306,880.80
583100	OPERATION OVERHEAD LINES-MAJOR STOR	\$	-
583200	OVERHEAD LINE EXP-SPECIAL EQUIPMENT	\$	-
583300	OVERHEAD LINE EXP-PCB INSPECTIONS	\$	-
583400	PSC LINE PATROL	\$	-
583500	OSMOSE POLE INSPECTION-COOP LABOR	\$	-
584000	DISTRIBUTION-EXP-OPS-UNDERGROUND	\$	80,307.09

584200	UNDERGROUND LINE EXP-SPECIAL EQUIP	\$	-
584400	PSC LINE PATROL-UNDERGROUND	\$	-
586000	DISTRIBUTION-EXP-OPS METERS	\$	523,610.65
586100	DISTRIBUTION EXP-OPS SPECIAL TEST	\$	-
587000	DIST EXP-OPS CONSUMER INSTALLATION	\$	24,068.38
588000	DIST EXP-OPS MISCELLANEOUS DIST	\$	1,711,392.13
588100	DIST EXP-OPS STORM DAMAGE-DISPATCH	\$	-
588200	DIST EXP-OPS STORM DAMAGE-PHONES	\$	-
590000	DIST EXP-MAIN-SUPERVISION-ENG	\$	-
592000	DIST EXP-MAIN-STATION EQUIPMENT	\$	436,840.35
592100	DIST EXP-MAIN-SUPERVISORY CONTROL	\$	111,770.91
592200	DIST EXP MAIN-MICROWAVE SYSTEM	\$	60,611.37
592250	DIST EXPENSE-STATION EQUIP-CLASS C	\$	27,896.34
593000	DIST EXP-MAIN-OVERHEAD LINES	\$	2,621,465.29
593200	DIST EXP-MAIN-STORM DAMAGE	\$	-
593250	DIST EXPENSE-OVERHEAD LINE-CLASS C	\$	27,896.34
593300	MAINTENANCE OF OVERHEAD LINES-ROW	\$	3,896,169.72
593400	REPAIRS/PSC LINE PATROL	\$	-
593500	DIST EXP-MAIN-OVERHD LINES CREW 50	\$	-
593600	DIST EXP-MAIN-OVERHD LINES CREW 55	\$	-
593700	DIST EXP-MAIN-OH LINES TEMP CREWS	\$	-
594000	DIST EXP-MAIN-UNDERGROUND LINES	\$	401,959.35
595000	DIST EXP-MAIN-LINE TRANSFORMERS	\$	105,471.36
596000	DIST EXP-MAIN-ST LIGHTS-SIGNALS	\$	128,233.36
597000	DIST EXP-MAIN-METERS	\$	140,370.09
598000	DIST EXP-MISC DISTRIBUTION PLT	\$	188,341.76
901000	CONSUMER ACC EXP-OPS SUPERVISION	\$	-
902000	CONS ACC EXP-OPS ANN METER READING	\$	-
902100	CONSUMER ACC EXP-OPS METER READING	\$	-
902220	METER READING-CLASS A	\$	-
902230	METER READING-CLASS B	\$	-
902240	METER READING- CLASS C	\$	-
903000	CONSUMER ACC EXP-OPS RECORD-COLLECT	\$	2,659,785.00
903100	CONSUMER ACC EXP-OPS RECORD COLLECT	\$	-
903200	DATA PROCESSING EXPENSE	\$	-
903220	BILLING-CLASS A	\$	96.90
903230	BILLING-CLASS B	\$	145.29
903240	BILLING-CLASS C	\$	681.82
904000	CONSUMER ACC EXP-OPS UNCOLLECT-ACCT	\$	142,371.90
904220	BAD DEBT-CLASS A	\$	-
904230	BAD DEBT-CLASS B	\$	-
904240	BAD DEBT-CLASS C	\$	-
907000	ADM/CONSUMER SVC AND INFOR. EXP.	\$	-
908000	CUSTOMER ASSISTANCE EXPENSE	\$	245,770.78
908100	CUSTOMER ASSIST EXP-RCS AUDIT	\$	-
908200	CUSTOMER ASST EXP-CACS AUDIT	\$	-
908220	CUSTOMER ASSISTANCE-CLASS A	\$	-
908240	CUSTOMER ASSISTANCE-CLASS C	\$	-
908300	GREC REBATES - WATER HEATERS	\$	-
908400	CUSTOMER ASSISTANCE-KEY ACCOUNTS	\$	-
909000	INFORMATIONAL ADVERTISING	\$	-
909100	INFORMATION & ADVER EXP-RCS PROGRAM	\$	-

909200	INFORMATION & ADV EXP-CACS PROGRAM	\$	-
909300	INFORMATION & ADV - WATER HEATER	\$	-
910000	MISC CUSTOMER SERVICE & INFO EXP	\$	(24.76)
910100	MISC CUSTOMER SERV EXPENSE-RCS PROG	\$	-
910200	MISC CUSTOMER SERV EXP-CACS PROGRAM	\$	-
910300	COST AND EXPENSES - WATER HEATERS	\$	-
912000	DEMONSTRATING AND SELLING EXPENSE	\$	67,058.64
913000	MEMBER AND PUBLIC RELATION EXPENSES	\$	-
913220	C & I PROGRAM-CLASS A	\$	14.07
913230	C & I PROGRAM-CLASS B	\$	21.11
913240	C & I PROGRAM-CLASS C	\$	99.20
920000	ADM-GEN EXP-OPS-EXECUTIVE SALARY	\$	1,461,168.78
920100	ADM-GEN EXPENSE-OPS-STAFF SALARIES	\$	-
920200	ADM-GEN EXPENSE-OPS-GEN OFF SALARY	\$	-
920220	DIRECT MANAGEMENT LABOR-CLASS A	\$	28,955.34
920221	ALLOCATED GEN MANAGEMENT-CLASS A	\$	1,627.55
920222	EMPLOYEE TRAINING & OTHER CLASS A	\$	-
920230	DIRECT MANAGEMENT LABOR-CLASS B	\$	5,092.43
920231	ALLOCATED GEN MANAGEMENT-CLASS B	\$	449.04
920232	EMPLOYEE TRAINING & OTHER CLASS B	\$	-
920240	DIRECT MANAGEMENT LABOR-CLASS C	\$	21,553.92
920241	ALLOCATED GEN MANAGEMENT-CLASS C	\$	1,965.89
920242	EMPLOYEE TRAINING & OTHER-CLASS C	\$	-
920300	ADM-GEN EXPENSE-OPS-OFFICE SALARIES	\$	-
921000	ADM-GEN EXPENSE	\$	122,520.36
921220	OFFICE EQUIP/SUPPLIES CLASS A	\$	1,668.64
921221	PRINTING CLASS A	\$	-
921230	OFFICE EQUIP/SUPPLIES CLASS B	\$	850.56
921231	PRINTING CLASS B	\$	-
921240	OFFICE EQUIP/SUPPLIES CLASS C	\$	3,150.36
921241	PRINTING CLASS C	\$	-
923000	OUTSIDE SERVICES - GENERAL	\$	132,661.50
923100	OUTSIDE SVCS-DISPOSAL SITE CLEANUP	\$	-
923200	OUTSIDE SVCS-HAWESVILLE MUNICIPAL	\$	-
923220	DIRECT OUTSIDE SERVICES CLASS A	\$	10,374.26
923230	DIRECT OUTSIDE SERVICES CLASS B	\$	1,603.53
923240	DIRECT OUTSIDE SERVICES CLASS C	\$	3,398.05
923300	OUTSIDE SVCS-BREC BANKRUPTCY	\$	-
924000	PROPERTY INSURANCE	\$	-
925000	INJURIES AND DAMAGES	\$	-
926000	EMPLOYEE PENSIONS AND BENEFITS	\$	-
927000	FRANCHISES-ANNUAL	\$	12,000.00
928000	REGULATORY COMM. EXPENSE	\$	3,085.06
928100	EXPENSES-2004 RATE CASE	\$	-
928200	2006 RATE CASE	\$	18,258.81
928220	PSC EXPENSE-CLASS A	\$	-
928230	PSC EXPENSE-CLASS B	\$	-
928240	PSC EXPENSES-CLASS C	\$	-
928300	EXPENSES-CASE #2006-00494	\$	15,781.98
930100	GENERAL ADVERTISING EXPENSES	\$	296.94
930200	MISC. GENERAL EXPENSES	\$	334,438.46
930201	DUES ASSOC. & COMMUNITY AGENCY	\$	-

930203	GENERAL EXPENSE-ANNUAL MTG & CAP CR	\$	-
930204	GENERAL EXPENSE-OTHER	\$	-
930210	DIRECTORS FEES & EXPENSES	\$	211,950.96
930220	ADVERTISING GENERAL-CLASS A	\$	0.02
930221	OTHER A & G CLASS A	\$	7,503.10
930230	ADVERTISING GENERAL-CLASS B	\$	241.06
930231	OTHER A & G CLASS B	\$	3,656.89
930240	ADVERTISING GENERAL-CLASS C	\$	0.18
930241	OTHER A & G CLASS C	\$	14,554.93
935000	MAINT OF GENERAL PLANT	\$	482,777.89
935100	MAINT OF MOBILE RADIO SYSTEM	\$	-
935220	BUILDINGS/GROUNDS CLASS A	\$	681.85
935230	BUILDINGS/GROUNDS CLASS B	\$	202.36
935240	BUILDINGS/GROUNDS CLASS C	\$	688.94

