

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. FOR ) CASE NO.  
AN ADJUSTMENT IN EXISTING RATES ) 2011-00035

THIRD DATA REQUEST OF COMMISSION STAFF  
TO KENERGY CORP.

Kenergy Corp. ("Kenergy"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before May 6, 2011. Responses to requests for information shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided. If any of the information requested herein is included in Kenergy's rate application, an index of such information shall be filed along with the rate application.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

Kenergy shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though

correct when made, is now incorrect in any material respect. For any request to which Kenergy fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations.

1. Refer to Kenergy's response to item 1.a., page 3 of 3, and item 12.d. of the Second Data Request of Commission Staff ("Staff's Second Request"). The response to 12.d. states that the present rate for the 19,500 Lumen-250W-MH-Flood Light should be \$8.61. Kenergy provided a revised Exhibit 10A, page 6, in response to item 1.a. to correct a different light. The revised Exhibit 10A, page 6, does not include a correction for the 19,500 Lumen-250W-MH-Flood Light. Provide an updated revised Exhibit 10A, page 6, showing a correction for this light.

2. Refer to Kenergy's response to item 1.c. of Staff's Second Request.

a. A copy of an agreement with Meadow Hill subdivision was provided. However, the present rate for this subdivision of \$2.25 shown in Kenergy's notice does not appear in the contract provided. Explain why this contract has not been updated.

b. The response indicates that there are three separate contracts for the lighting rates. In the Commission's regulations, 807 KAR 5:011, Section 13, states

that, "Every utility shall file true copies of all special contracts entered into governing utility service which set out rates, charges or conditions of service not included in its general tariff." Explain why Kenergy has not filed a copy of the three lighting contracts with the Commission.

3. Refer to Kenergy's response to item 1.f. of Staff's Second Request and Exhibit B of the application, First Revised Sheet No. 35B.

a. Explain how the Replacement Cost Factor of 1.26 percent on First Revised Sheet No. 35B was derived.

b. State whether the proposed recovery of replacement cost means that Kenergy intends to set aside funds to help with the replacement of equipment if replacement is needed prior to the end of its useful life.

c. Given the typical accounting treatment of early plant retirements, explain why it is necessary to include this type of component in the facilities charge.

4. Refer to Kenergy's response to item 1.j. of Staff's Second Request and Exhibit B of the application, First Revised Sheet No. 137. The response states that the text change was made for clarification purposes. State whether the text change indicates a change in Kenergy's current practice. If yes, provide the reason for the change.

5. Refer to Kenergy's response to item 1.k. of Staff's Second Request and Exhibit B of the application, First Revised Sheet Nos. 139 and 139A.

a. Explain whether Kenergy encourages customers to install the trench and conduit rather than Kenergy installing it or Kenergy having it installed.

b. Explain the reason for the difference in cost between the \$8 per foot if a contractor performs the trenching and \$12 per foot if Kenergy performs the trenching.

c. Explain the circumstances under which a contractor would perform the trenching rather than Kenergy performing the trenching.

6. Refer to the response to item 2 of Staff's Second Request. State whether the Non-Fuel Adjustment Clause Purchase Power Adjustment rate of (\$.001005024) is used in the billing analysis provided in Exhibit 10A of the application. If yes, state where in the billing analysis it is used.

7. Refer to the response to item 13 of Staff's Second Request.

a. Refer to the response to 13.b. State whether Big Rivers has changed its methodology for billing demand since Kenergy's most recent rate case. If no, explain the reason for the change in the demand allocation methodology discussed in this response.

b. Refer to the response to 13.g. The response to subparts 1 and 2 state that the allocation factors used for Accounts 584 and 594 in the cost of service study ("COSS") were incorrect.

(1) State whether correcting for these errors throughout the COSS would change the proposed allocation of the proposed revenue increase to each of the rate classes.

(2) Provide an electronic copy of the COSS after the correction is made.

8. Refer to the response to 13.j. The response states that “the minimum-intercept calculations are provided in the file ‘Staff 2-13j – Plant Classification – 2010’”. There was no attachment to the response nor was a file of that name included on the CD provided by Kenergy with its responses. Provide a copy of Staff 2-13j – Plant Classification – 2010 or provide its location in the Kenergy’s responses to Staff’s Second Request.

9. Refer to the response to item 27.c. of Staff’s Second Request. Kenergy’s answer was non-responsive regarding its decision to select the current providers. Provide the explanation requested.

10. Refer to the response to item 17 of Staff’s Second Request, and item 8, page 16 of the First Data Request of Commission Staff (“Staff’s First Request”).

a. Provide an analysis of the items that make up the balance of \$4,276,428.35 in Account 142.200 – Other Accounts Receivable as of June 30, 2010.

b. Does the test year include any expenses that were not reimbursed by FEMA resulting from events other than the 2009 ice storm? If yes, provide an analysis of the items and the accounts in which they are recorded.

11. Refer to the response to item 18 of Staff’s Second Request.

a. Refer to the response to 18.a., Account 419000, Interest-Dividend Income. The reasons provided for the change in this account total \$605,341. The change in the account from 2009 to the 2010 test period was \$416,021, or \$189,320 less. Provide an explanation for this difference.

b. Refer to the response to 18.h., Account 597000, Dist Exp-Main-Meters. Explain what is meant by “CT” meters and fully explain how the new meter

testing requirement for CT meters differs from the previous testing requirements, and the resulting impact on testing expenses.

c. Refer to the response to 18.j., Account 920000, Adm-Gen Exp-Ops-Executive Salary. The response indicates that \$180,306 more in labor and overheads for Kenergy employees was charged to this account from 2009 to the 2010 test year. Provide a detailed explanation for the increased amounts of labor and overheads being charged to this account.

d. Refer to the response to 18.m., Account 935000, Maint of General Plant. The response indicates that the increase is due to more labor and overheads for Kenergy employees being charged to this account versus other areas during the test year. Provide a detailed explanation of the reasons for the increased labor and overhead being charged to this account.

12. Refer to the response to item 23 of Staff's Second Request.

a. Identify Kenergy's designated representatives to attend the Kentucky Association of Electric Cooperatives meetings.

b. Provide a detailed explanation for the election expense totaling \$5,847.72 and how this expenditure benefits Kenergy customers.

c. Provide a detailed explanation for the expenditure for Director Insurance in the amount of \$24,664.07 and how this expenditure benefits Kenergy customers.

13. Refer to the response to item 25.a. of Staff's Second Request. Provide the calculation and location of the data resulting in a TIER of 1.25 as indicated on line 18 of the response.

14. Refer to Exhibit 5 of the application, page 5.
  - a. Refer to lines 12 and 30. Provide a breakdown, by the items identified on Line 30, of the supplemental wage payments in the amount of \$27,535.
  - b. Provide an explanation for each of the payments identified in 14.a.
  - c. Provide the calculation of the pro-forma part-time rate of \$23.46 shown on line 6.
  - d. Refer to the explanation on lines 26 to 28 of the calculation of the overtime rate. Do the employee's hourly rates used in the calculations include any general, merit or step wage adjustments that occurred after the test year? If so, state the percent of increase included.
  - e. Provide a revised Exhibit 5, page 5, substituting the wage rates in column (i) with the average wage rates for 6/30/10 per Exhibit 5, page 5f, column (o). The overtime and part-time rates should be calculated in the same manner as they were originally on Exhibit 5, page 5.
15. Refer to Exhibit 5 of the application, pages 6, 6c, 6d and 6e. Revise all schedules as necessary using wages calculated in 14.d above using 6/30/10 wage rates.
16. Refer to Exhibit 5 of the application, page 6.
  - a. Line 1 shows an adjustment to test year health insurance expense of \$305,724. Fully explain the reasons for an increase of this magnitude.
  - b. Line 6 shows an adjustment to test year pension expense of (\$507,210). Fully explain the reasons for a decrease of this magnitude.

17. Refer to Exhibit 5 of the application, page 6d. Provide the calculations of the company match on employee savings for each pension plan listed.

18. Refer to the response to item 26.c. of Staff's Second Request. Provide the percentage increases of any general, merit or step wage adjustments by pay grade that occurred subsequent to the test year.

19. Refer to Exhibit 5 of the application, pages 6e, 6q and 6r. Provide the calculations for the retention program refunds of \$41,416 and \$86,754 or the location of the calculations in the application.

20. Refer to Exhibit 5 of the application, page 9, Contractor Vegetation Management Adjustment.

a. The response states that the number of miles cleared during the test year was above normal for a 12-month period. What does Kenergy consider to be the normal number of miles cleared during a 12-month period?

b. Explain how Kenergy determined that 1,103 miles was appropriate to use for calculating its pro-forma vegetation management expense.

c. Provide the actual miles cleared for the calendar years 2006, 2007, 2008, 2009 and 2010.

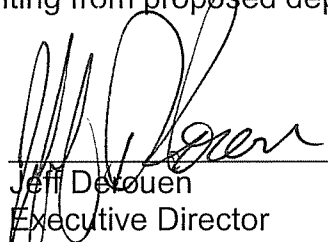
21. Refer to Exhibit 5 of the application, page 11, Economic Development Payment from Wholesale Power Supplier. Line 5 references Page 11a, which was not attached. Provide a copy of page 11a.

22. In the same format as provided in item 30 of Staff's First Request, provide a detailed schedule of Kenergy's total 2010 annual meeting expenses including expenditures recorded post test year.



23. Refer to the response to item 16 of Staff's Second Request. With the higher net salvage having been adjusted out of depreciation rates in the 2010 Depreciation Study, explain what factors are responsible for the .5 percent increase in rates for Account 364.000, Poles, Towers and Fixtures, and Account 365.000, Overhead Conductors and Devices.

24. In the same format as provided for Exhibit 5 of the application, page 12, provide a depreciation schedule for both distribution and general plant accounts that includes test year depreciation expense by account. The schedule should reflect proforma adjustments as well as adjustments resulting from proposed depreciation rates.



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Jeff DeLoe  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, KY 40602

DATED APR 22 2011

cc: Parties of Record

David Brown  
Stites & Harbison, PLLC  
1800 Providian Center  
400 West Market Street  
Louisville, KENTUCKY 40202

J. Christopher Hopgood  
Dorsey, King, Gray, Norment & Hopgood  
318 Second Street  
Henderson, KENTUCKY 42420

Honorable Michael L Kurtz  
Attorney at Law  
Boehm, Kurtz & Lowry  
36 East Seventh Street  
Suite 1510  
Cincinnati, OHIO 45202

Sanford Novick  
President and CEO  
Kenergy Corp.  
P. O. Box 18  
Henderson, KY 42419