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July 1, 2011

RECEIVED

JUL 05 2011

PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
Post Office Box 615  
Frankfort, KY 40602

Re: Kenergy Corp.  
Case No. 2011-00035

Dear Mr. Derouen:

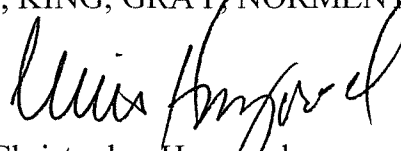
Enclosed for filing please find the settlement agreement and Sanford Novick's testimony regarding the settlement in the above referenced matter.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By



J. Christopher Hopgood  
Attorney for Kenergy Corp.

JCH/cds

Encls.

COPY/w/encls.

Office of Attorney General  
Utility and Rate Intervention Division

Mr. Steve Thompson, Kenergy Corp.

Hon. Michael Kurtz, counsel for KIUC

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JUL 05 2011

PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: )  
 ) CASE NO. 2011-00035  
THE APPLICATION OF KENERGY CORP. )  
FOR AN ADJUSTMENT IN EXISTING RATES )

JOINT SETTLEMENT STIPULATION AND RECOMMENDATION  
(DISTRIBUTION PORTION OF RATE INCREASE)

It is the intent and purpose of the parties to this proceeding, being the applicant, Kenergy Corp. (“Kenergy”) and the intervenor, Kentucky Industrial Utility Customers, Inc. (“KIUC”) to express their agreement on a mutually satisfactory resolution of all of the distribution portion of the application for rate increase in the instant proceeding which shall hereafter be referred to as the “Stipulation” and/or the “Recommendation.”

WHEREAS, Kenergy has filed an Application for Adjustment of rates which consists of a flow through increase of the proposed wholesale rate increase in the amount of \$23,464,713, and an increase in the distribution portion of the rate increase in the amount of \$2,000,614; and

WHEREAS, the parties hereto have reached an agreement as to the distribution portion of the rate increase, reserving for subsequent resolution the wholesale flow through rate increase; and

It is understood by all parties hereto that this Recommendation is not binding upon the Kentucky Public Service Commission (“Commission”), nor does it represent agreement on any specific theory supporting the appropriateness of

any recommended adjustment to Kenergy's rates. Kenergy has provided voluminous information in response to multiple data requests. The only public comment in the record is from one customer who objected to the increase in the Customer Charge. The parties, representing diverse interests and divergent viewpoints, agree that this Recommendation, viewed in its entirety, constitutes a reasonable resolution of all issues in this proceeding.

In addition, the adoption of this Recommendation will eliminate the need for the Commission and the parties to expend considerable resources in litigation of this proceeding, and will eliminate the possibility of, and any need for, rehearing or appeals of the Commission's final order herein. Based upon the materials on file with the Commission, and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties hereby stipulate and recommend the following:

1(a). Kenergy filed an application for a rate adjustment seeking an adjustment in rates due to the wholesale rate increase sought by Big Rivers Electric Corporation in 2011-00036, and in addition, an increase in Kenergy's distribution revenue in the amount of \$2,000,614. The parties agree that Kenergy should be permitted to adjust its rates to permit a total increase in the distribution portion of its revenue of only \$1,801,916, being \$198,698 less than sought in the Application. The adjustments necessary for this reduction in revenue will be made only in Kenergy's tariff Schedule 1 (Residential—Single Phase and Three phase) by reducing the proposed Customer Charge to \$12.00 per month and increasing the proposed Energy Charge per KWH to \$0.078990 (after adjustment for FAC

roll-in). Attached as “Exhibit A” is revised tariff Schedule 1 showing these adjustments and for comparison attached as “Exhibit B” is Schedule 1 proposed in the filing.

(b) Rates for commercial and industrial customers shall not be affected and shall remain as proposed in the application.

(c) The rates for non-recurring charges and cable television attachments are not affected and shall remain as proposed in the application.

2. Kenergy’s proposed tariff revisions as pertaining to the distribution rate only as reflected in Schedule 1 attached as “Exhibit A” and as reflected in all other proposed tariffs in Kenergy’s application should be adopted and should become effective as of September 1, 2011, or the same date as the rates in Big Rivers Electric Corporation, Case No. 2011-00036, whichever is earlier.

3. It is the purpose and intent of the parties hereto that the revision in rates for Kenergy result in a 2.0 TIER (times interest earned ratio), and the revision in rates as proposed by this Recommendation and Stipulation will result in such a TIER rating.

4. Kenergy’s Board of Directors has approved the stipulated and amended rate increase amount of \$1,801,916.

5. The depreciation study submitted by Kenergy in its application is accepted.

6. As to the issues settled, each party hereto waives all cross-examination of witnesses of the other parties hereto unless the Commission disapproves this Recommendation, and each party further stipulates and

recommends that the Notice of Intent, Application, testimony, pleadings, and responses to data requests filed in this proceeding be admitted into the record.

7. This Recommendation is submitted for purposes of this case only and is not deemed binding upon the parties hereto in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Kenergy or any other utility. Nothing in this Recommendation waives or impairs the rights of the parties in the Big Rivers Electric Corporation rate case in 2011-00036.

8. If the Commission issues an order adopting this Recommendation in its entirety, each of the parties hereto agrees that it shall file neither an application for rehearing with the Commission, nor an appeal to the Franklin County Circuit Court with respect to such order.


9. If this Recommendation is not adopted in its entirety, each party reserves the right to withdraw from it and require that hearings go forward upon any and all matters involved herein, and that in such event the terms of this Recommendation shall not be deemed binding upon the parties hereto, nor shall such Recommendation be admitted into evidence, or referred to, or relied upon in any manner by any party hereto, the Commission or its Staff in any such hearing.

10. Attached as "Exhibit C" is proof of revenue analysis showing that the proposed rate adjustments will generate the proposed revenue reduction to which the parties have agreed in paragraph (1) of this Stipulation.

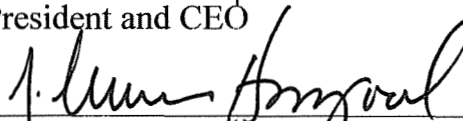
11. The parties hereto agree that the foregoing Recommendation is reasonable and is in the best interests of all concerned, and urge the Commission to adopt this Recommendation in its entirety.

This 1<sup>st</sup> day of JULY, 2011.

KENERGY CORP.



Sandy Novick  
President and CEO



J. Christopher Hopgood  
Attorney for Kenergy Corp.

KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.



Michael L. Kurtz, Attorney



FOR ALL TERRITORY SERVED  
 Community, Town or City  
 PSC NO. 2  
Second Revised SHEET NO. 1  
 CANCELLING PSC NO. 2  
First Revised SHEET NO. 1

<b>CLASSIFICATION OF SERVICE</b>
<b>Schedule 1 – Residential Service (Single Phase &amp; Three-Phase)</b>

APPLICABLE  
 In all territory served.

AVAILABILITY OF SERVICE  
 Available for single and three-phase single family residential service. Residential electric service is available for uses customarily associated with residential occupation, including lighting, cooking, heating, cooling, refrigeration, household appliances and other domestic purposes.

Residential rates are based on service to single family units and are not applicable to multi-family dwellings served through a single meter. Where two or more families occupy a residential building, Kenergy may require, as a condition precedent to the application of the residential rate, the wiring in the building be so arranged as to permit each family to be served through a separate meter. In those cases where such segregation of wiring would involve undue expense to the Member, at the Member's option in lieu of the foregoing, electric service rendered to a multi-family residential building through a single meter will be classified as commercial and billed on the basis of service to a Member at an appropriate non-residential rate.

If a separate meter is used to measure the consumption to remotely located buildings, such as garages, barns, pump houses, grain bins or other outbuildings, or facilities, such as electric fences, it will be considered a separate service and be billed as a separate service at the applicable non-residential rate.

RATE

<b>I</b>	Customer Charge per delivery point .....	<b>Original Filing</b> .....	\$13.00 per month
		<b>Settlement</b>	\$12.00
	Plus:		
<b>I</b>	Energy Charge per KWH .....	<b>Original Filing</b> .....	\$0.067780
		<b>Fuel Roll-In</b>	\$0.078529
		<b>Settlement</b>	\$0.078990

DATE OF ISSUE March 1, 2011  
 Month / Date / Year

DATE EFFECTIVE April 1, 2011  
 Month / Date / Year

ISSUED BY \_\_\_\_\_  
 (Signature of Officer)

TITLE President and CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
 IN CASE NO. 2011-00035 DATED \_\_\_\_\_

**Exhibit A**



FOR ALL TERRITORY SERVED  
 Community, Town or City \_\_\_\_\_  
 PSC NO. 2  
Second Revised SHEET NO. 1  
 CANCELLING PSC NO. 2  
First Revised SHEET NO. 1

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RATE

<b>I</b>	Customer Charge per delivery point .....	\$13.00 per month				
	Plus:					
<b>I</b>	Energy Charge per KWH .....	<table style="width: 100%; border-collapse: collapse;"> <tr> <td style="width: 80%;"><b>Original Filing</b> .....</td> <td style="text-align: right;"><b>\$0.067780</b></td> </tr> <tr> <td><b>Fuel Roll-In</b> .....</td> <td style="text-align: right;"><b>\$0.078529</b></td> </tr> </table>	<b>Original Filing</b> .....	<b>\$0.067780</b>	<b>Fuel Roll-In</b> .....	<b>\$0.078529</b>
<b>Original Filing</b> .....	<b>\$0.067780</b>					
<b>Fuel Roll-In</b> .....	<b>\$0.078529</b>					

DATE OF ISSUE March 1, 2011  
 Month / Date / Year  
 DATE EFFECTIVE April 1, 2011  
 Month / Date / Year  
 ISSUED BY \_\_\_\_\_  
 (Signature of Officer)  
 TITLE President and CEO

BY AUTHORITY OF ORDER OF THE PUBLIC SERVICE COMMISSION  
 IN CASE NO. 2011-00035 DATED \_\_\_\_\_

**Exhibit B**



KENERGY CORP.  
2011 RATE APPLICATION  
RESIDENTIAL CONSUMPTION ANALYSIS

Line No.	(a)	TEST YEAR DATA				(e) Adjustment to year-end level of customers	(f) "AS FILED"	(g) Normalized	(h) Wholesale flow through proposed rate	(i) Proposed Revenue	(j) Distribution proposed rate	(k) Proposed Revenue	Settlement rates and revenues for Distribution cost increase
		(b)	(c)	(d)	(1)								
1	Customer charge:		\$ 0.062327			\$10.50							
2	Number of bills per consumption analysis adjustment to number booked	539,294 (190)			(1)								
3	Number of bills per books with customer charge plus yard light only bills (no customer charge)	539,104 2,442		\$5,660,592		539,212	\$5,661,726	\$10.50	\$ 5,661,726	\$12.00	\$ 6,470,544		
4	Total bills issued per books	541,546											
5	Energy Charge:		\$ 0.062327										
6	Kwh sales per consumption analysis	739,439,862		\$46,087,068									
7	Adjustment to KWH booked	-1,199,432		-74,757	(2)								
8	KWH booked	738,240,430		\$46,012,311	147,893	738,388,323	53,958,465	\$0.076276	\$ 57,798,084	0.078990	\$ 58,325,294		
9	Riders			\$0									
10	Adjustment for revenue difference			\$51,672,903									
11	Revenue per books			-11,297									
12				\$51,661,607									
13													
14													
15													
16													
17													
18													
19													
20													
21													
22													
23	(1) Customers billed June 2009	45,128 (3)											
24	13 month average	45,119 (3)											
25	Increase	9 (3)											
26	Times 12 months	12 (3)											
27	Increase to test year number of billings	108 (3)											
28	(2) KWH Booked	738,240,430											
29	Number Bills	539,104											
30	Average KWH	1,369											
31	Times 108 billings =	147,893											
32	Increase to test year kwh billed												
33													
34	(3) See Exhibit 9, Page 11												
35													
36	(4) (Line 4, Col. b) 539,106 + (Line 27, Col. b) 108												
37													
38	(5) (Line 12, Col. b) 738,240,430 + (Line 32, Col. b) 147,893												
39													
40	(6) Wholesale tariff change effective July 2010 of .002 adjusted for normalized test year kwh sales.												
41	(7) Proposed Non FAC PPA tariff of \$(0.000963) less base rate roll-in of .0008760 adjusted for normalized test year kwh sales.												

KENERGY CORP  
Case No. 2011-00035

	KWH	Normalized Present Revenue	Proposed Revenue <sup>(1)</sup>	Settlement <sup>(1)</sup>
1 Residential KWH and Revenues from Summary of Revenue	738,388,323	\$ 53,213,180	\$ 58,519,412	\$ 58,320,635
2				
3 Number of Customers	44,934	44,934	44,934	44,934
4				
5 Test Year Averages per Month	1,369	98.69	108.53	108.16
6				
7 Present, Proposed & Settlement Rates				
8				
9 Customer charge		\$ 10.50	\$ 13.00	\$ 12.00
10 Energy Charge		\$ 0.073076	\$ 0.078529	\$ 0.078990
11 Riders		\$ (0.00866170)	\$ (0.00875275)	\$ (0.00875275)
12				
13 Rate Calculations @ Average Consumption	1,369			
14				
15 Customer charge		\$ 10.50	\$ 13.00	\$ 12.00
16 Energy Charge		\$ 100.04	\$ 107.51	\$ 108.14
17 Riders		\$ (11.86)	\$ (11.98)	\$ (11.98)
18				
19 Total		\$ 98.68	\$ 108.53	\$ 108.16

(1) Utilizing the proposed wholesale flow-through as filed.

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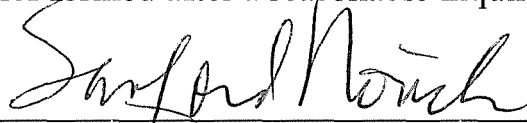
CASE NO. 2011-00035

JUL 05 2011

PUBLIC SERVICE  
COMMISSION

VERIFICATION

I verify, state and affirm that the supplemental testimony filed with this verification and for which I am listed as a witness are true and correct to the best of my knowledge, information and belief formed after a reasonable inquiry.

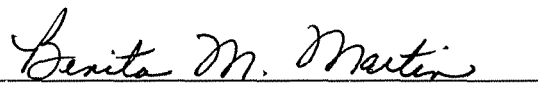
  
\_\_\_\_\_  
Sanford Novick, President & CEO

STATE OF KENTUCKY

COUNTY OF: DAVIESS

The foregoing was signed, acknowledged and sworn to before me by Sanford Novick, this 1st day of July, 2011.

My commission expires Oct. 16, 2012

  
\_\_\_\_\_  
Notary Public, KY. State at Large

(seal)

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**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:** )  
 ) **CASE NO. 2011-00035**  
**THE APPLICATION OF KENERGY CORP.** )  
**FOR AN ADJUSTMENT IN EXISTING RATES** )

**SUPPLEMENTAL TESTIMONY OF SANFORD NOVICK**

Q1. Please state your name and title.

A. My name is Sanford Novick and I am President and CEO of Kenergy Corp.

Q2. Have you previously provided testimony in this proceeding?

A. Yes. My direct testimony is filed as Exhibit 6 to the Application.

Q3. What is the purpose of this supplemental testimony?

A. To present evidence regarding a settlement that has been reached between Kenergy and intervenor KIUC.

Q4. How were settlement talks initiated?

A. Kenergy proposed the settlement based on self-analysis of its application as a result of responses to data requests.

Q5. What was the Kenergy's settlement offer?

A. Kenergy had proposed in its application to increase its Schedule I Tariff – Residential Service customer charge from \$10.50 to \$13.00, and its energy charge from \$.073076(after fac roll-in) per KWH to \$.078529(after fac roll-in) per KWH. Kenergy's offer is to adjust the customer charge to \$12.00 and the energy charge to \$.078990(after fac roll-in) per KWH. The result is to reduce by \$198,698 Kenergy's request for an annual revenue increase for a total increase in revenue of \$1,801,916.

- 1 Q6. What increase needed to be made to the Schedule 1 energy charge to  
2 accomplish a net annual reduction of \$198,698.00?  
3
- 4 A. The energy charge needed to be increased from the originally proposed  
5 \$0.078529 per KWH(after fac roll-in) to \$0.078990(after fac roll-in)per  
6 KWH to compensate for Kenergy's concession on the customer charge.  
7
- 8 Q.7 Explain how it arrived at the proposed annual reduction amount set forth in  
9 its offer?  
10
- 11 A. Based on information supplied in response to data requests, Kenergy felt  
12 that there was a legitimate issue on the adjustment for known and  
13 measurable changes and Kenergy elected to compromise based on that  
14 issue.  
15
- 16 Q8. How does this affect Kenergy's TIER?  
17
- 18 A. Kenergy's TIER remains at 2.0 which is the level requested in the  
19 Application.  
20
- 21 Q9. Does the settlement include any other terms?  
22
- 23 A. Yes. The settlement is of the distribution portion only. The flow through  
24 portion of the application is dependent upon the Commission's resolution of  
25 Big Rivers Electric Corporation's hearing set on July 26, 2011.  
26
- 27 Q10. What is KIUC's position in this settlement?  
28
- 29 A. KIUC acquiesces in this settlement. Counsel for KIUC has requested that  
30 an affirmative statement be included in the settlement stipulation that the  
31 rates of commercial and industrial customers are not affected by the  
32 settlement, and this is being done.  
33
- 34 Q11. Has the settlement offer been approved by Kenergy's Board of Directors?  
35
- 36 A. Yes, Kenergy's management favored the settlement and recommended  
37 acceptance to the board of directors. At a special meeting held  
38 telephonically on July 1, 2011, the board of directors unanimously voted to  
39 approve the offer.  
40
- 41 Q12. Under the terms of the settlement are you still of the opinion that Kenergy's  
42 rates will be fair, just and reasonable and that they will be  
43 nondiscriminatory?

1

2 A. Yes, I am still of that opinion.

3

4 Q13. Does this conclude your supplemental testimony at this time?

5

6 A. Yes.