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COMMISSION

**Via Overnight Mail**

November 20, 2013

Mr. Jeff Derouen, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

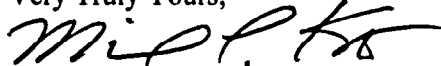
Re: Case No. 2013-00385

Dear Mr. Derouen:

Please find enclosed the original and ten (10) copies of the REPLY OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC. TO RESPONSE OF KENERGY CORP. for filing in the above-referenced matter.

By copy of this letter, all parties listed on the Certificate of Service have been served. Please place this document of file.

Very Truly Yours,



Michael L. Kurtz, Esq.

Kurt J. Boehm, Esq.

Jody Kyler Cohn, Esq.

**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

cc: Certificate of Service  
Quang Nyugen, Esq.  
Richard Raff, Esq.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served by electronic mail (when available) and by U.S. Mail, unless other noted, this 23<sup>RD</sup> day of November, 2013 to the following:



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Jody Kyler Cohn, Esq.

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Gregory J Starheim, President and CEO  
Kenergy Corp.  
6402 Old Carydon Road  
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**PUBLIC SERVICE  
COMMISSION**

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

IN THE MATTER OF:

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Case No. 2013-00385

NOTICE OF INTENT OF KENERGY CORPORATION TO  
FILE FLOW-THROUGH RATE APPLICATION

**REPLY OF KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.  
TO RESPONSE OF KENERGY CORP.**

On November 15, 2013, Kenergy Corp. (“Kenergy”) filed a Response to Kentucky Industrial Utility Customers, Inc.’s (“KIUC”) November 7, 2013 Motion to Treat All Consumers Equally with Respect to the Commission-Created Reserve Funds or In the Alternative to Require a Full-Blown Distribution Rate Case. In its Response, Kenergy argues that it merely seeks to flow through whatever the Commission decides with respect to Big Rivers Electric Corporation’s (“Big Rivers”) proposed rate increase in Case No. 2013-00199. Consequently, Kenergy claims that this case should not be treated as a full-blown distribution rate case.

While it is true that Kenergy is, in a sense, an innocent bystander in this instance since the rate increase that it seeks to flow through to customers is entirely dependent upon the outcome of Case No. 2013-00199, Kenergy’s Response fails to address KIUC’s main point. If Big Rivers proposed rate increase is approved as filed, then the rate increase that Kenergy seeks to pass through to customers in this case would disproportionately change Kenergy’s rate design as of August 2014. That is when the Rural Economic Reserve fund credit would begin showing upon only on the bills of Kenergy’s “Rural” rate schedules (residential single phase and three-phase, all non-residential single phase, three-phase demand (non-residential) non-dedicated delivery points (0-1,000 KW), three-phase demand non-dedicated delivery points (1,001 KW & over), private outdoor lighting, and street lighting service), but not its “Large Industrial” rate schedules.

Hence, even though Kenergy is not seeking to affirmatively change the rates proposed by Big Rivers in Case No. 2013-00199, the rate decrease that Kenergy would flow through to only its Rural rate schedules beginning August 2014 (if Big Rivers' proposals are approved as filed) would be inherently inconsistent with KRS 278.455. That statute reflects that a full-blown distribution rate case can be avoided only if the rate increase or decrease Kenergy sought to flow-through to customers was done on a proportional basis that led to no changes in the current rate design. But Big Rivers' proposed rate decrease only for Rural customers will disproportionately change Kenergy's current rate design as of August 2014. Therefore, unless the Commission remedies this undue discrimination in Case No. 2013-00199 by requiring Big Rivers to provide a Rural Economic Reserve rate credit to all customers, the Commission should instruct Kenergy to file a full-blown distribution rate case.

Respectfully submitted,



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November 20, 2013

**COUNSEL FOR KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.**