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October 15, 2004

Ms. Elizabeth O'Donnell
Public Service Commission
Post Office Box 615
Frankfort, Kentucky 40602

Case 2004-00416

RECEIVED

OCT 18 2004

PUBLIC SERVICE
COMMISSION

Re: Kenergy Corp.

Dear Ms. O'Donnell:

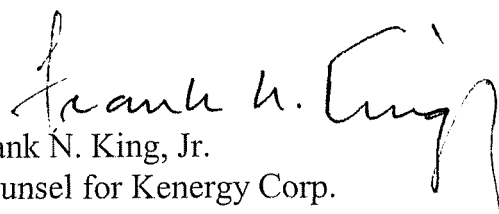
Enclosed for filing please find Application of Kenergy Corp. for Certificate of Convenience and Necessity. This filing is to obtain from the Commission a certificate with respect to Kenergy's 2004-2007 construction work plan. Also enclosed is a separate first page of the application that you are requested to file stamp showing receipt and then return to the undersigned. Please advise of the case number at your earliest convenience.

Your assistance is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.
Counsel for Kenergy Corp.

FNKJr/cds

Encls.

COPY: Mr. Mark A. Bailey
Mr. John Newland

**BEFORE THE
KENTUCKY PUBLIC SERVICE COMMISSION**

RECEIVED

OCT 18 2004

PUBLIC SERVICE
COMMISSION

IN THE MATTER OF THE APPLICATION)
OF KENERGY CORP. FOR CERTIFICATE) **CASE NO. 2004-00416**
OF CONVENIENCE AND NECESSITY)

APPLICATION

(a) The applicant Kenergy Corp. (“Kenergy”) is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member consumers in the Kentucky counties of Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Webster, Breckinridge, Union, Crittenden, Caldwell, Lyon, and Livingston.

(b) The post office address of Kenergy is Post Office Box 18, Henderson, Kentucky 42419-018.

(c) Kenergy’s Articles of Consolidation are on file with the Commission in Case No. 99-136.

(d) The applicant seeks a certificate of convenience and necessity authorizing the construction of the facilities set forth in applicant's 2004-2007 Construction Work Plan (“CWP”). Attached hereto and made a part hereof are copies of the following: Cost Estimates and Loan Budget for Electric Borrowers, RUS Form 740c (as of August

2004) marked "Exhibit A;" Executive Summary of R. W. Beck, the consultant that was retained to assist Kenergy in preparation of the CWP, marked "Exhibit B;" and certified copy of resolution of Kenergy's board of directors' adopting the CWP, marked "Exhibit C."

(e) The facts relied upon to show that the proposed new construction is or will be required by public convenience or necessity are included in the Executive Summary ("Exhibit B"). As stated therein on page 2 the CWP was prepared to provide adequate and dependable service to 54,916 customers with a total annual sales of 1,164,691 MWh in 2007.

(f) Franchises or permits from public authorities are not required for the proposed new construction or extension.

(g) A full description of the proposed location, route, or routes of the new construction or extension, including a description of the manner in which same will be constructed is set forth on the maps that are a part of the R. W. Beck 2004-2007 Construction Work Plan for Kenergy Corp. attached as "Exhibit D" (three sets are submitted as required under 807 KAR 5:001, Section 9(2)(d)). The proposed new construction or extension will not compete with any other public utility, corporation or person. There are no like facilities owned by others located anywhere within the map area.

(h) As set forth in attached “Exhibit A,” the cost estimate for the CWP is \$27,325,000.00.¹ These funds will be borrowed from the United States of America, acting by and through the Administrator of the Rural Utilities Service (“RUS”). Pursuant to KRS 278.300(10) the Commission's approval of evidences of indebtedness in connection with this loan will not be required.

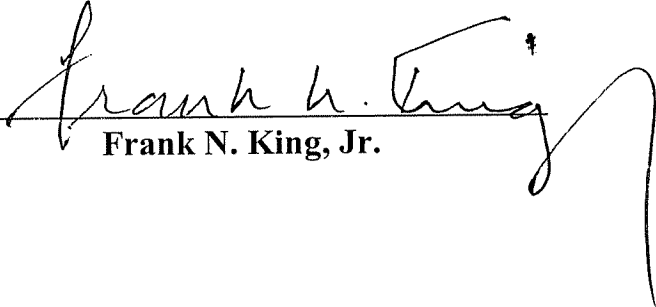
(i) After the proposed facilities are completed the estimated cost of operation is set forth in Kenergy’s 2004-2013 Financial Forecast which utilizes assumptions in accordance with RUS guidelines. Excerpts from the Financial Forecast are attached as “Exhibit E” and include RUS Form 325c-Statement of Operations, which shows projected expenses after the proposed facilities are completed. A certified copy of the resolution of Kenergy’s board of directors approving said Financial Forecast is attached as “Exhibit F.”

(j) The system improvements and construction referenced herein are necessary and desirable to furnish reliable and adequate service to the applicant's member customers, to serve new customers within the applicant's service area which applicant is obligated to serve, and are in the best interest of the applicant, its member customers and potentially new customers within said service area. There should be issued by this Commission a certificate that convenience and necessity require such construction.

¹This amount includes reimbursement of general funds being requested by Kenergy. The RUS Form 740c that is a part of “Exhibit D” shows cost estimates as of July 2004 in the amount of \$26,953,021.00.

WHEREFORE, applicant asks that the Public Service Commission of the Commonwealth of Kentucky make its order issuing a certificate of convenience and necessity authorizing the applicant to proceed with the construction outlined in the CWP and applicant further requests all proper relief.

DORSEY, KING, GRAY, NORMENT & HOPGOOD
318 Second Street
Henderson, Kentucky 42420
Telephone 270 - 826-3965
Telefax 270 - 826-6672
counsel for Kenergy Corp.

By  ,
Frank N. King, Jr.

SECTION A. COST ESTIMATES (cont.)			BORROWER'S COST ESTIMATES	RUS USE ONLY
900	b. New Substation, Switching Station, etc.			
	<u>Station Designation</u>	<u>kVA</u> <u>kV TO kV</u>		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	<i>Subtotal</i>			
1000	c. Line and Station Changes			
	<u>Line/Station Designation</u>	<u>Description of Changes</u>		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	_____	_____		
	<i>Subtotal</i>			
1100	d. Other Transmission Items			
	(1) R/W Procurement _____			
	(2) Engineering Fees _____			
	(3) Reimbursement of General Funds (see schedule) _____			
	(4) _____			
	<i>Subtotal</i>			
TOTAL TRANSMISSION.....			\$0	
1200	3. GENERATION (including Step-up Station at Plant)			
	a Fuel _____	Nameplate Rating _____ kW		
	b. _____			
TOTAL GENERATION.....			\$0	
1300	4. HEADQUARTERS FACILITIES			
1300	a. New or additional Facilities _____		\$0	
	b. _____			
TOTAL HEADQUARTERS FACILITIES.....			\$0	

SECTION A. COST ESTIMATES (cont.)		BORROWER'S COST ESTIMATES	RUS USE ONLY
1400	5. ACQUISITIONS		
	a. _____ Consumers _____ Miles		
	b. _____		
	TOTAL ACQUISITIONS.	\$0	
1500	6. ALL OTHER		
	a. _____		
	b. _____		
	c. _____		
	d. _____		
	e. _____		
	TOTAL ALL OTHER.	\$0	

SECTION B. SUMMARY OF AMOUNTS AND SOURCES OF FINANCING

1. GRAND TOTAL - ALL COSTS		\$27,325,000	
2. FUNDS AND MATERIALS AVAILABLE FOR FACILITIES			
a. Loan Funds	\$0		
b. Materials and Special Equipment	0		
c. General Funds			
Purpose 1	\$0.00		
Purpose 2			
Purpose 3			
Purpose 4			
Total General Funds Applied	\$0.00		
d. Total Available Funds and Materials		\$0	
3. NEW FINANCING REQUESTED FOR FACILITIES		\$27,325,000	
4. TREASURY RATE LOAN REQUESTED FOR FACILITIES	100%	\$27,325,000	
5. TOTAL SUPPLEMENTAL LOAN REQUESTED	0%		
<i>Name of Supplemental Lender</i>			
6. CAPITAL TERM CERTIFICATE PURCHASES (CFC Loan only)			
7. SUPPLEMENTAL LOAN REQUESTED FOR FACILITIES			
8. 100% SUPPLEMENTAL LOANS (SEE RUS Bulletin 20-40, Att. C)*			

* Identify in section A by budget purpose and separate subtotals.

SECTION C. CERTIFICATION

We, the undersigned, certify that:

- Upon completion of the electrical facilities contained herein and any others uncompleted at this time but for which financing is available, the system will be capable of adequately and dependably serving the projected load for the loan period as contained in our current RUS approved Power Requirement Study and Construction Work Plan.*
- Negotiations have been or will be initiated with our power supplier, where necessary, to obtain new delivery points and/or additional capacity at existing ones to adequately supply the projected load upon which this loan application is based.*
- The data contained herein and all supporting documents have, to the best of my knowledge, been prepared correctly and in accordance with RUS Bulletin 20-2.*

10/5/2004
Date

Mark Bailey
Signature of Borrower's President & CEO
Mark Bailey

10/5/2004
Date

Sandra Wood
Signature of Borrower's Chair
Sandra Wood

KENERGY CORP

Corporate Name of Borrower

GFR Initials _____
MBA

KY 65 C44

REIMBURSEMENT SCHEDULE

	<u>Work Orders</u>	<u>Special Equipment</u>	<u>Total</u>
August 2004	\$234,197.66	\$138,042.68	\$372,240.34

KENTUCKY 65
Kenergy Corp
2004-2007 Construction Work Plan

SUBSTATION CHANGES (Code 500)

RUS Code	General Description	2005	2006	2007	Estimated Cost
506	Location: Weaverton Replace existing RTUs	\$26,000			\$26,000
507	Location: Weaverton Oil Spill Containment		\$52,839		\$52,839
508	Location: Marion Replace existing RTUs	\$26,000			\$26,000
503	Location: Hudson Replace existing RTUs	\$10,000			\$10,000
519	Location: Marion Oil spill containment	\$50,000			\$50,000
510	Location: Race Creek Replace existing RTUs	\$26,000			\$26,000
511	Location: Race Creek Oil Spill Containment			\$55,798	\$55,798
513	Location: Little Dixie Upgrade Capacity	\$141,330			\$141,330
522	Location: Accuride Oil spill containment	\$50,000			\$50,000
501	Location: Sullivan Oil spill containment		\$52,839		\$52,839
502	Location: Sacramento Install electronic recloser and switches		\$30,840		\$30,840
523	Location: Tyson Replace Regulator	\$10,000			\$10,000
547	Location: Geneva Replace existing RTUs	\$26,000			\$26,000
512	Location: Zion Oil Spill Containment			\$55,798	\$55,798
500 TOTAL SUBSTATION CHANGES		\$365,330	\$136,518	\$111,596	\$613,444

STATEMENT

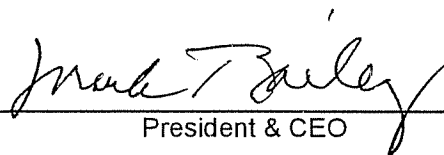
Statement certifying that at least 90% of the Loan funds are for facilities with a useful life of 33 years or longer as required by 7 CFR 1710.115.

To facilitate the determination of the final maturity for this RUS Loan,
KENERGY CORP
does hereby certify that:

At least 90% of the Loan funds requested as part of this loan application and included on the RUS Form 740c (Cost Estimates and Loan Budget for Electric Borrowers) are for facilities with an anticipated useful life of 33 years or longer.

Less than 90% of the Loan funds requested as part of this loan application and included on the RUS Form 740c (Cost Estimates and Loan Budget for Electric Borrowers) are for facilities with an anticipated useful life of 33 years or longer. A schedule has been attached to this statement listing the facilities with an anticipated useful life of less than 33 years, the anticipated useful life of those facilities and the associated cost estimates (see attached).

10/5/2004
Date

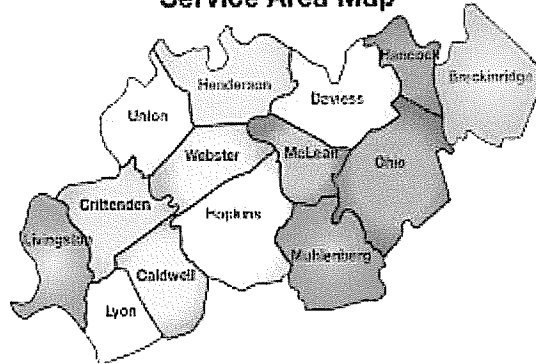
Title: 
President & CEO

KY 65 2004-2007 Construction Work Plan

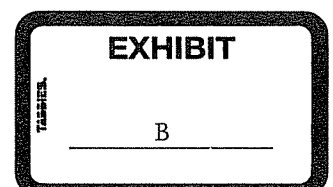
**Kenergy Corp
Henderson, Kentucky**



Service Area Map



August 2004



EXECUTIVE SUMMARY

Purpose of Report

This 2004-2007 Construction Work Plan (“CWP”) documents the engineering analysis and proposed system improvements required for Kenergy Corp (“Kenergy”) to provide satisfactory and reliable service to its customers through the summer peak of 2007. R. W. Beck, Inc. (“Beck”) was retained to assist Kenergy in the preparation of the CWP. Included within is engineering support for a loan application to RUS to finance the proposed construction program. The engineering support includes descriptions, estimated costs and justification of required new facilities and facility improvements.

Service Area and Power Supply

Kenergy provides service to approximately 52,205 customers located in all or parts of Caldwell, Crittenden, Henderson, Hopkins, Livingston, Lyon, Union, Breckinridge, Daviess, Hancock, McLean, Muhlenberg, Ohio, and Webster Counties in northwestern Kentucky.

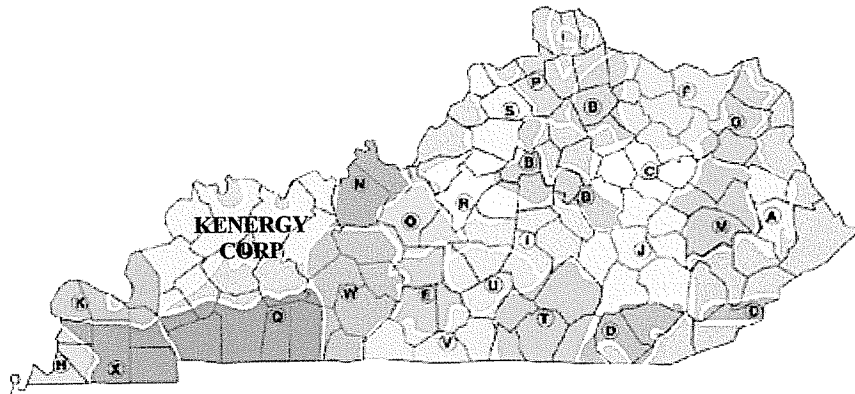


Figure ES-1: Location Map

Note: Map from the Kentucky Association of Electric Cooperatives, Inc.



EXECUTIVE SUMMARY

Kenergy purchases power from Big Rivers Electric Corporation (“BREC”) pursuant to a contract covering the rural system and all commercial customers except two smelters (where partial-requirements apply). A tabulation of general operating statistics for the calendar years 2002 and 2003 from RUS Form 7 are shown in Table ES-1.

**Table ES-1
General System Operating Statistics**

	2002	2003
Miles of Distribution Line	6,739	6,801
Year-End consumers per Month Served	51,633	52,205
Consumers per Mile	7.6	7.7
Average Residential Consumption (kWh/mo)	1,319	1,276
Total Rural System MWh Purchased ⁽¹⁾	1,094,065	1,078,327
Total Rural System MWh Sold ^{(1) (2)}	1,049,841	1,035,730
Percent System Losses for Rural System	4.04%	3.95%

Note:

- (1) Rural System Sales and Purchases provided by Kenergy Corp.
- (2) Includes own use.

BREC constructs, owns, and operates the 69 kV transmission system supplying power to the 49 delivery points on the Kenergy system. Kenergy owns all of the substations serving the distribution system. The distribution system includes 176 circuits operated at 24.9/14.4 kV or 12.5/7.2 kV. The installed overhead conductor sizes range from #8 CWC to 795 kcmil ACSR, and the underground cable sizes range from #2 Al to 750 MCM Al.

Results of Proposed Construction

On completion of the proposed construction program, the system will adequately serve the 2007 summer peak load of 291.9 MW as projected in the 2003 Load Forecast prepared by Kenergy. The CWP was prepared to provide adequate and dependable service to 54,916 customers with total annual sales of 1,164,691 MWh in 2007.

A detailed description of the proposed system improvements is given in Section 2. This CWP includes carryovers from the previous 2002-2004 CWP. The proposed system improvements are identified in the 740c Detail following the RUS Form 740c and are summarized in Table ES-2.

**Table ES-2
System Improvements and Additions Summary**

RUS Code	Item	Estimated Cost
100	New Construction	\$8,758,956
200	New Tie Lines	\$175,497
300	Line Conversions	\$8,157,192
400	New Substations	\$807,807
500	Substation Improvements	\$613,444
600	Miscellaneous Distribution Equipment	\$7,425,680
700	Security Lights	\$1,014,445
1300	Headquarters Facilities	\$3,224,993
Total CWP Improvements		\$30,178,014

General Basis of Study

The projected system peak load and number of customers served used in this report were based on the 2003 Load Forecast prepared by Kenergy. Supplemental analyses of large capital projects are summarized in Appendix A of this report. The analyses are based on the economic evaluation of alternatives presented in the System Planning Report (“SPR”). Recommendations for this CWP were based on these analyses.

Kenergy’s current operations and maintenance review (Review Rating Summary, RUS Form 300) was used to determine construction required to replace physically deteriorated equipment and material, upgrade portions of the system to conform with code or safety requirements, and/or improve reliability or quality of service.

New distribution and power supply construction requirements were considered simultaneously as a “one system” approach for the orderly and economical development of the total system. All of the proposed construction and recommendations herein, relative to power supply and delivery, were discussed with Kenergy’s power supplier, BREC.

Details and estimated costs of the line and equipment changes and the additional requirements to serve 3,483 new customers during the work plan period are included in Section 2. An estimated cost of necessary service upgrades to existing customers is also included in Section 2.

An analysis, using RUS guidelines as a basis and the design criteria herein, of thermal loading, service voltages, physical conditions and reliability, was performed on all of the substations, distribution lines and major equipment of the existing system. Milsoft Integrated Solutions, Inc.’s Windmil™ software was used to analyze the distribution circuits for the projected summer 2007 peak load of 291.9 MW. A sample printout from the software is given in Appendix C. The criteria presented in Section 1 forms the rest of the basis of this analysis.

EXECUTIVE SUMMARY

In the preparation of this Report, including the opinions contained herein, we have made certain assumptions and used certain considerations with respect to conditions which may occur in the future. While we believe these considerations and assumptions are reasonable and reasonably attainable based upon conditions known to us as of the date of this Report, they are dependent upon future events, and actual conditions may differ from those assumed. We have also relied upon certain information provided to us by others. To the extent actual future conditions differ from those assumed herein or from the assumptions provided by others, the actual results will vary from those estimated. Field conditions encountered during design will affect some of the projects.



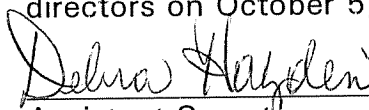
P.O. Box 18 ♦ 6402 Old Corydon Road
Henderson, Kentucky 42419-0018
(270) 826-3991 ♦ FAX (270) 826-3999
(800) 844-4832

EXCERPT FROM THE MINUTES OF A MEETING OF
THE BOARD OF DIRECTORS OF KENERGY CORP.
ON OCTOBER 5, 2004

WHEREAS, A Construction Work Plan for 2004-2007 has been prepared by Kenergy Corp.'s engineering staff and consultants, reviewed by management, and discussed with the board.

NOW, THEREFORE, BE IT RESOLVED, that the board of directors adopts the construction work plan as a plan of action to be followed by the President and staff until superseded by a revised construction work plan duly adopted and transmitted to RUS for concurrence.

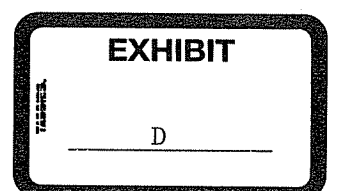
I, Debra Hayden, Assistant Secretary, hereby certify that the foregoing is a true and correct excerpt from the minutes of a meeting of the board of directors on October 5, 2004.


Assistant Secretary

EXHIBIT

C

THREE (3) SETS OF THE R. W. BECK 2004-2007 CONSTRUCTION WORK PLAN, INCLUDING MAPS REQUIRED UNDER 807 KAR 5:001, SECTION 9(2) (d) ARE ATTACHED TO THE ORIGINAL APPLICATION.





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September 2004

2004 - 2013 FINANCIAL FORECAST

STATEMENT OF ASSUMPTIONS

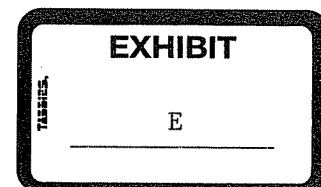
BASE CASE

Kenergy Corp. has developed this financial forecast based on certain planning documents developed earlier and certain assumptions described here. We have listed those documents that have already received RUS approvals, as required by our loan agreement with RUS, and described any subsequent adjustments to them that have become necessary. We have also stated the assumptions which we believe may have a material effect on the "pro forma" financial statements which summarize this forecast.

- A. LOAD ESTIMATES
- B. PLANT ADDITIONS
- C. POWER COST
- D. OPERATING REVENUES & TIER
- E. OPERATING EXPENSES
- F. NON-OPERATING ITEMS
- G. FINANCING ASSUMPTIONS
- H. CAPITAL MANAGEMENT POLICY

A. LOAD ESTIMATES Estimates of energy requirements were developed in the 2003 Load Forecast, which has been approved by RUS. Excluding the large industrial accounts, the weather normalized 10-year projected compound growth rate is 2.6%. The industrial consumers are included in other 1, Century and Alcan (the aluminum smelters and mill); and other 2, the special contract industrials with dedicated substations. These customer's load levels are held constant throughout the forecast period. The projected 10-year compound growth rate for the total system is .3%.

B. PLANT ADDITIONS The capital additions to plant were derived from the 2004-2007 Construction Work Plan. An accelerated copper replacement program, which was started in 1997, will be completed in 2007. The work plan includes one new substation, minor substation upgrades, and a new office building which will be shared with Big Rivers. General plant additions for 2004 were based on the 2004 budget and consist primarily of normal vehicle replacements. Plant additions for 2004 include the new Adams Lane Substation. Future plant expenditures were escalated 2.8%/year for inflation. Total plant expenditures over the forecast period are \$116 million dollars, with a 10-year compound growth rate of 3.9% in total utility plant.



C. POWER COST No increase in power cost was included in this base case scenario. The most recent Big Rivers financial forecast projects a 7% wholesale increase in 2012, which would be passed through to Kenergy customers and equate to a 4.6% retail increase. No changes were made in 2013 because it is so far out. The 3% discount adjustment (2% retail) is reviewed annually. The smelter load requirements will be provided by LG&E Energy Marketing and other power suppliers with rates virtually fixed throughout the contract period, which ends 2012, and will then be renegotiated. The forecast assumes the smelters will remain in operation in 2013.

D. OPERATING REVENUES & TIER Revenue estimates from the sale of electric energy were made utilizing the actual 2003 revenue per KWH, adjusted upward 4% to reflect the expiration of the 4% consolidation credit in September 2004. Kenergy is required to file a rate application with the Kentucky Public Service Commission no later than December 31, 2004 to address overall revenue requirements and rate of return disparities between classes. Kenergy is planning on requesting a TIER of 1.75, and reducing commercial three-phase classes approximately \$600,000 annually beginning July 1, 2005. The forecast allows TIER to fall naturally until it drops below 1.50. The next year additional revenues are added to bring TIER back to 1.75. Additional revenues are required in the years 2007 and 2010 of \$3,182,120 (4.47%) and \$1,971,000 (2.3%) respectively. The average TIER over the ten-year period is 1.63.

Revenues, less power costs (net revenue) dollars increase from \$26 million in 2003 to \$39 million in 2013, representing a ten-year compound growth rate of 4.1%. This growth is due to the addition of approximately 7,800 new customers (net), an 8% increase in average KWH usage, and the two general rate increases mentioned above.

E. OPERATING EXPENSES The 2004 expenses were based on the 2004 operating budget. The number of employees is projected to remain at the 2004 budgeted level of 170, as new positions required will be offset by efficiencies gained through use of technology and increased productivity. Thereafter, the variable expenses were escalated 2.8% for inflation. Depreciation was based on a 2.73% historical rate applied to utility plant projections. Total expenses (excluding power cost) are projected to increase from \$23 million to \$36 million in 2013, at a ten-year compound growth rate of 4.6%.

F. NON-OPERATING ITEMS Interest income from short term investments was projected utilizing the cash available from the general funds summary assuming an interest rate of 1.5% (2004) 2% (2005) 2.5% (2006) and 3% (2007) and thereafter.

G. FINANCING (INTEREST) ASSUMPTIONS Future RUS Treasury and FFB guaranteed loan funds are projected using RUS guidelines and short term maturities. The CoBank and CFC variable rate loans are shown at a rate of 2.8% (net of cash capital credits) for 2004, and then increased ½% per year to 5.5% in 2011 - 2013. New loan funds are projected to be \$97 million dollars leaving \$22 million of plant additions to be financed internally.

H. CAPITAL MANAGEMENT POLICY The Kenergy Board of Directors has approved a capital management policy, which includes a target equity to total capital ratio of 30 - 40% and provides for general and estate retirements of capital credits. Capital credit retirements averaging \$2.3 million per year have been included in the forecast, which approximates a 20-year retirement cycle.

RUS FORM 325C - STATEMENT OF OPERATIONS

FINANCIAL FORECAST

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
1. ACCRUAL BASIS										
a (1). ADDITIONAL REVENUE REQUIREMENTS FOR TIER/EQUITY	0	0	0	3,182,120	3,182,120	3,182,120	5,153,532	5,153,532	5,153,532	5,153,532
(2). OPER. REV. & PATRON. CAP. - PRESENT RATES	281,676,233	285,225,956	286,390,050	288,170,162	289,728,706	291,484,277	293,110,167	295,032,286	296,733,861	298,643,707
b. COST OF POWER	254,922,638	256,548,765	257,420,934	258,630,421	259,449,442	260,558,201	261,567,785	262,747,317	263,784,527	264,969,953
c. OPER. REV. LESS COST OF POWER	26,753,595	28,677,191	28,969,116	32,541,741	33,461,384	34,108,196	36,705,914	37,438,501	38,102,866	38,827,286
d. OPERATIONS & MAINTENANCE EXPENSE	10,487,674	10,760,000	11,051,000	11,360,000	11,678,000	12,009,000	12,341,000	12,687,000	13,042,000	13,407,000
e. CONSUMER ACCOUNTS AND SALES EXPENSE	3,578,454	3,680,000	3,783,000	3,888,000	3,998,000	4,110,000	4,225,000	4,343,000	4,465,000	4,590,000
f. ADM. & GEN. & OTHER DEDUCTIONS EXPENSE	2,278,059	2,343,000	2,409,000	2,476,000	2,546,000	2,616,000	2,689,000	2,764,000	2,841,000	2,921,000
g. DEPRECIATION AND AMORTIZATION EXPENSE	5,787,806	5,828,000	6,137,000	6,365,000	6,678,000	6,806,000	7,038,000	7,277,000	7,621,000	7,768,000
h. TAX EXPENSE	288,000	303,000	311,000	320,000	328,000	338,000	347,000	357,000	367,000	377,000
i. INTEREST EXPENSE	3,148,830	3,608,107	4,681,034	6,344,860	6,887,032	6,143,436	6,384,847	6,548,961	6,696,821	6,842,886
j. TOTAL COST OF ELECTRIC SERVICE	280,440,161	283,562,872	285,692,967	288,276,112	290,464,474	292,576,638	294,683,732	296,723,278	298,716,047	300,876,839
k. PATRONAGE CAPITAL & OPERATING MARGINS	1,236,072	1,863,084	697,053	3,077,170	2,448,352	2,088,761	3,079,967	3,463,540	3,171,346	2,920,400
l. NON-OPERATING MARGINS	674,900	763,959	808,693	828,439	934,421	882,055	1,027,634	1,119,430	1,161,105	1,178,227
m. G&T AND OTHER CAPITAL CREDITS (CFC CTCs)	101,000	117,647	110,347	102,908	94,350	88,126	81,210	74,057	66,663	68,850
n. TOTAL ACCRUAL MARGINS	2,011,972	2,739,690	1,616,122	4,008,617	3,476,124	3,169,942	4,788,710	4,867,028	4,389,013	4,165,478

	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013
2. CASH BASIS										
a. CASH FROM OPERATIONS BEFORE DEBT SERVICE	10,817,308	12,360,160	12,223,809	15,605,300	15,846,806	16,021,251	18,131,448	18,406,830	18,648,971	18,708,612
b. TOTAL DEBT SERVICE	7,185,085	7,780,087	9,674,316	9,467,074	10,173,106	10,488,463	10,969,659	11,434,616	11,910,741	12,336,992
c. CASH MARGINS AFTER DEBT SERVICE	3,632,223	4,579,073	3,649,493	6,148,226	5,673,699	5,532,788	7,171,789	6,972,414	6,738,231	6,372,620
LABOR	6,444,103	6,630,992	6,816,649	7,007,616	7,203,726	7,406,430	7,612,782	7,825,940	8,045,067	8,270,329
LABOR OVERHEADS	3,239,659	3,333,609	3,428,950	3,522,905	3,621,646	3,722,949	3,827,192	3,934,353	4,044,616	4,167,782
VARIABLE	6,632,426	6,808,409	6,989,400	7,194,560	7,398,728	7,602,820	7,816,026	8,033,705	8,258,418	8,488,910
FIXED(excluding property taxes)	9,201,336	10,041,107	11,028,034	12,019,690	12,784,032	13,287,435	13,770,947	14,180,961	14,563,621	14,988,886
Total Variable	16,316,187	16,773,000	17,243,000	17,726,000	18,221,000	18,731,000	19,256,000	19,784,000	20,348,000	20,918,000

RUS FORM 325D - GENERAL FUNDS SUMMARY

FINANCIAL FORECAST

	2004	2006	2008	2007	2008	2009	2010	2011	2012	2013
1. SOURCES OF GENERAL FUNDS										
a. NET GENERAL FUNDS BEGINNING OF YEAR	5,533,454	6,097,605	6,667,438	6,361,079	8,497,556	9,858,633	11,167,910	13,723,508	14,974,238	16,406,282
b. CASH MARGINS AFTER DEBT SERVICE	3,632,223	4,579,083	3,649,493	6,148,226	5,673,699	5,532,788	7,171,789	6,972,414	6,638,231	6,372,620
c. OTHER PROCEEDS	0	0	0	0	0	0	0	0	0	0
d. SALE OF EXCLUDABLE ITEMS	0	0	0	0	0	0	0	0	0	0
e. REIMBURSEMENT FROM PRIORITY LOAN FUNDS	0	0	0	0	0	0	0	0	0	0
f. REIMBURSEMENT FROM SPECIAL LOANS (NON-PRIORITY)	0	0	0	0	0	0	0	0	0	0
2. TOTAL GENERAL FUNDS AVAILABLE	9,165,677	10,667,688	10,516,931	12,529,304	14,170,255	15,391,321	18,329,699	20,756,922	21,612,467	21,778,802
3. PROPOSED USE OF GENERAL FUNDS										
a. PURCHASE OF EXCLUDABLE ITEMS	0	0	0	0	0	0	0	0	0	0
b. CAPITAL CREDIT RETIREMENTS	1,607,722	2,299,010	2,292,578	2,145,262	2,145,263	1,762,690	1,762,690	2,676,647	2,770,606	3,066,924
c. GENERAL FUNDS INVESTED IN PLANT	1,460,360	1,501,240	1,543,275	1,586,486	1,866,460	2,170,720	2,483,501	2,805,039	3,135,579	3,475,376
d. OTHER USES OF GENERAL FUNDS	0	0	300,000	300,000	300,000	300,000	300,000	300,000	300,000	300,000
4. TOTAL PROPOSED USES OF GENERAL FUNDS	3,068,072	3,800,250	4,135,853	4,031,748	4,311,723	4,233,410	4,546,191	5,781,686	6,206,185	6,842,300
5. NET GENERAL FUNDS - END OF YEAR	6,097,605	6,867,438	6,381,079	8,497,556	9,858,533	11,167,910	13,783,508	14,974,236	15,406,282	14,936,501



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BOARD RESOLUTION

APPROVAL OF TEN-YEAR FINANCIAL FORECAST

WHEREAS, the Ten (10) Year Financial Forecast for the period of 2004 through 2013 as prepared and included with this loan application is an acceptable projection of the financial trend and conditions of Kenergy Corp.; and

WHEREAS, the Board of Directors of Kenergy Corp. has reviewed the attached Long Range Financial Forecast prepared by the Cooperative's staff; and

WHEREAS, the Financial Forecast includes estimates taken from a previously Board approved Load Forecast and Three-Year Construction Work Plan, both of which have been approved by the Rural Utilities Service (RUS); and

WHEREAS, the Long Range Financial Forecast is based upon Board approved policies, operating rules and plans and sets forth appropriate management goals, all of which are acceptable to the Board of Directors as an overall plan of operations;

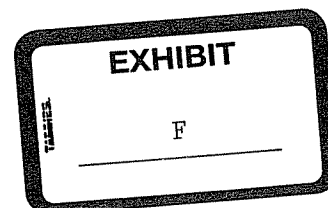
NOW, THEREFORE, BE IT RESOLVED that the Board of Directors of Kenergy Corp. hereby approves and accepts the Ten-Year Long Range Financial Forecast, as proposed, as a plan of operations, and has reviewed the projected rates which are included in the Forecast and is committed to take whatever action may be necessary to implement such rate changes as may be required, on a timely basis to achieve the goals outlined therein.

CERTIFICATION OF SECRETARY

I, Chris Mitchell, Secretary of Kenergy Corp. hereby certify that the above is a true and correct excerpt from the minutes of the meeting of the Board of Directors of the Kenergy Corp., held on the 5th day of October, 2004, at which meeting a quorum was present.

SEAL

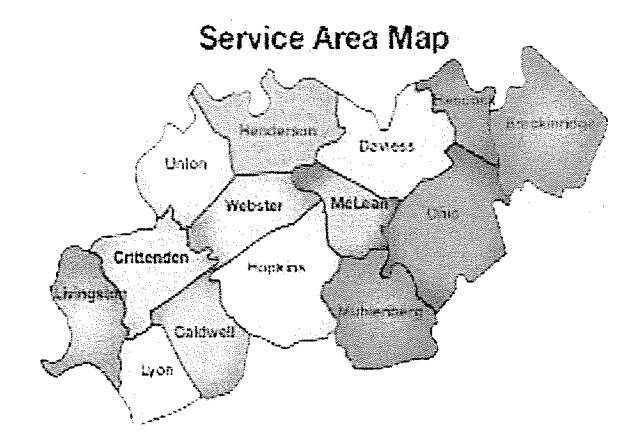
Signature



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KY 65 2004-2007 Construction Work Plan

Kenergy Corp
Henderson, Kentucky



AUGUST 2004



EXHIBIT
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