

DORSEY, KING, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

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April 26, 2005

FEDEX

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission of Kentucky  
211 Sower Boulevard  
Frankfort, Kentucky 40601

RECEIVED

APR 27 2005

PUBLIC SERVICE  
COMMISSION

Re: Kenergy Corp.  
Case No. 2004-00446

Dear Ms. O'Donnell:

In connection with the settlement of this case enclosed please find the following:

- Revised pages 1, 12 and 13 of Exhibit 9 to the Application that should be filed in the record of the case.
- Motion to Approve Settlement Agreement with Settlement Agreement attached thereto.

We request the Commission's approval of the Settlement Agreement and entry of order concluding this case.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By

  
Frank N. King, Jr.

FNKJr/cds

Encls.

Copy/w/encls.: Michael L. Kurtz, Esq.  
Mr. Mark A. Bailey, Kenergy Corp.  
Mr. Steve Thompson, Kenergy Corp.  
Mr. Jack D. Gaines

KENERGY CORP.  
Case No. 2004-00448  
SUMMARY OF REVENUE - TEST YEAR  
MODIFIED TO REFLECT SETTLEMENT AGREEMENT

	(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)	(j)	(k)	(l)	(m)	(n)	(o)
	RATE	AVG. NO. CUSTOMERS	KWH BILLED	REVENUE PER BOOKS	NORMALIZED KWH BILLED	TEST YEAR REVENUE ADJUSTMENT	PERCENT CHANGE (g)/(f)	GROWTH REVENUE ADJUSTMENT	ADJUST YEAR REV. NORMALIZED	REVENUE PROPOSED	REVENUE CHANGE (l)-(k)	PERCENT CHANGE (m)/(k)	COMBINED PERCENT CHANGE (o)-(n)		
1	Residential - Single & Three Phase	45,000	672,503,619	\$ 41,993,063	677,671,905	\$ -	4.21%	\$ 321,598	\$ 42,304,849	\$ 42,781,310	\$ 478,861	1.13%			
2	Base Rate			\$ (443,091)					\$ (443,091)	\$ (471,801)	\$ (28,710)	-6.56%			
3	WDA			\$ (1,678,777)	\$ 1,678,777				\$ (445,922)	\$ -	\$ -	NA			
4	Consolidation Credit			\$ 39,860,195	\$ 41,539,872				\$ 41,858,727	\$ 4,859	\$ 4,859	0.01%	4.23%		
5	Subtotal														
6	Commercial & Public Bldgs - Single Phase	5,731	85,558,463	\$ 5,344,024	86,441,477	\$ -	4.21%	\$ 55,225	\$ 5,389,248	\$ 5,743,813	\$ 344,564	6.38%			
7	Base Rate			\$ (59,298)					\$ (59,805)	\$ (117,113)	\$ (60,208)	-105.80%			
8	WDA			\$ (213,784)	\$ 213,784				\$ -	\$ -	\$ -	NA			
9	Consolidation Credit			\$ 5,073,932	\$ 5,287,725				\$ 5,342,344	\$ 5,628,700	\$ 284,356	5.32%	9.54%		
10	Subtotal														
11	Former HUEC (0-50 KVA)-grandfathered	302	6,552,644	\$ 431,606	6,465,734	\$ -	4.21%	\$ (6,727)	\$ 425,878	\$ 408,992	\$ (16,887)	-3.97%			
12	Base Rate			\$ (4,312)					\$ (4,245)	\$ (8,736)	\$ (4,491)	-105.80%			
13	WDA			\$ (17,257)	\$ 17,257				\$ -	\$ -	\$ -	NA			
14	Consolidation Credit			\$ 410,037	\$ 427,284				\$ 421,634	\$ 400,256	\$ (21,378)	-5.07%	-0.86%		
15	Subtotal														
16	Commercial & Public Bldgs - Three Phase < 1,000 KW	781	172,653,098	\$ 10,555,416	174,200,895	\$ -	4.21%	\$ 94,156	\$ 10,649,571	\$ 10,328,014	\$ (321,558)	-3.02%			
17	Base Rate			\$ (113,606)					\$ (114,533)	\$ (235,714)	\$ (121,181)	-105.80%			
18	WDA			\$ (422,248)	\$ 422,248				\$ -	\$ -	\$ -	NA			
19	Consolidation Credit			\$ 10,019,562	\$ 10,441,810				\$ 10,535,038	\$ 10,092,300	\$ (442,738)	-4.20%	0.01%		
20	Subtotal														
21	Commercial - Three-Phase 1,000 - 2,000 KW	10	88,340,841	\$ 3,208,910	75,670,084	\$ -	4.21%	\$ 391,333	\$ 3,598,243	\$ 3,485,345	\$ (102,897)	-2.86%			
22	Base Rate			\$ (51,485)					\$ (56,287)	\$ (102,368)	\$ (46,079)	-81.86%			
23	WDA			\$ (128,930)	\$ 128,930				\$ -	\$ -	\$ -	NA			
24	Consolidation Credit			\$ 3,028,515	\$ 3,155,446				\$ 3,541,856	\$ 3,392,979	\$ (148,876)	-4.21%	-0.01%		
25	Subtotal														
26	Former HUEC (1000-2000 kw) grandfathered Pioneer	1	3,757,440	\$ 188,384	3,757,440	\$ -	4.23%	\$ 28	\$ 188,410	\$ 195,827	\$ 7,418	3.94%			
27	Base Rate			\$ (2,472)					\$ (2,472)	\$ (5,088)	\$ (2,616)	-105.80%			
28	WDA			\$ (7,536)	\$ 7,536				\$ -	\$ -	\$ -	NA			
29	Consolidation Credit			\$ 178,375	\$ 185,911				\$ 185,937	\$ 190,739	\$ 4,802	2.59%	8.81%		
30	Subtotal														
31	Commercial - Three Phase (Over 2,000 KW)	1	11,811,600	\$ 488,544	11,811,600	\$ -	0.00%	\$ (182)	\$ 488,362	\$ 502,712	\$ 14,350	2.94%			
32	Base Rate			\$ (7,772)					\$ 0	\$ (7,772)	\$ (15,995)	-105.80%			
33	WDA			\$ 307	\$ 307				\$ -	\$ -	\$ -	NA			
34	Consolidation Credit			\$ 10,741	\$ 11,048				\$ 11,192	\$ 11,192	\$ -	0.00%	1.27%		
35	Subtotal														
36	Metered Lighting - Single Phase	83	153,228	\$ 11,151	153,228	\$ -	2.86%	\$ 145	\$ 11,295	\$ 11,404	\$ 109	0.96%			
37	Base Rate			\$ (102)					\$ (1)	\$ (103)	\$ (212)	-105.80%			
38	WDA			\$ 307	\$ 307				\$ -	\$ -	\$ -	NA			
39	Consolidation Credit			\$ 10,741	\$ 11,048				\$ 11,192	\$ 11,192	\$ -	0.00%	2.86%		
40	Subtotal														
41	Former HUEC street lights-Unmetered-grandfathered	83,850	83,850	\$ 8,069	83,850	\$ -	4.20%	\$ 1	\$ 8,070	\$ 13,043	\$ 4,973	61.63%			
42	Base Rate			\$ (65)					\$ 1	\$ (55)	\$ (58)	-105.80%			
43	WDA			\$ (323)	\$ 323				\$ -	\$ -	\$ -	NA			
44	Consolidation Credit			\$ 7,692	\$ 8,014				\$ 8,015	\$ 12,931	\$ 4,916	61.33%	65.52%		
45	Subtotal														
46	Other Unmetered Lighting	12,523,903	12,523,903	\$ 1,237,507	12,523,903	\$ -	4.19%	\$ (27)	\$ 1,237,480	\$ 1,237,479	\$ -	0.00%			
47	Base Rate			\$ (6,228)					\$ (13)	\$ (8,241)	\$ (16,960)	-105.80%			
48	WDA			\$ (48,448)	\$ 48,448				\$ -	\$ -	\$ -	NA			
49	Consolidation Credit			\$ 1,179,831	\$ 1,229,278				\$ 1,229,239	\$ 1,220,520	\$ (8,719)	-0.71%	3.48%		
50	Subtotal														
51	Total Non direct served	51,919	1,033,638,606	\$ 63,454,673	1,048,760,116	\$ -	4.19%	\$ 856,535	\$ 64,311,208	\$ 64,717,939	\$ 406,731	0.63%			
52	Base Rate			\$ (987,402)					\$ (8,133)	\$ (1,420,020)	\$ (723,484)	-103.87%			
53	WDA			\$ (2,517,620)	\$ 2,517,620				\$ 63,614,873	\$ 63,297,920	\$ (316,753)	-0.50%	3.68%		
54	Consolidation Credit			\$ 60,249,651	\$ 62,767,271				\$ -	\$ -	\$ -	NA			
55	Subtotal														
56	Direct served (Class A)	2	7,328,045,100	\$ 185,778,580	7,328,045,100	\$ (81,220)	-0.04%	\$ -	\$ 185,697,360	\$ 185,659,856	\$ (37,504)	-0.02%	-0.06%		
57	Base Rate			\$ 21,371,422					\$ -	\$ 21,288,102	\$ (83,320)	-0.39%			
58	WDA			\$ 61,012,718	\$ 61,012,718				\$ -	\$ 2,091,863	\$ 4,865	0.23%	0.23%		
59	Consolidation Credit			\$ 7,146,430	\$ 7,146,430				\$ -	\$ 7,146,430	\$ -	0.00%	-3.68%		
60	Subtotal														
61	Former Grete (Class C)-grandfathered	11	172,236,878	\$ 7,146,430	172,236,878	\$ -	0.00%	\$ -	\$ 7,146,430	\$ 6,883,524	\$ (262,906)	-3.68%	-0.21%		
62	Base Rate			\$ 216,393,450					\$ -	\$ 216,256,425	\$ (137,025)	-0.06%	-0.15%		
63	WDA			\$ 276,633,101	\$ 276,633,101				\$ -	\$ 276,221,285	\$ (411,816)	-0.15%	-0.23%		
64	Consolidation Credit			\$ 1,206,688	\$ 1,206,688				\$ -	\$ 890,688	\$ -	0.00%			
65	Subtotal														
66	Unbilled Impact	78	21,784,962	\$ 1,246,349	21,784,962	\$ -	0.00%	\$ -	\$ 1,136,679	\$ 1,182,979	\$ 46,300	4.07%			
67	Misc. Revenues	81	9,324,449,413	\$ 279,086,137	9,317,505,761	\$ -	0.00%	\$ 2,628,328	\$ 281,914,463	\$ 281,310,950	\$ (603,513)	-0.21%	-0.21%		
68	Total All	51,937	9,324,449,413	\$ 279,086,137	9,317,505,761	\$ -	0.00%	\$ 2,628,328	\$ 281,914,463	\$ 281,310,950	\$ (603,513)	-0.21%	-0.21%		

**KENERGY CORP.**  
**CASE NO. 2004-00446**  
**MODIFIED TO REFLECT SETTLEMENT AGREEMENT**

1	Billings from Wholesale Power Suppliers to Kenergy for Resale to Smelters		<u>\$185,267,358</u>
2			
3	Kenergy Customer Charges:		
4	June 2003 - March 2004	20	x \$6,500 = \$130,000
5	April 2004:	2 x 21/30	x \$6,500 = \$9,100
6		2 x 9/30	x \$2,200 = \$1,320
7	May 2004:	2	x \$2,200 = \$4,400
8			<u>\$144,820</u>
9			
10			
11	Kenergy Charges @ .00005 per KWH:		
12		<u>7,328,045,100</u>	x .00005 = <u>\$366,402</u>
13			
14			
15	<b>TOTAL REVENUE</b>		<b><u>\$185,778,580</u></b>
16			
17	Less: Customer Charge		\$ (144,820)
18	Plus: Normalized Customer Charge		
19		24	\$ 2,650 = <u>\$ 63,600</u>
20			
21	<b>NORMALIZED TOTAL REVENUE</b>		<b><u>\$ 185,697,360</u></b>
22			
23	Reduction per settlement agreement:		
24			
25	Amount from line 1 above		\$ 185,267,358
26	New energy adder - 7,328,045,100 @	0.000045	\$ 329,762
27	New customer charge - 24 @	\$ 2,614	<u>\$ 62,736</u>
28			
29	<b>Proforma revenues</b>		<b>\$ 185,659,856</b>
30			
31	<b>Reduction</b>		<b><u>\$ 37,504</u></b>
32			

SEE SUMMARY OF REVENUE- EXHIBIT 9, PAGE 1, LINE 67

**KENERGY CORP.**  
**CASE NO. 2004 - 00446**  
**DIRECT SERVED CUSTOMERS (3) - CLASS B - CONSUMPTION ANALYSIS**  
**MODIFIED TO REFLECT SETTLEMENT AGREEMENT**

1	Billings from Wholesale Power Suppliers to Kenergy for Resale				<u>\$ 21,071,797</u>
2					
3	Kenergy Customer Charges:				
4	June 2003 - March 2004	30	x \$2,500	=	\$ 75,000
5	April 2004:	3 x 21/30	x \$2,500	=	\$ 5,250
6		3 x 9/30	x \$860	=	\$ 774
7	May 2004:	3	x \$860	=	<u>\$ 2,580</u>
8					
9					<u>\$ 83,604</u>
10					
11	Kenergy Charges @.0002 per KWH:				
12	Energy Resold	700,052,953	x .0002	=	<u>\$ 140,011</u>
13	Backup Energy	<u>7,378,000</u>			
14		707,430,953			
15					
16	Energy Consumed At Site	380,221,716	x .0002	=	<u>\$ 76,044</u>
17					
18	Energy Curtailed	(170,000)	x .0002	=	<u>\$ (34)</u>
19					
20					\$ 216,021
21					
22					<b><u>\$ 21,371,421</u></b>
23					
24					\$ (83,604)
25	Plus Normalized Customer Charge				
26		36	\$ 1,050	=	<u>\$ 37,800</u>
27					
28					<b><u>\$ 21,325,617</u></b>
29					
30	Reduction per settlement agreement:				
31					
32	Amount from line 1 above				\$ 21,071,797
33	New energy adder - 1,080,104,669 kwh @		0.000166		\$ 179,297
34	New customer charge - 36 @		\$ 1,028		<u>\$ 37,008</u>
35					
36					<b>\$ 21,288,102</b>
37					
38					<b><u>\$ 37,515</u></b>
39					
40					

SEE SUMMARY OF REVENUE- EXHIBIT 9, PAGE 1, LINE 69.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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APR 27 2005

PUBLIC SERVICE COMMISSION

In the Matter of:

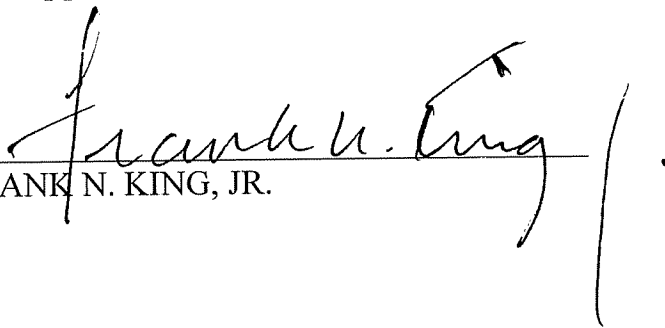
THE APPLICATION OF KENERGY CORP. ) CASE No. 2004-00446  
FOR A REDUCTION IN REVENUE AND )  
ADJUSTMENT IN EXISTING RATES )

MOTION TO APPROVE SETTLEMENT AGREEMENT

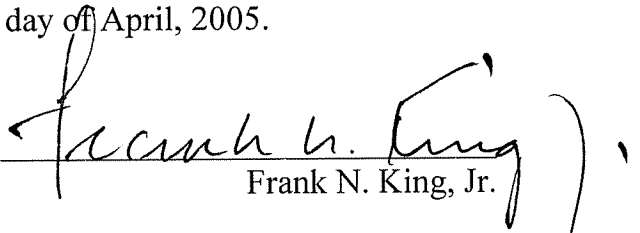
Now comes KENERGY CORP. ("Kenergy") by counsel and moves the Commission to approve the attached Settlement Agreement dated as of April 26, 2005, in its entirety. Counsel for Kentucky Industrial Utilities Customers, Inc. has authorized the undersigned to inform the Commission that he concurs with this motion.

WHEREFORE, Kenergy moves the Commission to approve the attached Settlement Agreement and requests that it be afforded all proper relief.

**DORSEY, KING, GRAY, NORMENT & HOPGOOD**  
318 Second Street  
Henderson, Kentucky 42420  
(270) 826-3965 Telephone  
(270) 826-6672 Telefax  
Attorneys for Applicant

By   
FRANK N. KING, JR.

I hereby certify that the foregoing has been served upon Michael L. Kurtz, Esq., Boehm, Kurtz & Lowry, 36 East Seventh Street, Suite 1510, Cincinnati, Ohio 45202, by mailing a true and correct copy of same on this 26<sup>th</sup> day of April, 2005.

  
\_\_\_\_\_  
Frank N. King, Jr.

RECEIVED

APR 27 2005

PUBLIC SERVICE  
COMMISSION

**SETTLEMENT AGREEMENT**

**THIS SETTLEMENT AGREEMENT** is made and entered into as of the 26<sup>th</sup> day of April, 2005, by and between **KENERGY CORP.** (“Kenergy”) and **KENTUCKY INDUSTRIAL UTILITIES CUSTOMERS, INC.** (“KIUC”);

**WHEREAS:**

(1) On December 16, 2004, Kenergy filed with the Kentucky Public Service Commission (“Commission”) an application for reduction in revenue and adjustment in existing rates in Case No. 2004-00446;

(2) KIUC was granted the right to intervene by order of the Commission dated January 12, 2005, and KIUC is the only intervenor in this case;

(3) Kenergy and KIUC have reached agreement on the amount of annual rate reductions for the five (5) industrial customers represented by KIUC, which are Alcan Primary Products Corporation, Century Aluminum Company, Weyerhaeuser Company, Commonwealth Industries, Inc. and Kimberly Clark Corporation (“KIUC Members”);

(4) Commission Staff has been notified of the above agreement and has informed counsel for Kenergy and KIUC that recommendation will be made to the Commission to approve these rate reductions and also to approve Kenergy’s other rates and charges as set forth in the application, with the proviso that Kenergy agree to have a

depreciation study performed within five (5) years or in connection with Kenergy's next rate case, whichever is sooner, and

(5) Kenergy and KIUC desire to set forth in writing the terms and conditions of their agreement;

**NOW**, therefore, in consideration of their mutual promises and covenants,

**IT IS AGREED** as follows:

1. The KIUC Members collectively shall receive an annual rate reduction of \$75,000.00 effective on June 1, 2005. Calculations showing revised energy adders and customer charges that will become effective for this annual rate reduction are set forth on attached "Exhibit A." Upon Commission approval Kenergy will promptly issue and submit for filing revised tariff sheets in the form as shown on attached "Exhibit B" and "Exhibit C."

2. Kenergy's remaining rates and charges set forth in its application in Case No. 2004-00446 shall become effective as proposed on June 1, 2005. Upon Commission approval Kenergy will promptly issue and submit for filing revised tariff sheets conforming to the proposed tariff changes set forth in Exhibit 3.B. of Kenergy's application, to become effective on June 1, 2005.

3. Kenergy shall have a depreciation study performed and shall file said study with the Commission within five (5) years of the Commission's approval of this Settlement Agreement, or in connection with Kenergy's next rate case, whichever is sooner.



4. The foregoing reduced rates for the KIUC Members and the remaining rates and charges as set forth in Kenergy's said application are fair, just, reasonable and non-discriminatory, and are in the best interest of the public. Further, settlement of this case is in the best interest of the parties hereto as it will allow the parties to promptly resolve their dispute without expending further time and incurring additional expense in the pending case. Kenergy offers the testimony of its President and CEO Mark A. Bailey in support of the reasonableness of the rates resulting from this settlement, being attached as "Exhibit D."

5. This Settlement Agreement is conditioned upon and subject to express approval of the Commission. The terms and conditions of this Settlement Agreement are inseparable from one another and accordingly are not severable by the Commission. In the event the Commission fails to approve this Settlement Agreement in its entirety, then either Kenergy or KIUC may withdraw from this settlement by notifying the other party and the Commission within 10 days of the Commission's action of such withdrawal and requesting the Commission to reinstate a procedural order and schedule a hearing in the subject case. In the event of such withdrawal this Settlement Agreement shall be deemed to be null and void and of no legal effect or consequence and the parties hereto shall be restored to status quo existing immediately prior to the execution of this Settlement Agreement; moreover, none of the terms herein shall be binding upon either party nor shall the Settlement Agreement, or any of its terms, be admissible in any judicial or administrative proceeding.

6. This Settlement Agreement constitutes the complete agreement and understanding by and between the parties hereto and any and all oral statements, representations or agreements made prior hereto or contemporaneously herewith shall be deemed to have been merged into this Settlement Agreement.

7. This Settlement Agreement shall inure to and be for the benefit of the parties hereto, their successors and permitted assigns.

8. This Settlement Agreement may be signed in counterparts.

**IN TESTIMONY WHEREOF**, witness the hands of the parties hereto this day and date first above written.

**KENERGY CORP.**

By Mark A. Bailey

Mark A. Bailey  
(printed name)

President and CEO  
(title)

**KENTUCKY INDUSTRIAL UTILITIES  
CUSTOMERS, INC.**

By \_\_\_\_\_

\_\_\_\_\_  
(printed name)

\_\_\_\_\_  
(title)

6. This Settlement Agreement constitutes the complete agreement and understanding by and between the parties hereto and any and all oral statements, representations or agreements made prior hereto or contemporaneously herewith shall be deemed to have been merged into this Settlement Agreement.

7. This Settlement Agreement shall inure to and be for the benefit of the parties hereto, their successors and permitted assigns.

8. This Settlement Agreement may be signed in counterparts.

IN TESTIMONY WHEREOF, witness the hands of the parties hereto this day and date first above written.

**KENERGY CORP.**

By \_\_\_\_\_

\_\_\_\_\_  
(printed name)

\_\_\_\_\_  
(title)

**KENTUCKY INDUSTRIAL UTILITIES  
CUSTOMERS, INC.**

By Michael L. Kurtz

Michael L. Kurtz  
(printed name)

Attorney  
(title)

**KENERGY CORP.**  
**CASE NO. 2004-00446**  
**ALLOCATION OF \$75,000 REDUCTION TO KIUC MEMBERS**

**STEP 1**

Allocate \$37,500 (50%) to the two smelters  
 Allocate \$37,500 (50%) to the three Class B customers

**STEP 2**

Calculate the new energy adder:

**For administrative ease, round the energy adder to six decimal places  
 and make up the difference in the customer charge.**

**Two (2) Class A Smelters:**

Reduction using .000045	=	\$36,640 (7,328,045,100 KWH x .00005 - .000045)
Reduction agreed to	=	<u>\$37,500</u>
Additional reduction needed	=	<u>\$860</u> = \$35.83

24 monthly billings

New Energy Adder	-	.000045
New Customer Charge	-	\$2,614 (\$2,650 - \$36)

**Three (3) Class B Customers:**

Reduction Using .000166	=	\$36,723 (1,080,104,669 KWH x .0002 - .000166)
Reduction agreed to	=	<u>\$37,500</u>
	=	<u>\$777</u> = \$21.58

36 monthly billings

New Energy Adder	-	.000166
New Customer Charge	-	\$1,028 (\$1,050 - \$22)

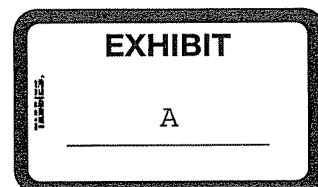
**Reduction per customer:**

**Century Aluminum**

4,197,538,000 KWH x .000045	=	\$188,889
12 x \$2,614	=	<u>\$ 31,368</u>
		\$220,258
Test Year Energy Adder	=	<u>\$241,677</u>
Reduction		<u>\$ 21,420</u>

**Alcan Aluminum**

3,130,507,100 KWH x .000045	=	\$140,873
12 x \$2,614	=	<u>\$ 31,368</u>
		\$172,241
Test Year Energy Adder	=	<u>\$188,325</u>
Reduction		<u>\$ 16,084</u>
Total Reduction Class A	=	<u>\$ 37,504</u>



**Commonwealth**

165,700,255 x .000166	=	\$27,506
12 x \$1,028	=	<u>\$12,336</u>
		\$39,842
Test Year Energy Adder	=	<u>\$45,739</u>
Reduction		<u>\$ 5,897</u>

**Kimberly Clark**

301,148,530 x .000166	=	\$49,991
12 x \$1,028	=	<u>\$12,336</u>
		\$62,327
Test Year Energy Adder	=	<u>\$72,830</u>
Reduction		<u>\$10,503</u>

**Weyerhaeuser**

613,255,884 x .000166	=	\$101,800
12 x \$1,028	=	<u>\$ 12,336</u>
		\$114,136
Test Year Energy Adder	=	<u>\$135,251</u>
Reduction		<u>\$ 21,115</u>
Total Reduction Cass B		<u>\$ 37,515</u>
Total All		<u>\$ 75,019</u>



Henderson, Kentucky

FOR ALL TERRITORY SERVED

Community, Town or City

PSC NO. 1

Third Revised SHEET NO. 32

CANCELLING PSC NO. \_\_\_\_\_

Second Revised SHEET NO. 32

<b>CLASSIFICATION OF SERVICE</b>
<b>Schedule 32 – Large Industrial Customers Served Under Special Contract (Dedicated Delivery Points) – Class B</b>

**Commonwealth Aluminum**

The monthly delivery point rate shall be:

- (R) Customer Charge.....\$1,028 Month
- Demand Charge of:
  - per KW of Billing Demand.....\$10.15
- (R) Energy Charge of:
  - per KWH..... .013881

**TAXES AND FEES**

School Taxes added to bill if applicable.  
Kentucky Sales Taxes added to bill if applicable.

**FRANCHISE CHARGE**

The rate herein provided shall include, where applicable, an additional charge for local government franchise payment determined in accordance with the Franchise Billing Plan as set forth in the rules and regulations of this tariff.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE June 1, 2005

ISSUED BY \_\_\_\_\_ TITLE President and CEO  
SIGNATURE OF OFFICER

ISSUED BY AUTHORITY OF PSC ORDER NO. 2004-00446.

EXHIBIT

B



Henderson, Kentucky

FOR ALL TERRITORY SERVED

Community, Town or City

PSC NO. 1

Second Revised SHEET NO. 32A

CANCELLING PSC NO. \_\_\_\_\_

First Revised SHEET NO. 32A

<b>CLASSIFICATION OF SERVICE</b>
<b>Schedule 32 – Large Industrial Customers Served Under Special Contract (Dedicated Delivery Points) – Class B</b>

**Weyerhaeuser Company**

The monthly delivery point rate shall be:

- (R) Customer Charge.....\$1,028 Month
- Demand Charge of:
  - per KW of Firm Billing Demand.....\$10.15
- Energy Charge of:
  - per KWH Sold by Kenergy to Weyerhaeuser..... .013881

NOTE: Customer has installed self-generation at site. Charges for backup and replacement power are billed per contract, which includes a \$0.000166 retail adder per KWH Consumed At Site.

**TAXES AND FEES**

School Taxes added to bill if applicable.  
Kentucky Sales Taxes added to bill if applicable.

**FRANCHISE CHARGE**

The rate herein provided shall include, where applicable, an additional charge for local government franchise payment determined in accordance with the Franchise Billing Plan as set forth in the rules and regulations of this tariff.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE June 1, 2005

ISSUED BY \_\_\_\_\_ TITLE President and CEO  
SIGNATURE OF OFFICER

ISSUED BY AUTHORITY OF PSC ORDER NO. 2004-00446.



Henderson, Kentucky

FOR ALL TERRITORY SERVED

Community, Town or City

PSC NO. 1

Second Revised SHEET NO. 32B

CANCELLING PSC NO.

First Revised SHEET NO. 32B

<b>CLASSIFICATION OF SERVICE</b>
<b>Schedule 32 – Large Industrial Customers Served Under Special Contract (Dedicated Delivery Points) – Class B</b>

**Kimberly Clark**

The monthly delivery point rate shall be:

- (R) Customer Charge.....\$1,028 Month
- Demand Charge of:
- per KW of Billing Demand.....\$10.15
- Energy Charge of:
- (R) per KWH..... .013881

**TAXES AND FEES**

School Taxes added to bill if applicable.  
Kentucky Sales Taxes added to bill if applicable.

**FRANCHISE CHARGE**

The rate herein provided shall include, where applicable, an additional charge for local government franchise payment determined in accordance with the Franchise Billing Plan as set forth in the rules and regulations of this tariff.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE June 1, 2005

ISSUED BY \_\_\_\_\_ TITLE President and CEO

SIGNATURE OF OFFICER





Henderson, Kentucky

FOR ALL TERRITORY SERVED

Community, Town or City

PSC NO. 1

Third Revised SHEET NO. 34

CANCELLING PSC NO. \_\_\_\_\_

Second Revised SHEET NO. 34

**CLASSIFICATION OF SERVICE**

**Schedule 34 – Smelter Customers Served Under Special Contracts – Class A**

The Kenergy Corp. Smelter Tariffs for service to Alcan Primary Products Corporation, assignee of Alcan Aluminum Corporation, and Century Aluminum shall consist of Schedule A to the Agreement for Electric Service between Kenergy Corp. and Alcan Aluminum Corporation and Century Aluminum dated July 15, 1998, which Schedule A is hereby incorporated by reference as though fully set out herein. Alcan Primary Products Corporation and Century Aluminum shall be obligated to pay in accordance with the rates, charges and other terms and conditions set forth in said Schedule A including the applicable retail fee.

Notwithstanding any provision to the contrary contained in the attached Schedule A to the Agreement for Electric Service, Alcan Primary Products Corporation and Century Aluminum may be obligated to pay to Kenergy Corp. a transmission surcharge if necessary to recover a portion of any unforeseen increases in Big Rivers' transmission costs due to the Smelters' load, as set forth in the Commission's Order dated July 14, 1998, in Case No. 98-267.

DATE OF ISSUE \_\_\_\_\_ DATE EFFECTIVE June 1, 2005

ISSUED BY \_\_\_\_\_ TITLE President and CEO

SIGNATURE OF OFFICER

ISSUED BY AUTHORITY OF PSC ORDER NO. 2004-00446.

**EXHIBIT**

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

**In the Matter of:** )  
 )  
**THE APPLICATION OF KENERGY CORP.) CASE No. 2004-00446**  
**FOR A REDUCTION IN REVENUE AND )**  
**ADJUSTMENT IN EXISTING RATES )**

**TESTIMONY OF MARK A. BAILEY**  
**IN SUPPORT OF SETTLEMENT**

Q1. Please state your name, business address and position with Kenergy.

A. Mark A. Bailey, 6402 Old Corydon Road, Henderson, Kentucky 42420. I am President and CEO of Kenergy.

Q2. Was your direct testimony filed in support of Kenergy's application in this case?

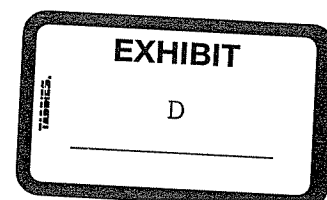
A. Yes.

Q3. In that testimony did you support Kenergy's proposed rates and give your opinion that such rates were fair, just, reasonable and nondiscriminatory?

A. Yes.

Q4. In the application did Kenergy propose any rate reduction for the five (5) industrial customers being represented by Kentucky Industrial Utilities Customers, Inc. ("KIUC"), which are Alcan Primary Products Corporation, Century Aluminum Company, Weyerhaeuser Company, Commonwealth Industries, Inc. and Kimberly Clark Corporation ("KIUC" Members)?

A. No, it did not. However, KIUC did request a reduction to the KIUC Members of \$288,000.00 annually based upon its cost of service analysis.



1  
2 Q5. Has Kenergy entered into a settlement with KIUC regarding rate reductions for  
3 the KIUC Members?

4  
5 A. Yes.

6  
7 Q6. What are the terms of the settlement?

8  
9 A. The KIUC Members collectively will receive an annual rate reduction of  
10 \$75,000.00. This is to be divided equally between the Class A customers (Alcan  
11 and Century Aluminum) and the Class B customers (Weyerhaeuser,  
12 Commonwealth and Kimberly Clark). Both the energy adder and the customer  
13 charge are being reduced to accomplish this annual reduction. Additionally, a  
14 condition of Kenergy's is that the other rates and charges set forth in its  
15 application in this case are to be approved as proposed. In accordance with the  
16 stipulation of Commission Staff Kenergy is agreeing to have a depreciation study  
17 performed within five (5) years or in connection with its next rate case, whichever  
18 is sooner. The terms of the settlement are set forth in a Settlement Agreement that  
19 must be approved by the Commission.  
20

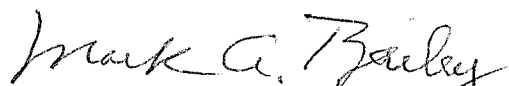
21 Q7. With this \$75,000.00 annual reduction in rates to the KIUC Members do you  
22 believe that Kenergy will still have rates that are fair, just, reasonable and  
23 nondiscriminatory?  
24

25 A. Yes, I do. This concession to the KIUC Members, and their acceptance of it,  
26 evidences a good faith effort on the part of both Kenergy and the KIUC Members  
27 to build a stronger business relationship going forward. Certainly there is a range  
28 of what is fair, just, reasonable and nondiscriminatory and the amount involved  
29 will reduce Kenergy's test year TIER only by .07. With this rate reduction and  
30 the approval of Kenergy's remaining rates and charges as proposed in the  
31 application, I continue to believe that Kenergy will have rates that are fair, just,  
32 reasonable and nondiscriminatory for all customers.  
33

34 Q8. Does this conclude your testimony at this time?

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36 A. Yes.  
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\_\_\_\_\_  
Mark A. Bailey

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STATE OF KENTUCKY

COUNTY OF HENDERSON

The foregoing was signed, acknowledged and sworn to before me by  
MARK A. BAILEY this 26th day of April, 2005.

My commission expires September 29, 2005

  
\_\_\_\_\_  
Notary Public, State of Kentucky at Large

(seal)