

DORSEY, KING, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)  
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March 14, 2005

RECEIVED  
MAR 13 2005  
PUBLIC SERVICE  
COMMISSION

Ms. Elizabeth O'Donnell  
Executive Director  
Public Service Commission of Kentucky  
Post Office Box 615  
Frankfort, Kentucky 40601

Re: Kenergy Corp.  
Case No. 2004-00446

Dear Ms. O'Donnell:

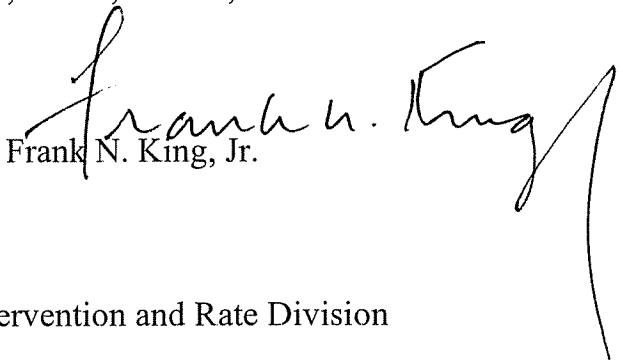
Enclosed for filing please find Kenergy's RUS Form 7 for the period ending December 2004. This filing supplements Kenergy's response to Item 1 of KIUC's First Data Request.

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/encl.: Attorney General, Utility Intervention and Rate Division  
Michael L. Kurtz, Esq.

Copy/w/o/encl.: Mr. Mark A. Bailey, Kenergy Corp.  
Mr. Steve Thompson, Kenergy Corp.

## FINANCIAL AND STATISTICAL REPORT

KY0065

PERIOD ENDED

12/2004

INSTRUCTIONS-See RUS Bulletin 1717B-2

## Part A. Statement of Operations

ITEM	Year-to-date Last Year (a)	Year-to-date This Year (b)	Year-to-date Budget (c)	This Month (d)
1. Operating Revenue and Patronage Capital	279,674,782	281,710,528	280,906,531	24,964,130
2. Power Production Expense	0	0	0	0
3. Cost of Purchased Power	253,749,545	254,634,344	254,922,631	21,973,672
4. Transmission Expense	0	0	0	0
5. Distribution Expense - Operation	3,222,427	3,301,838	3,716,274	360,032
6. Distribution Expense - Maintenance	5,757,949	7,680,715	7,102,815	799,748
7. Customer Accounts Expense	2,472,214	2,559,692	2,922,173	84,914
8. Customer Service and Informational Expense	122,462	162,956	146,907	14,706
9. Sales Expense	175,078	146,846	189,116	12,201
10. Administrative and General Expense	2,417,134	2,487,686	2,035,901	387,065
11. Total Operation & Maintenance Expense (2 thru 10)	267,916,809	270,974,077	271,035,817	23,632,338
12. Depreciation and Amortization Expense	5,274,279	5,589,176	5,757,806	477,909
13. Tax Expense - Property & Gross Receipts	0	0	0	0
14. Tax Expense - Other	289,036	275,720	295,000	22,130
15. Interest on Long-Term Debt	3,364,565	3,118,978	3,137,036	292,567
16. Interest Charged to Construction - Credit	( 109,745)	( 55,479)	0	( 22,327)
17. Interest Expense - Other	162,610	118,202	140,000	12,012
18. Other Deductions	53,977	78,148	63,000	10,821
19. Total Cost of Electric Service (11 thru 18)	276,951,531	280,098,822	280,428,659	24,425,450
20. Patronage Capital & Operating Margins (1 minus 19)	2,723,251	1,611,706	477,872	538,680
21. Non Operating Margins - Interest	906,188	836,782	674,900	200,546
22. Allowance for Funds Used During Construction	0	0	0	0
23. Income (Loss) from Equity Investments	( 1,806)	0	0	0
24. Non Operating Margins - Other	( 62,490)	( 21,223)	0	( 13,043)
25. Generation and Transmission Capital Credits	0	0	0	0
26. Other Capital Credits and Patronage Dividends	61,484	131,689	101,000	699
27. Extraordinary Items	0	0	0	0
28. Patronage Capital or Margins (20 thru 27)	3,626,627	2,558,954	1,253,772	726,882

## Part B. Data on Transmission and Distribution Plant

ITEM	Year-to-date Last Year (a)	Year-to-date This Year (b)
1. New Services Connected	1,138	1,120
2. Services Retired	237	3,961
3. Total Services in Place	58,022	55,181
4. Idle Services (Exclude Seasonal)	5,817	2,241
5. Miles Transmission	0.00	0.00
6. Miles Distribution - Overhead	6,170.00	6,192.00
7. Miles Distribution - Underground	631.00	667.00
8. Total Miles Energized (5 + 6 + 7)	6,801.00	6,859.00

## FINANCIAL AND STATISTICAL REPORT

KY0065

PERIOD ENDED

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INSTRUCTIONS-See RUS Bulletin 1717B-2

## Part C. Balance Sheet

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	198,842,587	29. Memberships	275,470
2. Construction Work in Progress	3,137,700	30. Patronage Capital	54,826,732
3. Total Utility Plant (1 + 2)	201,980,287	31. Operating Margins - Prior Years	78,651
4. Accum. Provision for Depreciation and Amort.	41,186,755	32. Operating Margins - Current Year	0
5. Net Utility Plant (3 - 4)	160,793,532	33. Non-Operating Margins	338
6. Non-Utility Property (Net)	45,764	34. Other Margins and Equities	2,779,235
7. Investments in Subsidiary Companies	0	35. Total Margins & Equities (29 thru 34)	57,960,426
8. Invest. in Assoc. Org. - Patronage Capital	696,370	36. Long-Term Debt - RUS (Net)	68,984,354
9. Invest. in Assoc. Org. - Other - General Funds	75,751	(Payments - Unapplied)	11,285,983
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	3,902,688	37. Long-Term Debt - RUS - Econ. Devel. (Net)	1,583,302
11. Investments in Economic Development Projects	1,851,357	38. Long-Term Debt - FFB - RUS Guaranteed	11,000,000
12. Other Investments	40,683	39. Long-Term Debt - Other - RUS Guaranteed	0
13. Special Funds	1,722,189	40. Long-Term Debt Other (Net)	26,066,859
14. Total Other Property & Investments (6 thru 13)	8,334,802	41. Total Long-Term Debt (36 thru 40)	107,634,515
15. Cash - General Funds	144,211	42. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	43. Accumulated Operating Provisions and Asset Retirement	
17. Special Deposits	0	Obligations	2,946,383
18. Temporary Investments	704,679	44. Total Other Noncurrent Liabilities (42 + 43)	2,946,383
19. Notes Receivable (Net)	0	45. Notes Payable	1,000,000
20. Accounts Receivable - Sales of Energy (Net)	18,776,933	46. Accounts Payable	21,623,443
21. Accounts Receivable - Other (Net)	844,438	47. Consumers Deposits	2,272,173
22. Materials and Supplies - Electric & Other	1,758,483	48. Current Maturities Long-Term Debt	3,757,222
23. Prepayments	687,363	49. Current Maturities Long-Term Debt-Economic	
24. Other Current and Accrued Assets	7,236,156	Development	268,056
25. Total Current and Accrued Assets (15 thru 24)	30,152,263	50. Current Maturities Capital Leases	0
26. Regulatory Assets	0	51. Other Current and Accrued Liabilities	1,381,940
27. Other Deferred Debits	359,959	52. Total Current & Accrued Liabilities (45 thru 51)	30,302,834
28. Total Assets and Other Debits (5+14+25 thru 27)	199,640,556	53. Regulatory Liabilities	0
		54. Other Deferred Credits	796,398
		55. Total Liabilities and Other Credits (35+ 41 + 44 + 52 thru 54)	199,640,556

Name of Borrower		Report Year	Report Period
KENERGY CORPORATION (KY0065)		2004	12
<b>Part D. Notes to Financial Statements</b>			

Part B-Line 2b-Services Retired  
Part B-Line 4b-Idle Services

An adjustment of 3,707 services was added to Services Retired and subtracted from Idle Services in December 2004. This adjustment is based on actual field visits to 660 idle accounts during October-December by contract meter readers whereby 62% of the services visited did not have a service drop. The 62% was applied to the November 30, 2004 Idle Services of 5,997 to arrive at the 3,707 reduction. The overall average cost per service of \$262.70 was multiplied by the 3,707 to arrive at a \$973,830 reduction to account 369,000 Services and 108,669 Accumulated Depreciation Services. It is anticipated that over the next several years, visits will be made to the idle service account to obtain an actual tabulation of the plant units to retire and required adjustments will be made to this estimate.

## FINANCIAL AND STATISTICAL REPORT

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PERIOD ENDED

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INSTRUCTIONS-See RUS Bulletin 1717B-2

## Part E. Changes in Utility Plant

PLANT ITEM	Balance Beginning of Year	Additions	Retirements	Adjustments and Transfers	Balance End of Year
Distribution Plant	170,361,517	10,819,656	2,302,717	0	178,878,456
General Plant	12,420,649	1,054,076	564,353	0	12,910,372
Headquarters Plant	6,842,500	191,904	0	0	7,034,404
Intangibles	19,355	0	0	0	19,355
Transmission Plant	0	0	0	0	0
All Other Utility Plant	0	0	0	0	0
Total Utility Plant in Service (1 thru 6)	189,644,021	12,065,636	2,867,070	0	198,842,587
Construction Work in Progress	3,785,599	( 647,899)			3,137,700
TOTAL UTILITY PLANT (7 + 8)	193,429,620	11,417,737	2,867,070	0	201,980,287

## Part F. Materials and Supplies

ITEM	Balance Beginning of Year (a)	Purchased (b)	Salvaged (c)	Used (Net) (d)	Sold (e)	Adjustment (f)	Balance End of Year (g)
1. Electric	1,640,418	2,335,839	72,016	2,317,235	27,887	8,718	1,711,869
2. Other	67,098	88,721	0	1,121	108,084	0	46,614

## Part G. Service Interruptions

ITEM	Avg. Hours per Consumer by Cause Power Supplier (a)	Avg. Hours per Consumer by Cause Extreme Storm (b)	Avg. Hours per Consumer by Cause Prearranged (c)	Avg. Hours per Consumer by Cause All Other (d)	TOTAL (e)
1. Present Year	0.63	0.01	0.01	9.98	10.63
2. Five-Year Average	0.29	0.31	0.05	4.13	4.78

## Part H. Employee-Hour and Payroll Statistics

	Amount
1. Number of Full Time Employees	166
2. Employee - Hours Worked - Regular Time	362,496
3. Employee - Hours Worked - Overtime	40,424
4. Payroll - Expensed	6,663,798
5. Payroll - Capitalized	3,103,194
6. Payroll - Other	549,263

**FINANCIAL AND STATISTICAL REPORT**

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PERIOD ENDED

12/2004

INSTRUCTIONS-See RUS Bulletin 1717B-2

**Part I. Patronage Capital**

ITEM	DESCRIPTION	This Year (a)	Cumulative (b)
1. Capital Credits Distributions	a. General Retirements	1,604,396	19,111,592
	b. Special Retirements	144,915	3,442,309
	c. Total Retirements (a + b)	1,749,311	22,553,901
2. Capital Credits Received	a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power	0	
	b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System	94,161	
	c. Total Cash Received (a + b)	94,161	

**Part J. Due from Consumers for Electric Service**

	Amount
1. AMOUNT DUE OVER 60 DAYS	317,095
2. AMOUNT WRITTEN OFF DURING YEAR	225,897

## FINANCIAL AND STATISTICAL REPORT

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INSTRUCTIONS-See RUS Bulletin 1717B-2

## Part K. kWh Purchased and Total Cost

Line No.	ITEM (a)	RUS Use Only Supplier Code (b)	kWh Purchased (c)	Total Cost (d)	Average Cost (Cents/kWh) (e)	Included in Total Cost Fuel Cost Adjustment (f)	Included in Total Cost Wheeling and Other Charges (or credits) (g)
1	Big Rivers Electric Corp (KY0062)	1692	3,433,179,070	111,435,788	3.25	0	0
2	Louisville Gas & Electric Co	11249	5,515,503,931	130,103,131	2.36	0	0
3	Cincinnati Gas & Electric Co	3542	439,200,000	12,451,320	2.84	0	0
4	Southern Indiana Gas & Elec Co	17633	19,818,000	648,517	3.27	0	0
5	Morgan Stanley Capital Grp Inc	12917	( 51,000)	( 4,412)	8.65	0	0
6		0	0	0	0.00	0	0
7		0	0	0	0.00	0	0
8		0	0	0	0.00	0	0
9		0	0	0	0.00	0	0
10		0	0	0	0.00	0	0
11		0	0	0	0.00	0	0
12		0	0	0	0.00	0	0
13		0	0	0	0.00	0	0
14		0	0	0	0.00	0	0
15		0	0	0	0.00	0	0
16		0	0	0	0.00	0	0
17		0	0	0	0.00	0	0
18		0	0	0	0.00	0	0
19		0	0	0	0.00	0	0
20		0	0	0	0.00	0	0
	<b>Total</b>		9,407,650,001	254,634,344	2.71	0	0





**FINANCIAL AND STATISTICAL REPORT**

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PERIOD ENDED

12/2004

INSTRUCTIONS-See RUS Bulletin 1717B-2

**Part M. Annual Meeting and Board Data**

<p>1. Date of Last Annual Meeting</p> <p>06/08/2004</p>	<p>2. Total Number of Members</p> <p>44,156</p>	<p>3. Number of Members Present at Meeting</p> <p>465</p>	<p>4. Was Quorum Present (Y/N) ?</p> <p>Y</p>
<p>5. Number of Members Voting by Proxy or Mail</p> <p>2,997</p>	<p>6. Total Number of Board Members</p> <p>11</p>	<p>7. Total Amount of Fees and Expenses for Board Members</p> <p>168,831</p>	<p>8. Does Manager Have Written Contract (Y/N) ?</p> <p>N</p>

**FINANCIAL AND STATISTICAL REPORT**

KY0065

PERIOD ENDED

12/2004

INSTRUCTIONS-See RUS Bulletin 1717B-2

**Part N. Long-Term Debt and Debt Service Requirements**

ITEM	Balance	Billed This	Billed This	Billed This
	End of Year	Year	Year	Year
	(a)	Interest (b)	Principal (c)	Total (d)
Rural Utilities Service (Excludes RUS - Economic Development Loans)	68,984,354	2,114,449	2,381,957	4,496,406.00
National Rural Utilities Cooperative Finance Corporation	0	72,280	58,536	130,816.00
Bank for Cooperatives	26,066,859	927,609	1,185,580	2,113,189.00
Federal Financing Bank	11,000,000	85,552	0	85,552.00
RUS - Economic Development Loans	1,583,302	0	172,219	172,219.00
Other (List Separately)	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
	0	0	0	0.00
<b>TOTAL</b>	<b>107,634,515</b>	<b>3,199,890</b>	<b>3,798,292</b>	<b>6,998,182.00</b>

**FINANCIAL AND STATISTICAL REPORT**

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INSTRUCTIONS-See RUS Bulletin 1717B-2

**Part O. Power Requirements Data Base - Annual Summary**

CLASSIFICATION	Consumer Sales & Revenue Data	December	Average No. Consumers Served	Total Year to Date
		(a)	(b)	(c)
1. Residential Sales (excluding seasonal)	a. No. Consumers Served	45,855	45,579	
	b. kWh Sold			698,432,244
	c. Revenue			42,207,989
2. Residential Sales - Seasonal	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
3. Irrigation Sales	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
4. Comm. and Ind. 1000 KVA or Less	a. No. Consumers Served	6,984	6,914	
	b. kWh Sold			278,243,834
	c. Revenue			16,546,476
5. Comm. and Ind. Over 1000 KVA	a. No. Consumers Served	30	30	
	b. kWh Sold			8,381,287,332
	c. Revenue			221,554,564
6. Public Street & Highway Lighting	a. No. Consumers Served	71	69	
	b. kWh Sold			1,481,900
	c. Revenue			190,452
7. Other Sales to Public Authorities	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
8. Sales for Resales - RUS Borrowers	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
9. Sales for Resale - Other	a. No. Consumers Served	0	0	
	b. kWh Sold			0
	c. Revenue			0
10. TOTAL No. of Consumers (lines 1a thru 9a)		52,940	52,592	
11. TOTAL kWh Sold (lines 1b thru 9b)				9,359,445,310
12. TOTAL Revenue Received From Sales of Electric Energy (line 1c thru 9c)				280,499,481
13. Other Electric Revenue				1,211,047
14. kWh - Own Use				3,189,186
15. TOTAL kWh Purchased				9,407,650,001
16. TOTAL kWh Generated				0
17. Cost of Purchases and Generation and Transmission Expense				254,634,344
18. Interchange - kWh - Net				0
19. System Peak - Sum Annual Peak kW Input from all Sources (Metered)				1,233,146

Non-coincident  X  Coincident \_\_\_\_\_

## FINANCIAL AND STATISTICAL REPORT

KY0065

PERIOD ENDED

12/2004

INSTRUCTIONS-See RUS Bulletin 1717B-2

## 7a - Part I. Investments

Line No.	Description (a)	Included (\$) (b)	Excluded (\$) (c)	Income or Loss (\$) (d)	Rural Development (e)
<b>1. NON-UTILITY PROPERTY (NET)</b>					
1	SURGE PROTECTORS	3,196	0		
2	HOME SECUTIRY CPU'S	943	0		
3	LIFEGARD UNITS	0	0		
4	WIRELESS INTERNET SERVICE EQUIPMENT	34,321	0		
5	FIBER OPTIC EQUIPMENT	7,304	0		
<b>Total: 1. NON-UTILITY PROPERTY (NET)</b>		<b>45,764</b>	<b>0</b>		
<b>2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS</b>					
6	BIG RIVERS ELECTRIC CORP	0	25	0	
7	UNITED UTILITY SUPPLY	378,608	0	0	
8	KENTUCKY ASSOC OF ELECTRICAL COOPS	113,656	0	0	
9	CFC	0	2,759,816	0	
10	COBANK	0	1,351,882	0	
11	CENTRAL AREA DATA PROCESSING	70	0	0	
12	Federated-Reciprocal Contribution	70,751	0	0	
<b>Total: 2. INVESTMENTS IN ASSOCIATED ORGANIZATIONS</b>		<b>563,085</b>	<b>4,111,723</b>	<b>0</b>	
<b>3. INVESTMENTS IN ECONOMIC DEVELOPMENT PROJECTS</b>					
13	Economic Dev Loan-RDK Hospitality	250,011	0	0	X
14	Economic Dev Loan-Liberty Plaza	258,291	0	0	X
15	Economic Dev Loan-Dapco	122,222	0	0	X
16	Economic Dev Loan-Scott Foam Tech	320,833	0	0	X
17	Economic Dev Loan-Little Ky Smokehouse	450,000	0	0	X
18	Economic Dev Loan-West Ky Reg Ind	450,000	0	0	X
<b>Total: 3. INVESTMENTS IN ECONOMIC DEVELOPMENT</b>		<b>1,851,357</b>	<b>0</b>	<b>0</b>	
<b>4. OTHER INVESTMENTS</b>					
19	ERC LOANS	34,083	0	0	
20	SECURITY SYSTEM LOANS	0	0	0	
21	OHIO CO INDUSTRIAL FOUNDATION	1,500	0	0	
22	DAVISS CO INDUSTRIAL FOUNDATION	5,000	0	0	
23	HANCOCK CO INDUSTRIAL FOUNDATION	100	0	0	
<b>Total: 4. OTHER INVESTMENTS</b>		<b>40,683</b>	<b>0</b>	<b>0</b>	
<b>5. SPECIAL FUNDS</b>					
24	DEFERRED COMPENSATION	0	1,722,189		
<b>Total: 5. SPECIAL FUNDS</b>		<b>0</b>	<b>1,722,189</b>		
<b>6. CASH - GENERAL</b>					
25	CASH IN VARIOUS BANK ACCOUNTS	0	144,211		
<b>Total: 6. CASH - GENERAL</b>		<b>0</b>	<b>144,211</b>		
<b>8. TEMPORARY INVESTMENTS</b>					
26	U S Bank	704,679	0		
<b>Total: 8. TEMPORARY INVESTMENTS</b>		<b>704,679</b>	<b>0</b>		
<b>9. ACCOUNTS &amp; NOTES RECEIVABLE - NET</b>					
27	ACCOUNTS RECEIVABLE-OTHER	0	844,439	0	

**FINANCIAL AND STATISTICAL REPORT**

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INSTRUCTIONS-See RUS Bulletin 1717B-2

Line No.	Description (a)	Included (\$) (b)	Excluded (\$) (c)	Income or Loss (\$) (d)	Rural Development (e)
<b>Total: 9. ACCOUNTS &amp; NOTES RECEIVABLE - NET</b>		<b>0</b>	<b>844,439</b>	<b>0</b>	
28					
29					
30					
31					
32					
33					
34					
35					
36					
37					
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60					

<b>11. TOTAL INVESTMENTS</b>	<b>3,205,568</b>	<b>6,822,562</b>	<b>0</b>	
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**FINANCIAL AND STATISTICAL REPORT**

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PERIOD ENDED

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INSTRUCTIONS-See RUS Bulletin 1717B-2

**7a - Part II. Loan Guarantees/Part III. Ratio**

Line No.	Organization (a)	Maturity date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
1			0	0	
2			0	0	
3			0	0	
4			0	0	
5			0	0	
6			0	0	
7			0	0	
8			0	0	
9			0	0	
10			0	0	
<b>TOTALS</b>			0	0	
<b>TOTAL (included Loan Guarantees only)</b>			0	0	

Ratio of Investments and Loan Guarantees to Utility Plant [Total of Included Investments (Part I, 11b) and Loan Guarantees - Loan Balance (Part II, 5d) to Total Utility Plant (Form 7, Part C, Line 3)]

1.5 %

**FINANCIAL AND STATISTICAL REPORT**

KY0065

PERIOD ENDED

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INSTRUCTIONS-See RUS Bulletin 1717B-2

**7a - Part IV. Loans**

Line No.	Organization (a)	Maturity date (b)	Original Amount (\$) (c)	Loan Balance (\$) (d)	Rural Development (e)
1	Employees, Officers, Directors		0	0	
2	Energy Resource Conservation Loans		61,251	34,083	
3			0	0	
4			0	0	
5			0	0	
6			0	0	
7			0	0	
8			0	0	
9			0	0	
10			0	0	
11			0	0	
12			0	0	
13			0	0	
14			0	0	
15			0	0	
<b>TOTALS</b>			61,251	34,083	

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION	KY0065
	PERIOD ENDED	12/2004
	BORROWER NAME AND ADDRESS	KENERGY CORPORATION
<b>FINANCIAL AND STATISTICAL REPORT</b>		
INSTRUCTIONS - For detailed instructions, see RUS Bulletin 1717B-2.		
<i>This data will be used by RUS to review your financial situation. Your response is required (7 U.S.C. 901 et seq.) and may be confidential.</i>		

**CERTIFICATION**

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.


We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES.**

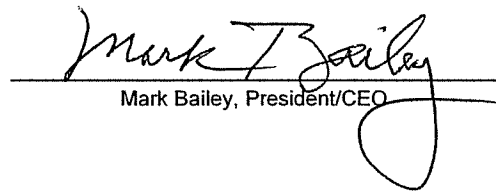
**DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**  
*(check one of the following)*

All of the obligations under the RUS loan documents have been fulfilled in all material respects

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

  
\_\_\_\_\_  
Steve Thompson, Vice President of  
Finance/Accounting

03/01/2005  
\_\_\_\_\_  
DATE

  
\_\_\_\_\_  
Mark Bailey, President/CEO

03/01/2005  
\_\_\_\_\_  
DATE



**Data Error and Warning Checks**

(Items that did not pass the Check)

**Borrower:** KENERGY CORPORATION (KY0065)**Year:** 2004 **Period:** 12

  
Signature of Authorizing Official

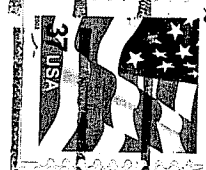
Vice President - Finance

Title of Authorizing Official

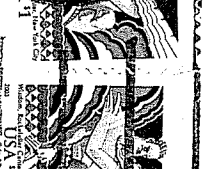
**Group:** Form 7 Part 0**Check ID:** 2910**Description:** Systems Losses are outside generally expected range.**Formula:**  $2.50 < [1 - ((11(c) + 14(c)) / (15(c) + 16(c)))] * 100 \leq 16.00$ **Resultant Value:** 0.48**Explanation:** During 2004, Kenergy sold 8,302,139,545 KWH to customers served directly from transmission voltages. These transmission lines are owned by other utilities and therefore Kenergy incurs zero KWH line losses.

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COMMISSION

DORSEY, KING, GRAY, NORMENT & HOPGOOD  
ATTORNEYS AT LAW