

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

318 SECOND STREET  
HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)  
FRANK N. KING, JR.  
STEPHEN D. GRAY  
WILLIAM B. NORMENT, JR.  
J. CHRISTOPHER HOPGOOD  
S. MADISON GRAY

TELEPHONE  
(270) 826-3965  
TELEFAX  
(270) 826-6672  
www.dkgnlaw.com

July 5, 2011

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PUBLIC SERVICE  
COMMISSION

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

Re: Kenergy Corp.  
Case No. 2011-00035  
and  
Big Rivers Electric Corporation  
Case No. 2011-00036

Dear Mr. Derouen:

Enclosed you will find enclosed the original and five (5) copies of Amended Joint Settlement Stipulation and Recommendation in **Kenergy's Case No. 2011-00035**.

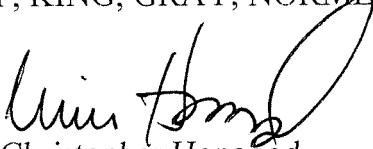
Also enclosed for filing please find the original and 10 copies of Kenergy's motion to submit rebuttal testimony to be filed in **Big Rivers Case No. 2011-00036**.

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

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July 5, 2011

Encls.

COPY/w/encls. Office of Attorney General  
Utility and Rate Intervention Division

Hon. Michael Kurtz, attorney for KIUC

Mr. Steve Thompson, Kenergy Corp.

**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** )

**AMENDED 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 \$23,464,713.00, and an increase in the distribution portion of the rate increase in the amount of \$2,000,614.00;

**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 \$2,000,614.00. 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 \$1,801,916.00, being \$198,698.00 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 remain as proposed in the application.

(c) The rates for non-recurring charges and cable television attachments 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 \$1,801,916.00.

5. The depreciation rates in the depreciation study submitted by Kenergy in its application will be the rates implemented by Kenergy and will be implemented effective with the implementation of Kenergy's revised rates as set forth in paragraph 2 above.

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 5<sup>th</sup> day of July, 2011.

**KENERGY CORP.**

*Sandy Novick*

Sandy Novick  
President and CEO

*J. Christopher Hopgood*

J. Christopher Hopgood  
Attorney for Kenergy Corp.

**KENTUCKY INDUSTRIAL UTILITY  
CUSTOMERS, INC.**

*Michael L. Kurtz by J.C.H.*  
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

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

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RATE

|   |  |                       |                   |
|---|--|-----------------------|-------------------|
| I | Customer Charge per delivery point ..... |                       | \$13.00 per month |
|   | Plus:                                    |                       |                   |
| I | Energy Charge per KWH .....              | Original Filing ..... | \$0.067780        |
|   |  | Fuel Roll-In .....    | \$0.078529        |

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

| (a)  | (b)                                       | (c)             | (d)                                  | (e)              | (f)                        | (g)  | (h)              | (i)              | (k)              |
|--|---|-----------------|--------------------------------------|------------------|----------------------------|--|------------------|------------------|------------------|
| TEST YEAR DATA   | Adjustment to year-end level of customers | Normalized rate | Wholesale flow through proposed rate | Proposed Revenue | Distribution proposed rate | Settlement rates and revenues for Distribution cost increase | Proposed Revenue | Proposed Revenue | Proposed Revenue |
| Customer charge:   |   | \$10.50         |                                      |                  | \$10.50                    |  |                  |                  |                  |
| 1 Number of bills per consumption analysis   | 539,294                                   |                 |                                      |                  |                            |  |                  |                  |                  |
| 2 adjustment to number booked  | (190)                                     |                 |                                      |                  |                            |  |                  |                  |                  |
| 3 Number of bills per books with customer charge   | 539,104                                   |                 | \$5,660,592                          | (1)              | 539,212                    | \$5,661,726  | \$10.50          | \$ 5,661,726     | \$ 6,470,544     |
| 4 plus yard light only bills (no customer charge)  | 2,442                                     |                 |                                      |                  |                            |  |                  |                  |                  |
| 5 Total bills issued per books   | 541,546                                   |                 |                                      |                  |                            |  |                  |                  |                  |
| 6  |   |                 |                                      |                  |                            |  |                  |                  |                  |
| 7  |   |                 |                                      |                  |                            |  |                  |                  |                  |
| 8 Energy Charge:   |   | \$ 0.062327     |                                      |                  |                            |  |                  |                  |                  |
| 9  |   |                 |                                      |                  |                            |  |                  |                  |                  |
| 10 Kwh sales per consumption analysis  | 739,439,862                               |                 | \$46,087,068                         |                  |                            |  |                  |                  |                  |
| 11 Adjustment to KWH booked  | -1,199,432                                |                 | -74,757                              |                  |                            |  |                  |                  |                  |
| 12 KWH booked  | 738,240,430                               |                 | \$46,012,311                         | (2)              | 738,388,323                | \$3,958,465  | \$0.078276       | \$ 57,798,084    | \$ 58,325,294    |
| 13   |   |                 |                                      |                  |                            |  |                  |                  |                  |
| 14   |   |                 |                                      |                  |                            |  |                  |                  |                  |
| 15 Riders  | 738,240,430                               | \$0.000000      | \$0                                  |                  |                            |  |                  |                  |                  |
| 16   |   |                 |                                      |                  |                            |  |                  |                  |                  |
| 17 Adjustment for revenue difference   |   |                 | \$51,672,903                         |                  |                            |  |                  |                  |                  |
| 18 Revenue per books   |   |                 | -11,297                              |                  |                            |  |                  |                  |                  |
| 19   |   |                 | \$51,661,607                         |                  |                            |  |                  |                  |                  |
| 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   |   |                 |                                      |                  |                            |  |                  |                  |                  |
| 29 (2) KWH Booked  | 738,240,430                               |                 |                                      |                  |                            |  |                  |                  |                  |
| 30 Number Bills  | 539,104                                   |                 |                                      |                  |                            |  |                  |                  |                  |
| 31 Average KWH   | 1,369                                     |                 |                                      |                  |                            |  |                  |                  |                  |
| 32 Times 108 billings = Increase to test year kwh billed   | 147,893                                   |                 |                                      |                  |                            |  |                  |                  |                  |
| 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. |   |                 |                                      |                  |                            |  |                  |                  |                  |

|  |                   |
|--|-------------------|
|  |                   |
| at \$ 0.0730760                          | at (7) -0.0086617 |
| (5) 738,388,323                          | (6) 738,388,323   |
| (6) 738,388,323                          | (7) -0.0086617    |
| \$53,224,477                             | \$ (6,395,714)    |
| -11,297                                  | \$56,996,885      |
| \$53,213,180                             | \$ (12,024)       |
| increase \$3,771,680                     | \$58,320,635      |
| increase                                 | \$ 1,335,774      |
| As filed reduction                       | \$851,9412        |
| Agreed to settlement rounding difference | \$ (198,777)      |
|  | -198,698          |
|  | \$ 79             |

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.