

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORPORATION)	
FOR REVIEW AND APPROVAL OF)	CASE NO.
EXISTING RATES)	2003-00165

SECOND DATA REQUEST OF COMMISSION STAFF TO
KENERGY CORPORATION

Kenergy Corporation (Kenergy) is requested, pursuant to 807 KAR 5:001, to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on August 22, 2003. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. Where information requested herein has been provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to the Application, page 5.
 - a. Was any consideration given to performing a depreciation study in conjunction with this rate case? Explain the response.
 - b. Has Kenergy determined that the current depreciation rates are adequate? If yes, provide the analysis Kenergy used to make that determination. If no, explain why Kenergy has not performed such an analysis.

2. Refer to the Application, Exhibit 5, pages 2 and 10. On line 6 of page 2, an adjustment of \$42,815, which increases Purchased Power cost, is identified as Normalize Power Cost for Prior Period Adjustments. The reference page for the adjustment is page 10 of Exhibit 5. However, the amount of \$42,815 does not appear on page 10 and the two calculations of wholesale power cost shown on the page do not make clear how page 10 supports the proposed \$42,815 adjustment.

a. Provide a detailed narrative description of the calculations on page 10 of Exhibit 5. Include an explanation of the subtraction of \$105,244 listed as Coop own use on line 22 of the top half of the page and the adding back of that amount for Coop own use on line 22 on the bottom half of the page. Explain how Kenergy accounts for its own electric use.

b. If not included in the response to part (a) of this request, provide a detailed narrative explanation of the derivation of the \$42,815 adjustment listed on line 6 of Exhibit 5, page 2.

3. Refer to the Application, Exhibit 5, page 11.

a. Is Kenergy aware that the Commission has routinely utilized a standard work year of 2,080 hours for wage and salary normalization adjustments?

b. Provide a recalculation of the labor adjustment and any other adjustments based on the wage and salary calculation using 2,080 hours. Include all assumptions, workpapers, and documents used to prepare the calculation.

c. In the Explanation section, Kenergy states that increases of 1 percent and 3 percent were approved by the board on October 1, 2002 and January 1, 2003. Given these statements, explain how the average adjustment granted on

January 1, 2003 was 4 percent. Include all assumptions, workpapers, and documents used to prepare the calculation.

4. Refer to the Application, Exhibit 5, page 12.
 - a. Provide health insurance premium statements as of January 1, 2003 reflecting premium increases for medical, dental, life and disability coverage.
 - b. Provide a detailed explanation of the coverage provided by each, including the amount paid by the employees.
 - c. Is life insurance coverage above \$50,000 provided to employees? If so, provide a schedule using an employee identifier other than the employee name showing the amount of insurance coverage, premium paid, and premium for \$50,000 coverage. Explain in detail why additional life insurance coverage is needed as part of the overall compensation package.
 - d. Provide a copy of the analysis or studies supporting the pension cost increases stated for employees of Kenergy's predecessors, Green River and Henderson Union. Include all assumptions, workpapers, and documents.
 - e. Explain the reason(s) for the 64 percent increase in worker's compensation and why the experience modification factor increased.
5. Refer to the Application, Exhibit 5, page 13. Provide the account numbers for the account titles listed in column (a).
6. Refer to the Application, Exhibit 5, page 14.
 - a. Identify the accounts listed in column (d) Account Charged and explain why depreciation expense was charged to that particular account.

- b. Explain why depreciation expense was allocated to non-regulated activity.
 - c. Provide the depreciation rates for the accounts listed on that page.
7. Refer to the Application, Exhibit 5, page 15.
- a. Explain the reference Prepaid Debt Service and what it means to Kenergy s Rural Utilities Service (RUS) borrowings.
 - b. Explain the purpose of the Economic Development Loans, including all terms and conditions of those loans. Provide a list of the participants in the program.
 - c. Refer to Note (1),
 - (1) Explain why a 1/4 percent reduction for cash capital credit refunds has been incorporated into the CoBank and the National Rural Utilities Cooperative Finance Corporation (CFC) interest rates.
 - (2) Describe the provisions in the CoBank and CFC loan documents that provide for such a reduction.
 - (3) Is this a reduction for Kenergy s capital credit refunds or for CoBank s and CFC s? Explain the response.
8. Refer to the Application, Exhibit 5, page 16.
- a. Explain why Kenergy has been capitalizing interest expense.
 - b. Do the calculations shown in the adjustment conform to the provisions for capitalized interest in the RUS Uniform System of Accounts?
9. Refer to the Application, Exhibit 5, page 17.
- a. Why did tangible property experience such a significant increase in tax expense?

b. Provide the calculations showing how the 2002 Rate was determined. Indicate what tax period is reflected by the tax rates. Include all assumptions, workpapers, and documents used to prepare the calculation.

c. Explain the reason for multiplying the results by a factor of 1.4892. Indicate what the factor represents and how it was determined.

10. Refer to the Application, Exhibit 5, page 18.

a. Explain the purpose of the study.

b. Provide a copy of the study.

c. Explain in detail why study costs were capitalized, allocated to accounts receivable, and allocated to non-regulated activity. Include the basis for the allocation used.

11. Refer to the Application, Exhibit 5, page 19.

a. Explain the change Kenergy made in this benefit.

b. Provide the calculations showing how the adjustment was determined. Include all assumptions, workpapers, and documents used to prepare the calculation.

c. Explain why none of the costs were allocated to accounts receivable.

12. Refer to the Application, Exhibit 5, page 20. Explain why the write-down was only expensed and no portion was capitalized, allocated to accounts receivable, or allocated to non-regulated activity.

13. Refer to the Application, Exhibit 5, page 22. Explain why a portion of the adjustment was capitalized and allocated to accounts receivable.

14. Refer to the Application, Exhibit 5, page 24.
 - a. Is spraying the only means employed by Kenergy to clear rights-of-way? Explain the overall approach used to manage right-of-way maintenance.
 - b. Provide total right-of-way maintenance program expense for 2000, 2001, 2002, and the amount budgeted for 2003.
 - c. Provide a copy of the analysis of the right-of-way spraying program.
 - d. Indicate who has recommended the use of contractors.
15. Refer to the Application, Exhibit 5, page 25.
 - a. Explain the Cushion of Credit program.
 - b. Provide the end of month balances in Cushion of Credit for all of 2000, 2001, 2002, and the first 6 months of 2003.
16. Refer to the Application, Exhibit 5, page 26.
 - a. Explain the reason(s) for the proposed adjustment.
 - b. Explain why an increase in non-cash capital credit allocations was expected.
17. Refer to the Application, Exhibit 5, page 27.
 - a. Provide documentation supporting the reduction of \$63,807, including all assumptions and workpapers.
 - b. Explain why the adjustment was not allocated to accounts receivable and non-regulated activity.
18. Refer to the Application, Exhibit 5, page 28.
 - a. Explain why Christmas bonuses and Perfect Attendance Awards are necessary as part of Kenergy s overall compensation package.

b. Explain why Kenergy believes any expense for these items should be included for rate-making purposes.

19. Refer to the Application, Exhibit 5, page 28. Would Kenergy agree that the most current PSC Assessment rate should be used when determining the normalization of the PSC Assessment?

20. Refer to the Application, Exhibit 5. For all proposed adjustments, provide the basis for the various capitalization, accounts receivable, and non-regulated activity rates used in the adjustments. Explain in detail why the rates are not constant.

21. Refer to the Application, Exhibit 6, Testimony of Dean Stanley, pages 3 and 4.

a. Based on the 2002 test year, what would have been the financial impact if the 4 percent rate reduction had expired at the beginning of the test year? Include all assumptions, workpapers, and documents used to determine the impact.

b. Provide a copy of Kenergy's 2002-2011 Financial Forecast.

c. Mr. Stanley discusses Kenergy's reasons for not seeking a rate increase and for not proposing to adjust some of its rates while remaining revenue neutral. It appears that although Kenergy's cost-of-service study supports an increase in residential rates and a decrease in rates for three phase customers, Kenergy is committed to not increasing residential rates prior to September 1, 2004, the end of the 5-year term of its consolidation credit. Is this an accurate description of Kenergy's position? If no, explain why it is not accurate.

d. If the description in part (c) of this request is accurate, describe the extent to which Kenergy has considered adjusting some of its rates on or after September 1, 2004 but remaining revenue neutral on a total system basis.

22. Refer to the Application, Exhibit 7, Testimony of Steve Thompson.

a. Refer to page 2. Specifically identify which proposed adjustments were developed by Clough, Harbour and Associates (CHA). If the adjustments were developed jointly, describe the level of CHA's involvement in each proposed adjustment.

b. Refer to Attachment A. Provide the details of the capital credit retirement plan. Provide a copy of the capital management policy prior to March 5, 2002.

23. Refer to the Application, Exhibit 8, Testimony of Jack D. Gaines, Attachment A.

a. Has Mr. Gaines researched prior Commission Orders concerning the subject of electric weather normalization?

b. Does the calculation of Mr. Gaines weather normalization adjustment address the issues identified by the Commission in previous Orders on the subject of electric weather normalization?

c. Is Mr. Gaines aware that the Commission has never approved an electric weather normalization adjustment for any electric utility?

d. Why has Mr. Gaines prepared a weather normalization adjustment for Kenergy?

24. Refer to the Application, Exhibit 10, pages 4 and 5, Account No. 184 series. Explain why Kenergy has established so many clearing accounts. Describe the purpose and function of the Account No. 184 series subaccounts.

25. Exhibit 12 of the Application, page 1 of 8, makes reference to Kenergy's Website. Provide the following information concerning the Website:

- a. The date Kenergy started the Website.
- b. The development and initial start-up costs of creating the Website and a description of the accounting for these costs.
- c. The annual on-going costs associated with maintaining the Website.
- d. The allocation of any costs for the Website, if applicable
- e. A hard copy of each page included on Kenergy's Website. This should reflect information on the Website within the last 30 days.

26. Refer to the Application, Exhibit 13, Tab A.

- a. Prepare a balance sheet as of the test-year end for Kenergy reflecting total company operations, Kenergy regulated operations, and Kenergy non-regulated operations. The balance sheet should be prepared with the level of detail shown on RUS Form 7.
- b. Explain the accounting treatment for non-regulated construction work in progress.

27. Refer to the Application, Exhibit 15.

a. Provide a copy of all contracts, memoranda of agreement, or other agreements that document the business relationship between Kenergy or its predecessors and the business entities listed on page 8.

b. Explain why portions of the adjustments in Exhibit 5 are allocated to Accounts Receivable. Include in the explanation a discussion of the purpose of this allocation.

c. Describe the process used by Kenergy to determine whether a cost is a direct or indirect cost.

d. Explain how the cost allocation manual (CAM) was developed. Specifically, did Kenergy develop the CAM in-house, in conjunction with another electric cooperative, or hire an outside firm?

e. How frequently are the balances that are accumulated in the Account No. 184 series cleared?

f. Describe the accounting process from the time a cost is incurred through the completion of the cost allocation and the clearing of the Account No. 184 series subaccount.

g. When indirect costs are allocated, to what specific plant accounts are the capitalized costs assigned?

28. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 4. Has Kenergy received the RUS Statistical Profile for 2002? If yes, provide a copy of the profile. If no, when does Kenergy expect to receive the profile?

29. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 6, page 3. Column (d) shows a short-term debt balance of \$3,250,000 in

December 2002. In the response to Item 7, Kenergy states that it had no short-term debt as of December 31, 2002. Explain in detail why the response to Item 6 includes short-term debt in December 2002 if Kenergy had none as of December 31, 2002.

30. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 7, pages 2 through 4. How frequently are the interest rates reset on the limited time fixed rate loans from RUS and CoBank? Provide the current interest rates on these loans.

31. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 9. For each balance sheet account listed below, describe the reason(s) for the change in the account balance between December 31, 2001 and December 31, 2002:

- a. Account No. 107100, Construction W.I.P. Contractors, page 2 of 44.
- b. Account No. 128000, Other Special Funds (Def. Comp.), page 11 of 44.
- c. Account No. 136000, Temporary Cash Investments, page 14 of 44.
- d. Account No. 144100, Acc. Prov. Uncoll. Accts. Bankruptcy, page 20 of 44.
- e. Account No. 154000, Material Supplies Electric, page 21 of 44.
- f. Account No. 154100, Spare Substation Equipment, page 21 of 44.
- g. Account No. 165100, Prepayments Insurance.
- h. Account No. 165120, Prepaid Insurance Workers Comp., page 22 of 44.
- i. Account No. 173000, Accrued Utility Revenues, page 23 of 44.

- j. Account No. 228320, Health Insurance, LTD Employees, page 31 of 44.
- k. Account No. 362000, Dist. Plant Station Equipment, page 39 of 44.
- l. Account No. 362100, Dist. Plant Supervisory Control Eqp., page 39 of 44.
- m. Account No. 362400, Dist. Plant Owensboro Fiber, page 40 of 44.
- n. Account No. 364000, Dist. Plant Poles Towers Fixtures, page 40 of 44.
- o. Account No. 365000, Dist. Plant Overhead Conductors, page 40 of 44.
- p. Account No. 369000, Dist. Plant Services, page 41 of 44.
- q. Account No. 391100, Computer and Related Equipment, page 42 of 44.
- r. Account No. 397200, General Plant Fiber Optic Sonet, page 44 of 44.

32. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 9. For each account listed below, describe the purpose of each account and what types of items are included in each account.

- a. Account No. 107270, Evaluation of GIS, page 4 of 44.
- b. Account No. 107310, Construction W.I.P. Consumer Contributions, page 4 of 44.

- c. Account No. 217000, Retired Capital Credits Gain Oboro, page 27 of 44
- d. Account No. 217100, Retired Capital Credits Gain Headqtrs., page 27 of 44.
- e. Account No. 228200, Post Retirement Health Ins. Headqtrs., page 30 of 44.
- f. Account No. 228320, Health Insurance LTD Employees, page 31 of 44.
- g. Account No. 228400, Accum. Misc. Operating Provisions, page 31 of 44.
- h. Account No. 253300, Other Deferred Credits Special Eqp., page 39 of 44.

33. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 10. For each income statement account listed below, describe the reason(s) for the change in the account balance between December 31, 2001 and December 31, 2002:

- a. Account No. 403600, Depreciation Exp. Distribution Plant, page 2 of 35.
- b. Account No. 403700, Depreciation Exp. General Plant, page 2 of 35.
- c. Account No. 415000, Revenues from Geothermal, page 3 of 35.
- d. Account No. 416500, Costs and Expenses Water Heaters, page 4 of 35.

- e. Account No. 417100, Expenses Non Utility Ops., page 5 of 35.
- f. Account No. 419000, Interest Dividend Income, page 6 of 35.
- g. Account No. 440100, Revenue Residential, page 10 of 35.
- h. Account No. 440300, Revenue Res. Sales Towns & Villages 2,
page 10 of 35.
- i. Account No. 442000, Revenue Comm. & Indust. Small-Class
3L, page 10 of 35,
- j. Account No. 442101, Rev. Commercial 3 Phase Under 1000
kW, page 10 of 35.
- k. Account No. 442109, Revenue Farm Govern./Comm. 1 Phase
(West), page 11 of 35.
- l. Account No. 442200, Rev. Commercial 3 Phase (Over 1000
kW) 3, page 11 of 35.
- m. Account No. 442609 Revenue Farm/Commercial 3 Phase (HQ),
page 12 of 35.
- n. Account No. 442819 Rev. Large Power 3 Class O (HQ), page
14 of 35.
- o. Account No. 442919, Rev. Large Power 4 Class C (HQ), page 14
of 35.
- p. Account No. 456000, Revenue Disconnect & Reconnect Fee,
page 17 of 35.
- q. Account No. 583000, Distribution Exp. Ops. Overhead Line, page
21 of 35.

- r. Account No. 588000, Dist. Exp. Ops Miscellaneous Dist., page 22 of 35.
- s. Account No. 593000, Dist. Exp. Main Overhead Lines, page 23 of 35.
- t. Account No. 902100, Consumer Acc. Exp. Ops. Meter Reading, page 25 of 35.
- u. Account No. 903000, Consumer Acc. Exp. Ops. Record Collect, page 25 of 35.
- v. Account No. 903100, Consumer Acc. Exp. Ops. Record Collect, page 25 of 35.
- w. Account No. 912000, Demonstrating and Selling Expense, page 28 of 35.
- x. Account No. 920000, Adm. Gen. Exp. Ops. Executive Salary, page 29 of 35.
- y. Account No. 920100, Adm. Gen. Expense Ops. Staff Salaries, page 29 of 35.
- z. Account No. 920200, Adm. Gen. Expense Ops. Gen. Off. Salary, page 29 of 35.
- aa. Account No. 926000, Employee Pensions and Benefits, page 32 of 35.
- bb. Account No. 935000, Maint. Of General Plant, page 34 of 35.

34. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 10. For each account listed below, describe the purpose of each account and what types of items are included in each account.

- a. Account No. 427300, Interest on CWIP, page 9 of 35.
- b. Account No. 904000, Consumer Acc. Exp. Ops. Uncollect. Acct., page 26 of 35.
- c. Account No. 904240, Bad Debt Class C, page 26 of 35.

35. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 9, page 27. Describe the relationship between Account No. 201100, Patrons Capital Credits and Account No. 201200, Patronage Capital Assignable.

36. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 14. The original question requested any changes to the bylaws since January 1, 1990. Page 31 of 31 indicates the bylaws were approved on July 1, 1999 and amended on August 7, 2001 and December 3, 2002. Provide a description of the changes made with each amendment.

37. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 16. Included in the original question was a request to Kenergy to provide a schedule of fees, per diems and other compensation in effect during the test year paid to its attorneys, auditors and all other professional service providers. Also requested were all agreements, contracts, memoranda of understanding and any other documentation that explain the nature and type of reimbursement paid for professional services. The requested information was not provided in the response.

a. Provide the originally requested compensation information and documentation concerning professional services.

b. Explain why Kenergy pays for its attorney s health insurance and why this should be included for rate-making purposes.

38. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 17.

a. The policy has an approved date of December 4, 2001 and a revised date of February 11, 2003. Provide a copy of the original policy and a description of the changes made in the revision. Include any previous revisions with a description of the changes that occurred prior to the current version.

b. Concerning the monthly per diem payments to directors,

(1) Explain in detail the purpose of a monthly retainer for directors.

(2) Explain in detail why the monthly per diem is \$100 more for the chairman of the board.

(3) Describe the role and function of a director emeritus. Explain in detail why the per diem or any other costs associated with a director emeritus should be included for rate-making purposes.

(4) To the extent known, provide a schedule of monthly per diem and retainer payments paid by other regulated electric distribution cooperatives in Kentucky to their directors.

(5) Provide a list of meetings that qualify for the association and industry-related fees, including the date of the meeting and the director attending the meeting. Were the meetings attended during the test year recurring or non-recurring?

(6) Explain the reasonableness of providing additional reimbursement of \$200 for attending Kentucky Association of Electric Cooperatives (KAEC), Natural Rural Electric Cooperatives Association (NRECA), CFC, CoBank or other affiliated meetings. Explain the reasonableness of providing \$100 for 1 travel day not occurring on an actual meeting day.

c. Identify the designated and alternative representative for Kenergy to the KAEC and NRECA.

d. Was Kenergy aware that the Commission has not normally allowed both a per diem and actual expense reimbursement for meetings such as KAEC and other board meetings?

e. Concerning the provision of insurance to directors,

(1) Provide the current occupation of each director. Do the directors have access to health insurance through their employers or other sources? Explain the response in detail.

(2) Provide a list of directors who participate in Kenergy's health and dental insurance programs. Indicate the type of coverage (i.e., single or family, health and/or dental), the test-year cost of the coverage, and if the coverage is primary or secondary.

(3) Explain why Kenergy is providing life insurance to its directors. Provide any analysis to support the decision.

(4) Provide a list of the life insurance benefits paid by Kenergy for each director.

(5) Does the life insurance terminate once the director is no longer serving as a director?

(6) Is Kenergy named as the beneficiary of the life insurance policy?

(7) Provide a description of the post-retirement benefits provided to retired directors of Kenergy or its predecessors. Identify each retired director currently receiving these benefits.

(8) What was the Internal Revenue Service's authorized mileage rate during the test year and what is the current authorized mileage rate?

39. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 21. Explain in detail how the various capitalization rates were determined.

40. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 22, page 3. Provide the overtime hours for the periods shown in the response. Explain any fluctuations in the number of hours that are plus or minus 10 percent of the previous period.

41. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 22, page 4. Provide a copy of Kenergy's first wage and salary study that was implemented in 2000 and provide a copy of the version updated in 2002.

42. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 23, page 2, line 41. Explain why the description Subtotal retirees (vacation pay) includes overtime hours.

43. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 24.

a. Provide the wage limit used to determine the social security calculation. If the wage limit used is something other than the social security wage limit for 2003, provide a recalculation using the wage limit for 2003. Include all assumptions, workpapers, or documentation to support the calculations.

b. Is Kenergy aware that the Commission has not allowed for rate-making purposes life insurance costs over the \$50,000 level, including the social security impact?

(1) Explain in detail why these costs should be included for rate-making purposes.

(2) Explain in detail why this additional compensation is needed given Kenergy's overall compensation package.

c. Provide a schedule of employees, identified by position, included in the Taxable Income Personal Vehicle Usage category. Include the amount attributed to each employee.

44. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 28, page 2 of 7. On the schedule, column (c), Kenergy included \$350 for institutional advertising. Is Kenergy aware that, pursuant to 807 KAR 5:016, Section 4, institutional advertising is expressly disallowed for rate-making purposes? Explain in detail why this expense should be included for rate-making purposes.

45. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 28, page 2 of 7. Kenergy included expenses associated with Touchstone Energy[®]

Cooperative (Touchstone). Provide the following information concerning Kenergy's association with Touchstone:

- a. Indicate when Kenergy became a member of Touchstone.
- b. Describe the financial commitments Kenergy made to Touchstone when it became a member.
- c. For the test year, list all amounts paid to or on behalf of Touchstone and the purpose of each payment.
- d. Describe the function of Touchstone and how membership with Touchstone specifically benefits Kenergy and its membership.
- e. Provide descriptions and hard copy examples of the advertising identified in the response to Item 28 as Touchstone. Explain in detail why the Touchstone advertising expense should be included for rate-making purposes, given the requirements of 807 KAR 5:016.

46. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 28.

- a. Provide a sample of the marketing brochures referenced on page 3, line 33.
- b. Provide a sample of the advertising brochures referenced on page 5, line 81.

47. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 29, pages 4 through 6 of 33. With the exception of Kentucky Living Magazine expenses and chambers of commerce dues, for each transaction listed in Account No. 184.930 Public Relations Clearing Account, provide the following information:

- a. Describe the nature of the transaction.
- b. Explain why it should be included for rate-making purposes.
- c. Provide the amount of each transaction that was expensed.

48. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 29, pages 9 through 22 of 33. For each item listed below, provide the nature of the transaction, how much was expensed, and why it should be included for rate-making purposes.

- a. Lines 64, 67, 68, and 375 Girl Friday Man Friday.
- b. Lines 66, 216, 463, and 714 Wal-Mart.
- c. Lines 145, 240, 553, and 850 Wyndall s Foodland.
- d. Lines 151 and 231 National Rural Electric.
- e. Lines 246 through 248 Dorsey, King, Gray and Norment.
- f. Lines 360 and 462 Smith and Butterfield.
- g. Lines 368 and 448 Betty Coomes.
- h. Lines 372 and 456 Terry Gilson.
- i. Lines 374 and 458 Norma Tapp.
- j. Lines 373 and 464 Theresa Railey.
- k. Lines 465, 603, and 654 Stephen Thompson.
- l. Lines 468 and 469 Grandy s Catering.
- m. Lines 542 through 546, 652, 653, 710, 711, and 849 Rural Coop Credit Union VISA.
- n. Line 550 Studio 105 Art & Frame.
- o. Line 813 Kustom Kwik Printing.

49. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 29, page 25 of 33. For each transaction listed in Account No. 184.932 Economic Development Clearing Account, provide the following information:

- a. Describe the nature of the transaction.
- b. Explain why the item should be included for rate-making purposes.
- c. Provide the amount of each transaction that was expensed.

50. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 29, pages 28 and 29 of 33. For each transaction listed in Account No. 184.940 Other Administrative and General Clearing Account, provide the following information:

- a. Describe the nature of the transaction.
- b. Explain why the item should be included for rate-making purposes.
- c. Provide the amount of each transaction that was expensed.

51. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 29, page 31 of 33. For each transaction listed in Account No. 930.200 Miscellaneous General Expenses, provide the following information:

- a. Describe the nature of the transaction.
- b. Explain why the item should be included for rate-making purposes.
- c. Provide the amount of each transaction that was expensed.

52. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 32.

a. Refer to page 2 of 24. Provide a list specifically identifying the other meetings that are shown on this schedule. Include the date, type of meeting, and the director attending the meeting.

- b. Refer to pages 3 through 24 of 24.
 - (1) For each director, describe the nature of each transaction listed in the Expenses column.
 - (2) Explain why the item should be included for rate-making purposes.
 - (3) Provide the amount of each transaction that was expensed.
- c. Refer to page 4 of 24. Explain in detail why the mileage for this director is substantially higher than any other director. Provide all supporting documentation.
- d. Explain in detail why any portion of the directors expenses are either capitalized or assigned to accounts receivable.

53. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 33.

- a. Explain in detail why a portion of professional services expense is capitalized and assigned to accounts receivable.
- b. For each transaction listed on pages 3 through 15, with the exception of attorney s insurance, provide the following information:
 - (1) Describe the nature of the transaction.
 - (2) Explain why the item should be included for rate-making purposes.
 - (3) Provide the amount of each transaction that was expensed.

54. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 34. Has the estimated total for staff labor and overheads been included in Kenergy's labor expense?

55. Refer to the First Data Request of Commission Staff dated June 20, 2003, Item 46.

a. Provide a schedule of all non-regulated activity that is part of Kenergy as of December 31, 2002 and as of June 30, 2003. Include the following information:

- (1) Description of services or products provided.
- (2) Name of partners or associates.
- (3) Financial risks Kenergy is exposed to as a result of each activity.
- (4) Revenues and costs incurred in 2002 for each activity.

b. Has Kenergy given any consideration to establishing a separate subsidiary to manage its non-regulated activities? Explain the response in detail.



Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
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DATED August 8, 2003

cc: All Parties