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

FIRST DATA REQUEST OF COMMISSION STAFF TO KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.

Kentucky Industrial Utility Customers, Inc. (KIUC) 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 October 31, 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 Direct Testimony of Russell L. Klepper (Klepper Testimony), pages 4 and 5. Mr. Klepper notes that Kenergy s Consolidation Credit is due to expire September 1, 2004 and that its rates to non-direct serve customers will increase $2.5 million.

a. Has Mr. Klepper or the KIUC Members[1] contacted Kenergy to determine whether Kenergy is considering an extension of the Consolidation Credit beyond September 1, 2004? Explain the response.

b. Assume for purposes of this question that Kenergy seeks and is granted an extension of the Consolidation Credit beyond September 1, 2004. Would this impact any of the recommendations Mr. Klepper has presented in his direct testimony? Explain the response.

2. Refer to page 6 of the Klepper Testimony. Mr. Klepper concludes that the KIUC Members have borne excessive and unfair distribution fees for the past 3 years because cost-of-service data acceptable to the Commission has not been available.

a. Based on his understanding of Kenergy s Cost-of-Service Study, does Mr. Klepper believe that direct serve customers other than KIUC members have borne excessive and unfair distribution fees? Explain the response.

b. If the other direct serve customers have been paying excessive and unfair rates, should they be entitled to a reduction in rates similar to that proposed by Mr. Klepper for the KIUC Members? Explain the response.

c. Explain in detail why direct serve customers who are KIUC members should receive rate reductions but the remaining direct serve customers should not.

3. Refer to pages 8 and 9 of the Klepper Testimony. Mr. Klepper concludes that because the KIUC Members have accumulated capital credits of $7.1 million, it is

[1] The KIUC Members are Alcan Primary Products Corporation, Century Aluminum Company, Weyerhaeuser Company (Weyerhaeuser), Commonwealth Industries, Inc. (Commonwealth), and Kimberly Clark Corporation (Kimberly Clark).

reasonable to remove the interest expense allocated to the KIUC Members in Kenergy s Cost-of-Service Study.

a. Explain why the existence of capital credits owed to KIUC Members justifies an adjustment to the cost allocations contained in Kenergy s Cost-of-Service Study. Include in this explanation a discussion of how such an adjustment is consistent with the National Association of Regulatory Commissioners Electric Utility Cost Allocation Manual.

b. Since 2000, have the KIUC Members received any payments of the accumulated capital credits owed them through Kenergy s retirement of capital credits? If yes, provide the total received between January 2000 and June 2003.

c. If Mr. Klepper s adjustment to the Kenergy Cost-of-Service Study is accepted, are the KIUC Members willing to forego any future capital credit payments related to the $7.1 million balance, since they will be receiving the benefit of the accumulated capital credits through the determination of the rates paid on a going forward basis? Explain the response.

4. Refer to pages 9 and 10 of the Klepper Testimony.

a. Prepare a schedule comparing the current rates charged by Kenergy to the KIUC Members with the rates proposed by Mr. Klepper.

b. Explain in detail why the Klepper Testimony does not discuss the demand charges currently paid by Weyerhaeuser, Commonwealth, and Kimberly Clark.

5. Refer to page 11 of the Klepper Testimony, lines 5 through 20.

a. Mr. Klepper states For almost the entire period that Kenergy has been in existence, the residential class has paid rates at levels below the related cost-of-service." Would Mr. Klepper agree that the only study showing the residential class has been paying rates below the cost-of-service is the one filed by Kenergy in this case?

b. From a regulatory accounting perspective, explain in detail why Kenergy s accounting treatment for revenues is improper. Include citations to the applicable Uniform System of Accounts.

c. Explain the basis for Mr. Klepper s claim that Kenergy s unwillingness to establish cost-based rates has served to preclude the timely rotation of patronage capital credits. Include copies of any analyses or studies Mr. Klepper reviewed in preparation of this claim.

6. Refer to page 12 of the Klepper Testimony, concerning Mr. Klepper s contention that Kenergy can absorb his proposed $469,320 revenue reduction. Using the test-year adjusted operating statement, calculate the Times Interest Earned Ratio (TIER) that would result if revenues from the KIUC Members were reduced by $469,320.

7. Refer to pages 13 through 17 of the Klepper Testimony.

a. To the extent Mr. Klepper knows, explain why Willamette Industries, Inc. (Willamette) agreed to a distribution fee on co-generated power consumed on-site by Willamette.

b. Have Willamette or Weyerhaeuser contacted Kenergy to discuss changes to the distribution fee on co-generated power?

(1) If yes, what were the results of these discussions?

(2) If no, why didn t either company approach Kenergy to discuss the distribution fee?

c. When did Willamette or Weyerhaeuser conclude that the distribution fee on co-generated power was improper?

d. If the tariff associated with the distribution fee on co-generated power became effective on July 1, 2001, explain why Weyerhaeuser has waited until this proceeding to register an objection to the distribution fee.

8. Provide a comparison showing the test year revenue for each of the KIUC Members at existing rates with the revenues that would be generated at Mr. Klepper s proposed rates. Include with the comparison all workpapers, assumptions, and supporting calculations.

9. Provide a listing of all the direct serve customers of Kenergy.

Thomas M. Dorman
Executive Director
Public Service Commission
P. O. Box 615
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DATED __October 17, 2003__

cc: All Parties