

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORPORATION)
FOR A CERTIFICATE OF CONVENIENCE AND) CASE NO.
NECESSITY TO CONSTRUCT NEW BRANCH) 2003-00403
OFFICES IN HARTFORD AND HANSON)

O R D E R

On October 27, 2003, Kenergy Corporation (“Kenergy”) filed its application for a Certificate of Public Convenience and Necessity (“CPCN”) to replace its existing branch offices at Hartford and Hanson, Kentucky with newly constructed office buildings. The existing Hartford and Hanson branch offices were opened in late 1976. The structures are mobile homes and have significant damage due to severe water problems. Kenergy stated in its application that the wood structures under both were deteriorating to the point that the metal facade of the building was no longer properly supported. Both units had water leaking through the walls and the roof and had standing water underneath. A mold problem developing in the air conditioning unit caused abrupt closing of the Hartford office in September 2003. Field personnel, construction crews and administrative personnel that meet with customers in the area will use the new buildings. Kenergy also intends to allow consumers and community and civic organizations to meet in the new buildings.

The proposed Hartford branch office will have 1,800 square feet and an estimated cost of \$140,000. Kenergy states that it will expend its general funds to finance the new construction. Kenergy represents that the capital outlay will not

materially affect its existing financial condition and will not result in increased rates to its customers.

The construction of the Hartford building began in September 2003 prior to the filing of this application in October 2003. In response to a data request, Kenergy stated it believed that this project was in the ordinary course of business. The Commission agrees that this project should be considered "an extension in the ordinary course of business" because it will not increase rates, is relatively low cost, and will not result in wasteful duplication of facilities.

The proposed Hanson building will have 3,900 square feet of office space and is estimated to cost \$295,000. Kenergy plans to occupy 1,800 square feet and lease the remaining 2,100 square feet to Big Rivers Electric Corporation. Kenergy indicated that these branch offices are needed for convenience to its customers and to maintain a visible presence in these communities. Kenergy also represents that it will expend general funds to finance the Hanson office building construction, that the expenditures will not materially affect its existing financial condition, and that the construction will not result in increased rates to its customers.

FINDINGS

Based on the evidence of the record, and being otherwise sufficiently advised, the Commission finds that the Hartford project should be considered an ordinary extension in the usual course of business, pursuant to 807 KAR 5:001, Section 9(3) and KRS 278.020. Kenergy is advised, however, that it should request a staff opinion of the need for a CPCN prior to commencing future construction projects.

The Commission finds that the Hanson building construction is needed for convenience and service to Kenergy's customers. Kenergy's representations regarding the Hanson building are materially the same as these for the Hartford construction; however, to the extent that Kenergy has requested a CPCN to construct, we grant it herein.

IT IS THEREFORE ORDERED that Kenergy is granted a CPCN to construct the proposed Hanson branch office.

Done at Frankfort, Kentucky, this 15th day of April, 2004.

By the Commission

ATTEST:


Executive Director