

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF KENERGY CORP. FOR)
A GENERAL ADJUSTMENT OF RATES)

CASE NO.
2015-00312

ATTORNEY GENERAL'S SUPPLEMENTAL REQUEST FOR INFORMATION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and submits this Supplemental Request for Information to Kenergy Corp. ("Kenergy" or the "Company") to be answered by the date specified in the Commission's Order of Procedure, and in accord with the following instructions:

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the witness (es) who will be prepared to answer questions concerning each request.

(3) Please repeat the question to which each response is intended to refer. The Office of the Attorney General can provide counsel for Kenergy with an electronic version of these data requests, upon request.

(4) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(5) Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

(6) If you believe any request appears confusing, please request clarification directly from Counsel for the Office of Attorney General.

(7) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(8) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(9) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(10) As used herein, the words "document" or "documents" are to be construed broadly and shall mean the original of the same (and all non-identical copies or drafts thereof) and if the original is not available, the best copy available. These terms shall include all information recorded in any written, graphic or other tangible form and shall include, without limiting the generality of the foregoing, all reports; memoranda; books or notebooks; written or recorded statements, interviews, affidavits and depositions; all letters or correspondence; telegrams, cables and telex messages; contracts, leases, insurance policies or other agreements; warnings and

caution/hazard notices or labels; mechanical and electronic recordings and all information so stored, or transcripts of such recordings; calendars, appointment books, schedules, agendas and diary entries; notes or memoranda of conversations (telephonic or otherwise), meetings or conferences; legal pleadings and transcripts of legal proceedings; maps, models, charts, diagrams, graphs and other demonstrative materials; financial statements, annual reports, balance sheets and other accounting records; quotations or offers; bulletins, newsletters, pamphlets, brochures and all other similar publications; summaries or compilations of data; deeds, titles, or other instruments of ownership; blueprints and specifications; manuals, guidelines, regulations, procedures, policies and instructional materials of any type; photographs or pictures, film, microfilm and microfiche; videotapes; articles; announcements and notices of any type; surveys, studies, evaluations, tests and all research and development (R&D) materials; newspaper clippings and press releases; time cards, employee schedules or rosters, and other payroll records; cancelled checks, invoices, bills and receipts; and writings of any kind and all other tangible things upon which any handwriting, typing, printing, drawings, representations, graphic matter, magnetic or electrical impulses, or other forms of communication are recorded or produced, including audio and video recordings, computer stored information (whether or not in printout form), computer-readable media or other electronically maintained or transmitted information, and all other rough drafts, revised drafts (including all handwritten notes or other marks on the same) and copies of documents as hereinbefore defined by whatever means made.

(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

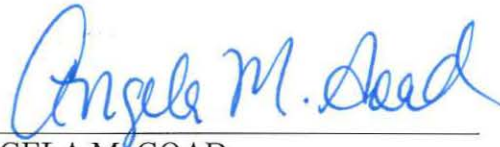
(12) In the event any document called for has been destroyed or transferred beyond the control of the company, please state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

(13) Please provide written responses, together with any and all exhibits pertaining thereto, in one or more bound volumes, separately indexed and tabbed by each response, in compliance with Kentucky Public Service Commission Regulations.

(14) The Attorney General reserves the right to pose additional preliminary data requests on or before the due date specified in the Commission's procedural schedule.

Respectfully submitted,

ANDY BESHEAR
ATTORNEY GENERAL




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Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on January 21, 2016; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original of the foregoing is being filed with the Commission on January 21, 2016,

this 21st day of January, 2016.



Assistant Attorney General

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1. Reference Kenergy's Response to AG 1-2 and provide updates to all invoices from outside experts, consultants, and legal counsel related to the current rate case. Please provide these on an ongoing basis throughout the pendency of the case.
2. Reference Kenergy's Response to AG 1-3 and provide the Board of Directors ("BOD") meeting minutes for every BOD meeting between January 2011 and the present where rates were discussed. Please provide copies of the BOD meeting minutes in its entirety and not just portions of the documentation.
3. Reference Kenergy's Response to AG 1-4 and explain why the company did not provide information as to the potential and actual rate increases, including pass through increases, to the members of the cooperatives at the annual meetings between 2011 and 2015.
4. Reference Kenergy's Response to AG 1-5 to answer the following questions:
 - a. Why is the article titled "Kenergy Applies For Rate Increase" in the Member Matters, December 2015 issue not in larger print and/or a main article in the publication?
 - b. Is Kenergy aware of the news report located at <http://www.14news.com/story/30355511/kenergy-looks-to-increase-rates-by-390month?>
 - i. While referencing the above mentioned news report, confirm whether it accurately reflected that the CEO of Kenergy stated that he expects the PSC to approve the rate increase request, and that the Commission has always accepted the increase requests in the past.
 - ii. If these statements do not accurately reflect what the CEO stated then provide clarification of the same.
5. Reference Kenergy's Response to AG 1-9 to answer the following questions:
 - a. Explain why Kenergy has not conducted a study to compare the Company's salary, benefits, and raises per employee with the standard salary, benefits, and

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raises by the workforce in the counties which it services, including but not limited to the following counties: Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Webster, Breckinridge, Union, Crittenden, Caldwell, Lyon, and Livingston County?

- b. Kenergy asserts that the services of NRECA National Consulting Group has been secured to conduct a compensation study factoring national, regional, and state wages in similar industries, but not specific to the 14 county area Kenergy serves.
 - i. Provide when the study will be completed, and if the study has already been finished then provide a copy of the same.
 - ii. Provide Kenergy's most recent completed wage and salary study, and confirm whether Kenergy is relying on this study in its current wage and salary structure.
 - iii. Explain the process that Kenergy utilizes when setting its wages and salaries. Does Kenergy base it upon national wages in addition to state and local wages?
 - 1. If so, does Kenergy agree that a review of local and state wages provides sufficient information required to attract and retain employees? Please explain why or why not.
 - 2. Does Kenergy admit that using national wages can create a situation where the Company is offering a much higher wage and salary than what is necessary to attract and retain employees in Western Kentucky? Please explain why or why not.
 - 3. Does Kenergy use the national information when setting all of its employees' salaries and wages or only certain employees and/or positions? Please explain in full detail.

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6. Reference Kenergy's Response to AG 11(a), (b), (d), (e), (f), (g), (h), (i), (j), (l), (m), and (n). These answers are inadequate. Provide a detailed breakdown of all costs included in the proforma adjustments. If possible, provide the detailed breakdown in the same spreadsheet as found on Kenergy's Application, Exhibit 9, page 13 where the columns have titles, includes the proforma adjustment amount column, proforma percent increase column, and all of the information is contained in one chart.
7. Reference the Kenergy Response to AG 1-12 (a), (b), (c), and (d) and provide a detailed explanation for any raise over 10% per year for both 2014 and 2015.
8. Reference the Kenergy Response to AG 1-12 (a), (b), and (d). Please provide a comprehensive list that provides the following information: a full title for each column description, without abbreviation, an explanation of what each column represents, and the process and procedure of providing these amounts. For example please provide the full title for "Vac Max Amt" and provide a detailed explanation as to what the amounts under this column represent and how it is calculated. Another example would be to provide the full title for the "Srv Award Amt" and a detailed explanation of Kenergy's process and procedure for awarding the amounts. Please provide this information for all columns.
9. Reference the Kenergy Response to AG 1-12(c). This response is inadequate. Provide a list of Kenergy Board of Director's compensation including all benefits, potential awards, bonuses, monthly retainers, as well as the percent increase of compensation for each of the past five years. Please ensure to adhere to the list requirements in AG 2-8 (a) and (b).
10. Reference Kenergy's Response to AG 1-13 to answer the following questions and provide separate data for 2014 and 2015.
 - a. What percentage of the wage employees received only the general raise?
 - b. What percentage of the wage employees received the general raise and the merit raise?
 - c. What percentage of the wage employees received the general raise and the step increase?

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- d. What percentage of the wage employees received the general raise, the merit raise, and a step increase?
 - e. What percentage of the salaried employees received only the general raise?
 - f. What percentage of the salaried employees received the general raise and the merit raise?
 - g. What percentage of the salaried employees received the general raise and the step increase?
 - h. What percentage of the salaried employees received the general raise, the merit raise, and a step increase?
11. Reference Kenergy's Response to AG 1-13 to answer the following questions:
- a. Are the merit increases that Kenergy awards to an employee directly related to a performance evaluation? Please explain why or why not.
 - b. Provide Kenergy's policies and procedures for merit based increase awards and include how the amount of the increase is determined.
 - c. Does Kenergy provide the general wage and salary adjustment to all employees each and every year regardless of performance? Please explain why or why not.
 - d. Does Kenergy provide the same general raise to the wage and salaried employees? Please explain why or why not.
 - e. Provide Kenergy's process and procedure for providing general raises to the wage and salaried employees and include how the amount of increase is determined.
 - f. What criteria does Kenergy require in order for an employee to obtain a step increase?
 - g. Provide Kenergy's process and procedure for awarding step increases and include how the amount of the increase is determined.
 - h. Reference the Kenergy Response to AG 1-13 and confirm that there were no raises provided to employees in 2010. If raises were provided then please provide information of the same.

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12. Reference Kenergy's Response to AG 1-14 (a) to answer the following questions:
 - a. Provide a list of all rural electric cooperatives in Kentucky that has a comparable employee assistance program and explain how each program is funded.
 - b. Provide a list of all investor owned utilities in Kentucky that has a comparable employee assistance program and explain how each program is funded.
13. Reference Kenergy's Response to AG 1-14 (c), (d), (e), (f), and (g) to answer the following questions:
 - a. Does Kenergy communicate with other rural electric cooperatives across Kentucky to determine if its employee paid premiums on dental, health, and life insurance are too low and should be raised?
 - b. Provide a list of all rural electric cooperatives in Kentucky that has the equivalent or lower employee paid premiums on dental, health, and life insurance than what Kenergy currently offers to its employees. For each example, please provide the type of insurance and amount of premium paid.
 - c. Provide the policies and procedures associated with Kenergy's philosophy to maintain discretionary benefit costs between 43-46% of payroll.
 - d. Provide a list of all rural electric cooperatives in Kentucky that maintains discretionary benefit costs of 43% of payroll or higher.
14. Reference Kenergy's Response to AG 1-19. Please provide titles for columns (c), (d), and (e).
15. Reference Kenergy's Response to AG 1-20 (b), (c), (d), and (e) to answer the following questions:
 - a. Please provide a detailed overview of the territorial disputes that Kenergy has encountered causing it to expend legal fees.
 - b. Provide a detailed overview of the sales tax dispute that Kenergy has encountered causing it to expend legal fees.
 - c. How did Kenergy determine to exclude \$3,821 of the website redesign costs for rate-making purposes, and exclude \$14,923 as non-recurring? Provide the process and procedure employed to exclude these amounts.

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- d. Provide a detailed explanation of the Marion property as well as the loss that Kenergy sustained in regards to the property.
16. Reference Kenergy's Response to AG 1-23 (a), (b), and (c) and provide a Depreciation Adjustment Exhibit, similar to Exhibit 5A, page 11, that includes the following: description, account number, balance as of 6/30/2015, current depreciation rate, the depreciation amount at current rates, the proposed depreciation rates, the depreciation amount at proposed rates, and impact of change.
17. Reference Kenergy's Response to AG 1-24 and provide an Interest Expense Adjustment Exhibit, similar to Exhibit 5A, page 12, that includes the note number, provide the O/S Principal (without abbreviation in title), Lender, Interest Renewal Date, Principal Maturity, Test Year Interest Rates, Test Year Interest Amount, Proforma Interest Rates, Proforma Interest Amount, and Adjustment Amount. Please ensure that each loan that has an adjusted interest rate is clearly identified in the exhibit.
18. Reference Kenergy's Response to AG 1- 25. This response is inadequate. Provide a detailed overview of the \$122,695 reclassify costs. For example, if the costs correlate to labor and overheads for staff activities relating to customer information and energy efficiency ideas, then provide a detailed explanation of the activities that occurred and how it benefited the ratepayer.
19. Reference Kenergy's Response to AG 1-26. Provide an exhibit, with the information contained in Exhibit 5B, Leadsheet 1 – 5B, page 116, that concisely lists the itemized amounts under each main category (categories listed on Exhibit 5B Leadsheet 1 and 2) and ensure that any amounts being excluded for ratemaking purposes are clearly identifiable. For example, provide the category of "Subtotal 930.200 account items" and provide all of the amounts included in this category, and flag the amounts that are not included for ratemaking purposes. Additionally, provide an actual description for "prepaid writeoff other" and "allocate misc general" in the provided information.
20. Reference Kenergy's Response to AG 1-33, Exhibit Item 33a, page 2. Provide a replication of the chart with the additional following columns: the average residential bill amount before the rate increase, average residential bill amount after the rate increase,

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average residential dollar amount increase, and average residential percentage bill increase for each rate case. Additionally, please add the current rate case to the chart and provide all of the information based upon Kenergy's full requested revenue increase.

21. Reference Kenergy's Response to AG 1-33 to answer the following questions:
- a. Provide the rate increase effective date for Kenergy's pending revenue increase case.
 - b. Further, please confirm the dates that the economic reserve will expire for the residential, industrial, and commercial classes, at which time the ratepayers will begin to experience the full impact of the most recent wholesale flow-through case.
 - c. Is Kenergy concerned about affordability for its customers if they will potentially have to pay for two rate increases within a short timeframe? Please explain why or why not.
22. Reference Kenergy's Response to PSC 2-33(i), (j), and (r) to answer the following questions:
- a. Kenergy admits that the number of disconnections due to nonpayment, reconnections, and delinquent accounts have all increased potentially because of economic reasons. Please explain in detail what economic reasons Kenergy considers to be contributing to nonpayment of customer bills.
 - b. Does Kenergy admit that the large rate increases placed upon its ratepayers in recent years has potentially contributed to nonpayment of bills? Please explain why or why not.
 - c. Does Kenergy admit that disconnections due to nonpayment and delinquent accounts will potentially rise when its ratepayers are forced to pay a bill that includes two rate increases within a short timeframe? Please explain why or why not.
23. Reference Kenergy's Response to PSC 2-33(k). Provide a detailed explanation of Kenergy's meter reading policies and procedures. Further, provide a list of other electric utilities in Kentucky that rely on the customer to read their own meters.

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24. Reference the Application generally. Provide the current average residential bill for all RECC's and IOU's operating in Kentucky. Please ensure to include Kenergy's current average residential bill as well as the proposed average residential bill.