

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

APPLICATION OF KENERGY CORP. FOR)	CASE NO.
A GENERAL ADJUSTMENT OF RATES)	2015-00312

ATTORNEY GENERAL'S INITIAL 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 Initial 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.

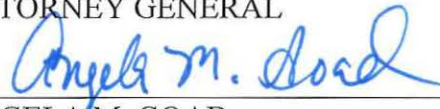
(11) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(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,
JACK CONWAY
ATTORNEY GENERAL

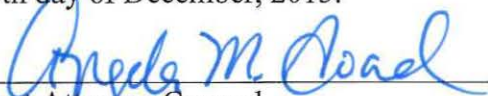


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Certificate of Service and Filing

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 December 16, 2015; 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 December 16, 2015,

this 16th day of December, 2015.



Assistant Attorney General

Attorney General's Initial Request for Information
Application of Kenergy Corp. for a General Adjustment in Rates
Case No. 2015-00312

1. Reference the Kenergy Corp. ["Kenergy" or the "Company"] Application generally. Please provide all tables and exhibits referenced in or supporting the application and testimony in their native electronic format (i.e. Microsoft Word, Microsoft Excel), with data including formulae in all cells and rows fully intact and fully accessible.
 - a. Please provide all relevant and supporting worksheets in electronic format with data including formulae in all cells and rows fully intact and fully accessible.
2. Reference the Kenergy Application generally. Provide 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.
3. Reference the Kenergy Application generally. Provide the Board of Directors ("BOD") meeting minutes for every BOD meeting between January 2011 and the present where rates were discussed.
4. Reference the Kenergy Application generally. Please provide copies of any and all documents, agendas, meeting notices, and/or annual reports relating to or distributed at any and all annual meetings with the members of the cooperative between 2011 and 2015, which address or otherwise discuss the need for a rate adjustment.
5. Reference the Kenergy Application generally. Please provide copies of any and all documents, correspondence, newsletters, and/or annual reports mailed or provided electronically to the members of the cooperative between 2011 and 2015, which address or otherwise discuss the need for a rate adjustment.
6. Reference the Kenergy Application generally. Provide the average Kenergy bill for each rate class during the test period, as well as the average bill should the proposed rates go into effect. Also include the percentage rate increase from current rates to proposed rates for the average bill in each rate class.

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7. Reference the Kenergy Application generally. Provide copies of all studies that Kenergy has conducted addressing the impact that the proposed rate design will have on the elderly, low income, fixed income and home bound segments of its ratepayer base. Please provide detailed information for each specified group.
8. Reference the Kenergy Application generally. Provide copies of all studies that Kenergy has conducted addressing the impact that the proposed rate increase will have on the elderly, low income, fixed income and home bound segments of its ratepayer base. Please provide detailed information for each specified group.
9. Reference the Kenergy Application generally. Has Kenergy conducted a study to compare the Company's salary, benefits, and raises per employee with the standard salary, benefits, and 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? If so, please provide copies of all such studies. If not, please explain why a study has not been performed.
10. Reference the Kenergy Application, Paragraph (a) and provide the per capita money income as well as the poverty rate percentage of the residents for each of the fourteen (14) counties where Kenergy operates.
11. Reference the Kenergy Application, Exhibit 5A, Page 1 concerning the Adjusted Income Statement to answer the following questions. Provide a detailed breakdown and overview of the following proforma adjustments.
 - a. "Non-Direct Served Base Rate" proforma adjustment.
 - b. "Direct Served (exc. Smelters) – Base Rate" proforma adjustment.
 - c. "Other Revenue" proforma adjustment.

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- d. "Distribution - Operation" proforma adjustment.
- e. "Distribution - Maintenance" proforma adjustment.
- f. "Consumer Accounts" proforma adjustment.
- g. "Customer Service and Informational" proforma adjustment.
- h. "Sales" proforma adjustment.
- i. "Administrative and General" proforma adjustment.
- j. "Depreciation" proforma adjustment.
- k. "Tax Expense – Other" proforma adjustment.
- l. "Interest on Long Term Debt" proforma adjustment.
- m. "Interest on Customer Deposits and Other" proforma adjustment.
- n. "Other Deductions" proforma adjustment.
- o. "Operating Margins" proforma adjustment.
- p. "Non-Operating Margins – Interest" proforma adjustment.
- q. "Non-Operating Margins – Other" proforma adjustment.
- r. "Non-Cash Capital Credits" proforma adjustment.

12. Reference the Kenergy Application, Exhibits 5A, Pages 6 – 7AA, concerning payroll/labor information to answer the following:

- a. Please provide a list of each Kenergy salaried employee's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.

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- b. Please provide a list of each Kenergy hourly employee's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
 - c. Please provide a list of each Kenergy BOD's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
 - d. Please provide a list of each Kenergy officer's job title with salary, overtime if any, percent pay increase for each of the past five years, and also include all benefits, bonuses, awards, etc.
13. Reference the Kenergy Application, Exhibit 5A, Page 6E where it states that the general wage adjustment of 2% was given on 1/1/2015 plus merit and step increases for new employees moving to mid-point of their grade level. Please provide the general wage adjustments that Kenergy has provided to all of its employees from each year from 2009 to the present.
- a. Provide Kenergy's policies and rules on wage adjustments as well as merit and step increases.
14. Reference the Kenergy Application, Exhibit 5A, Pages 7 and 7(d) to answer the following questions:
- a. Provide a detailed overview of the employee assistance program. Include in the overview how the program is funded, the purpose of the program, and employee versus employer contribution breakdowns.
 - b. Explain how the health insurance premiums appear to have decreased 7.90%.
 - c. Confirm that the employee contribution for an employee only health insurance plan is only \$41.25 per month, employee and spouse is \$103.52 per month,

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employee and child is \$88.89 per month, and employee and family is \$140.22 per month.

- d. Confirm that an employee only dental insurance premium is \$0 a month, with Kenergy paying the full cost of the dental insurance.
 - e. Why has Kenergy not implemented an employee contributed dental insurance premium to assist with the rising costs?
 - f. Confirm that Kenergy employees do not pay for life insurance whether it is under \$50,000, over \$50,000, or life insurance including amounts for spouse and children. If not, why has Kenergy not implemented an employee contributed life insurance premium to assist with the rising costs?
 - g. Has Kenergy contemplated increasing employee health, dental, or life insurance premiums and/or copays to defray some of the rising insurance costs?
15. Reference the Kenergy Application generally. Does Kenergy anticipate any changes in any existing contracts as a result of the new rates it seeks to implement in this filing (e.g., engineering, information technology, maintenance, etc.)? If so, please identify each such change.
16. Reference the Kenergy Application generally. Does Kenergy maintain any contracts with vendors whose principals are in any manner related, by blood or marriage, to Kenergy's officers, members of its Board, its employees, its independent contractors or consultants?
If yes:
- a. Please provide copies of any such contract, and a breakdown of how much money was spent per contract per year for the last ten (10) calendar years; and
 - b. Please state whether the contracts were awarded pursuant to a bid process, and if so, provide specifics of that bid process.

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17. Reference the Kenergy Application generally. Does Kenergy employ the relatives, by blood or marriage, of:

- a. Any Kenergy board member;
- b. Any Kenergy officer;
- c. Any Kenergy contractor;
- d. Any Kenergy consultant; and/or
- e. Any other Kenergy employee?
- f. If so, please provide specific details.

18. Reference the Kenergy Application generally. Does Kenergy have any anti-nepotism policies in place? If so, provide copies of any and all such policies, and/or memoranda referring to such policies.

19. Reference the Kenergy Application, Exhibit 5A, Pages 8 - 8F, and please provide a document clearly identifying the disallowed expense adjustments.

- a. Confirm the total amount of disallowed expense adjustments.
- b. Further confirm that the Company is not requesting that any of these amounts be included in rates.

20. Reference the Kenergy Application, Exhibit 5A, Page 9 and provide a detailed breakdown of the following expenses/costs. Additionally, provide a detailed overview of each category.

- a. CEO Search Expenses,
- b. Legal Costs - Territorial dispute,

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- c. Legal Costs - Sales Tax Dispute,
 - d. Kenergy Website Redesign,
 - e. Loss on Disposition of Marion Property, and
 - f. Capital Credit Allocation Statements.
21. Reference the Kenergy Application, Exhibit 5A, Page 9 and state the amount that Kenergy is requesting to be included as non-recurring items during the test year, and how Kenergy proposes the items to be incorporated into rates.
22. Reference the Kenergy Application, Exhibit 5A, Page 9B, and provide a detailed overview of the \$61,353.00 expenditure.
23. Reference the Kenergy Application, Exhibit 5A, Page 11 and provide evidence that justifies the proposed increased depreciation rates.
- a. Provide an explanation as to what the \$492,138 adjustment year end plan at current rates represents.
 - b. Provide an explanation as to what the \$356,523 adjustment new rates represents.
 - c. Provide an explanation as to what the \$848,661 total adjustment rate represents.
24. Refer to Exhibit 5A, Pages 12 - 12A, and provide a detailed breakdown of the \$715,706 interest expense adjustment.
25. Reference Exhibit 5A, Page 21 and provide a detailed overview of the \$122,695 reclassify costs.
26. Reference Exhibit 5B, Lead Sheet 1 and 2 and confirm that the \$743,693.70 costs are disallowed amounts that Kenergy is not requesting to place in the rate base.

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27. Reference Exhibit 5B, Pages 1-116 and confirm that the expenses listed are all disallowed amounts that Kenergy is not requesting to place in the rate base.
28. Reference Exhibit 5C, Page of 8 of 10 and provide a detailed explanation of the OSHA Citation.
29. Reference the Testimony of Steve Thompson, Question 10 for the following questions:
 - a. Where it is stated that the depreciation expense increase is due in part to plant investment for new customer growth, please elaborate on both the plant investment and new customer growth.
 - b. Where it is stated that the depreciation expense increase is due in part to the replacement of existing facilities to maintain and improve reliability, please elaborate on this statement.
 - c. What amount of the \$1,150,000 increased labor and overhead costs is attributed to the three (3) full-time positions?
 - i. Provide a list of the three full-time positions including title, salary, overtime if any, benefits, awards, date of hire, and why the positions were necessary.
 - d. What amount of the \$1,150,000 additional overhead and labor cost is attributed to the wage increases of approximately 8% over a five year period?
30. Reference the Testimony of Jack Gains, Question 9. Provide the increase in number of customers and the test year average consumption.

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31. Reference the Testimony of Jack Gains, Question 24 where he states that, "...Kenergy has increased base rates to flow through wholesale power cost by approximately 30% since its last general rate case..."
- a. Due to the magnitude of the recent rate increases on Kenergy's customers, how has Kenergy attempted to keep costs/expenses low in order to prevent further rate increases?
 - b. Provide evidence that Kenergy's customers can afford the recent 30% rate increases in addition to the rate increase request in the present case.
32. Reference the Testimony of Jack Gains, Question 26 where he states that 74.4% of the proposed residential distribution increase is generated from the facilities charge or customer charge, and only 25.6% comes from the energy charge.
- a. Provide the rationale and justification for applying a large bulk of the rate increase upon the facilities/customer charge instead of upon the usage charge.
 - b. Does the Company admit that by placing a large percentage of the rate increase upon the facilities/customer charge instead of the usage charge, it will deprive its customers of the monetary incentive for conserving energy through less usage?
 - c. Please identify what incentives residential customers will have to conserve energy if the Company's requested rate design is approved.
 - d. Cite all studies the Company has conducted of its own ratepayer base to support the Company's decision to seek the proposed rate design in the instant case.

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33. Reference the Kenergy Application generally. Please identify the test year, filing date, rate effective date, and rate increase (both dollar and percentage) for the Company's last five rate cases.

a. Please provide the level of rate case expense incurred for the last five rate cases.

i. Also, indicate which cases were settled and which were litigated. For the settled cases, please also indicate at which stage they were settled.