

**COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION**

**IN THE MATTER OF:**

**ELECTRONIC APPLICATION OF KENERGY ) CASE NO. 2020-00095  
CORP. FOR A DECLARATORY ORDER )**

**KENERGY’S RESPONSE TO ORDER OF APRIL 13, 2020**

**KENERGY CORP.** (“Kenergy”), for its response to the Commission’s order of April 13, 2020, states as follows:

1. Kenergy has been fortunate to avoid a flow through rate case for several years because its wholesale provider, Big Rivers Electric Corporation (“Big Rivers”) has successfully navigated its load mitigation plan. However, any future any flow through adjustment of base rates requires an interpretation of KRS 278.455.

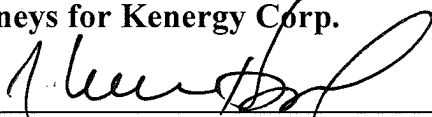
The flow through statute, KRS 278.455, requires that any adjustment in wholesale rates be passed along through the distribution cooperative on a “proportional basis.” The phrase “proportional basis” is not a defined term in the statute or in case law.

The flow through mechanism in KRS 278.455 ensures wholesale rate changes “result in no change in the rate design” at the retail level. The distribution cooperatives’ rate design is based on cost of service. Thus, in order to accomplish a proper flow through of wholesale rates, the formula for the flow through must inherently be based on cost of service. Yet, there appears to be no order or holding to cite for this proposition. As such, Kenergy’s application seeks to establish this statutory interpretation.

2. Kenergy does not have an application for a change in base rates planned<sup>1</sup>. Absent such a filing, Kenergy will not be performing a cost of service study. Should, in the future, Big Rivers file for a change in wholesale rates, then any proportional flow through must be based on the cost of service study in Kenergy's last application for general adjustment in rates, 2015-00312 (Exhibit 7 to Application therein). Kenergy simply seeks a declaratory order for future reference that "proportional basis" in KRS 278.455 means cost of service is the formula for determining proportionality.

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By \_\_\_\_\_

  
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**CERTIFICATE OF SERVICE**

I hereby certify that a true and correct copy of the foregoing was served by mailing a true and correct copy of same to Kentucky Attorney General, Office of Rate Intervention, 1024 Capital Center Drive, Frankfort, KY 40601, and Michael L. Kurtz,

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<sup>1</sup>Big Rivers' application in 2020-00064 proposes to utilize the Member Rate Stabilization Mechanism that is based on kilowatt hour usage, not cost of service. Kenergy supports Big Rivers' application and this filing is not intended to interfere with it.

Kurtz, Boehm, Kurtz & Lowrey, 36 E. Seventh Street, Suite 1510, Cincinnati, OH 45202,  
for Kentucky Industrial Utility Customers, on this 16<sup>th</sup> day of April, 2020.



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J. Christopher Hopgood