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

**IN THE MATTER OF:**

**APPLICATION OF KENERGY CORP. FOR A )                   CASE NO.  
WAIVER PURSUANT TO KRS 278.2219 )                   2020-00215**

**KENERGY CORP.'S RESPONSES TO  
COMMISSION'S STAFF'S FIRST REQUEST FOR INFORMATION**

**Item 1)** Refer to the Application, page 1. Explain how CoBank was selected to be the lender for Kenect, Inc. (Kenect).

**RESPONSE)** CoBank approached Kenergy about the plan for Kenergy to invest \$3,000,000 in Kenect which would then allow CoBank to issue the letter of credit directly to Kenect without guarantee by Kenergy.

To provide context to the answer, the most efficient borrowing structure, proposed by Kenergy's consultant, Conexon, involves Kenergy borrowing necessary funds to construct the main fiber infrastructure and then Kenergy will lease that infrastructure to Kenect. Co-ops can borrow from RUS, CoBank, and/or CFC for these projects. If the Commission will allow it, the most advantageous option would be for Kenergy to borrow all the funds from RUS to build the fiber network. To satisfy the provider of government subsidy funds, Kenergy/Kenect must provide a letter of credit to assure the provider that the funds will be used appropriately. CoBank will issue the letter of credit to Kenect if Kenergy infuses \$3,000,000 in capital into Kenect.<sup>1</sup> Once the amount of government subsidy funds are known, then Kenergy will borrow from RUS to supplement the subsidized funds and build the network. The initial letter of credit from CoBank serves as a "bridge loan" to participate in the government subsidy request process which is a prerequisite to obtaining any government funding.

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<sup>1</sup> This is a proposal, not a commitment, and the terms are subject to change.

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1 [REDACTED]  
2 [REDACTED]  
3 [REDACTED]  
4 [REDACTED]  
5 [REDACTED]

6 Kenergy did approach CoBank and CFC to see if they would consider  
7 lending directly to the broadband subsidiary without any parent guarantee,  
8 rather than lending to Kenergy. CFC has a policy of only lending directly to  
9 the electric co-op similar to RUS. CoBank also prefers lending to the electric  
10 co-op, but did offer a proposal where they would consider lending directly to  
11 Kenect. Under this proposal Kenect would have to construct and own all the  
12 fiber infrastructure rather Kenergy. Kenergy would be required to make an  
13 initial equity investment in Kenect of \$3 million and then increase that equity  
14 investment in order to maintain a 50% equity position. [REDACTED]

15 [REDACTED]  
16 [REDACTED]

17  
18 If the Commission allows Kenergy to borrow the money from RUS to  
19 construct the fiber infrastructure and allows Kenergy to guarantee the letter  
20 of credit Kenect will need to secure the grant funds, broadband subscribers  
21 will enjoy a significantly lower interest rate. Also, if Kenergy is allowed to  
22 borrow the funds, there will likely be little to no equity investment required  
23 in Kenect. This financing arrangement is being utilized by many  
24 cooperatives across the nation to bring affordable broadband service to their  
25 members.

26  
27 Kenergy acknowledges that if the funding sources enable the project to go  
28 forward, a CPCN will be necessary.  
29

30 WITNESSES) Jeff Hohn and Travis Siewert

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1 **Item 2)** Refer to the Application, page 2. Provide the referenced feasibility study.

2

3 **RESPONSE)** The feasibility study is provided under Petition for Confidentiality.

4 **WITNESS)** Jeff Hohn

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1 **Item 3)** Refer to the Application, page 4.  
2 a. State the source of funds for the installation of the fiber network.

3 **RESPONSE)** The source of funds for the installation of the fiber network will be  
4 borrowing, government subsidy revenue (referenced in the application as  
5 "grant funds", and eventually Kenect operating cash flow. [REDACTED]

6 [REDACTED]  
7 [REDACTED]  
8 [REDACTED]  
9 [REDACTED]

10  
11 **WITNESS)** Jeff Hohn and Travis Siewert

12  
13 b. Provide the estimated cost of installing a fiber network on  
14 Kenergy's existing poles.

15  
16 **RESPONSE)** Conexon estimates the cost of installing a fiber network on Kenergy's  
17 existing poles is [REDACTED]

18 [REDACTED]  
19 [REDACTED]  
20 [REDACTED]

21 **WITNESS)** Randy Klindt, Conexon

22  
23 c. State whether Kenergy or Kenect will own the fiber network.

24 **RESPONSE)** If the Commission allows Kenergy to borrow the funds needed for  
25 construction from RUS, then Kenergy will construct and own the fiber  
26 network including service drops. Kenect will only own the electronics  
27 including core routers, access equipment (OLT) at the substation and  
28 electronics at the home and (ONT).  
29

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1 **WITNESS)** Jeff Hohn and Randy Klindt (Conexon)

2 **Item d)** Provide the estimated yearly maintenance and repair cost associated with the  
3 fiber network and how the estimated yearly maintenance and repair cost was  
4 calculated.  
5

6 **RESPONSE)** Conexon estimates the annual maintenance cost for the fiber will be \$50 per  
7 mile. By year 7, once construction is complete, the annual maintenance cost  
8 is estimated to be \$274,288. The lease agreement requires Kenect to perform  
9 the maintenance described as permanent attachment and connectivity, which  
10 includes splicing. Maintenance by Kenergy constitute making the fiber cable  
11 safe during an outage situation. All amounts and assumptions used in the  
12 model are based upon the experience and actual costs of over 40 electric  
13 cooperatives deploying fiber networks to serve their members across the  
14 nation.  
15

16 **WITNESS)** Randy Klindt, Conexon  
17

18 **Item e)** State whether Kenergy or Kenect will be responsible for maintenance and  
19 repair of the fiber network.  
20

21 **RESPONSE)** If the Commission allows Kenergy to borrow from RUS to construct the  
22 fiber network, then Kenergy will own and maintain the network as described  
23 in 3(d) above. Kenect will lease the network from Kenergy for the cost of  
24 construction.  
25

26 All maintenance and upkeep will be the responsibility of Kenect under the  
27 terms of the lease.  
28

29 **WITNESS)** Randy Klindt, Conexon  
30

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1 **Item f)** Explain how Kenergy will determine the lease payments from Kenect.  
2

3 **RESPONSE:** The lease payment is calculated to cover the entire cost of the fiber network,  
4 including interest, depreciation, and taxes. The lease payment is charged per mile of active  
5 fiber plant. The charge begins for each circuit when fiber construction on the specific  
6 circuits is completed and made available for service. The lease payment generates a  
7 positive rate of return for the cooperative on the fiber asset and over a period of 10-12 years  
8 will entirely cover the cost of the Capex for the fiber plant. Conexon has also performed  
9 analysis of market rates and this lease rate is approximately the typical fiber strand lease  
10 rate of an average 8 strands of usage through the network.  
11

12 **WITNESS)** Randy Klindt, Conexon  
13

14 **Item g)** Explain what portion of the fiber network will be used for intra-system  
15 communications.  
16

17 **RESPONSE)** Backbone fiber cable (i.e. substation to substation) will have 12 to 24 fiber  
18 depending upon the overall capacity of the fiber (i.e. 144 count or 288 count).  
19 On distribution cabling (i.e. from substation past subscriber) Kenergy will  
20 retain a minimum of 6 fiber.  
21

22 **WITNESS:** Fred Crooks  
23

24 **Item h)** Describe the intra-system communications needs Kenergy plans to meet by  
25 utilizing its poles for a fiber network and explain how those intra-system  
26 communication needs are currently being met.  
27

28 **RESPONSE)** Kenergy's "intra-system communications" network is a very large and  
29 complex system of systems including "carrier grade, long haul" fiber optic  
30 systems, microwave transport systems, and third-party network transport  
31 systems.

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Kenergy's "intra-system communications" network provides data transport for two separate networks – Corporate Network (i.e. office-to-office) and Field Network (substation-to-substation).

The Corporate Network interconnects all our remote office locations back to Kenergy's data center in Owensboro. The data center houses all of Kenergy's critical business systems/servers. The "intra-system communications" network provides access to all critical business systems and Internet access to users at Kenergy's remote office locations. Our remote locations include Hawesville, Hartford, Hanson, Marion. Our Henderson office houses "back-up" facilities for many of our critical business systems including SCADA, AMI, AD, iVue, GIS, etc.

The Field Network interconnects our substations and provides data transport for a variety critical business system including SCADA, AMI, Video Surveillance, and BREC metering data. It also provides a means to manage all aspects of the data transport system including network infrastructure management, microwave radio management, and TDM transport systems management. Because this network transports SCADA communications, it has a higher security design than the Corporate Network, and, Internet access is prohibited on this network.

A fiber backbone ring composed of varying counts of IRU fiber in Windstream owned/managed cable provides "long haul" data transport between three regional nodes. From each of these three regional nodes, microwave transport paths radiate out in a linear hop-by-hop topology to form a data transport path. Most of these paths support data transmission for the Field Network only (i.e. SCADA, AMI, and video surveillance). However, some of the paths are used to transport both Field Network and Corporate Network traffic. Fortunately, from a cyber-security standpoint, we have been able to keep those networks physically separated over these microwave paths using a variety of capabilities in the different microwave platforms employed along those paths.

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1  
2           With the exception of the fiber backbone ring (the ring provides redundancy  
3 between the regional nodes), all other transport systems (i.e. microwave or  
4 fiber) are built in a linear fashion with no redundancy whatsoever. When a  
5 path fails, for whatever reason, everything downstream from that break is  
6 inaccessible for the duration of the outage.  
7

8           While having a fiber optic backbone ring has been, and is, a critical part of  
9 Kenergy's intra-system communications network, the quality of that IRU  
10 path is not the best because the management/maintenance of that resource is  
11 performed by Windstream who is the owner of the cable. Windstream is a  
12 very large fiber transport company with fiber optic facilities spanning the  
13 U.S. The cables in which we have IRU fiber are not their main backbone  
14 paths. As such, these paths are not their highest priority to maintain. Lastly,  
15 in one section of the ring we have only one pair of fiber, which, in the IRU  
16 contractual language, there exists the caveat whereby Windstream (or the  
17 current owner), can, if the need arises, reclaim that pair of fiber for their use.



1 Over the course of the last twenty years, Kenergy's IT systems and their  
2 reliability, have come to rely on the redundancy provided by the ring  
3 structure. In a typical year, this ring experiences at least two fiber cuts.  
4 During a fiber cut, the carrier grade equipment is able to "swing" the entire  
5 data transport around to the opposite direction in less than 50 milliseconds.  
6 If that two-fiber section is ever reclaimed by the owner of the fiber, the ring  
7 would no longer exist and there would be no redundancy. A system outage  
8 would occur that could last for twelve hours at a minimum if a fiber crew is  
9 in the area. If not, the outage could last much longer. The impact of an  
10 outage in the scenario would be that many of our remote offices would be  
11 unable to accept payments, SCADA systems would lose communication,  
12 AMI meters would not report meter readings and other similar problems.  
13

14 A larger wholly owned fiber network would:

- 15 1) Provide for multiple avenues for redundancy for all of Kenergy's critical  
16 business systems (both in the Corporate Network and Substation Network.
- 17 2) Remove the potential for a disruption due to any change of use caused by  
18 changes in the ownership of IRU fiber backbone.
- 19 3) Greatly lessen the complexity of the intra-system by converging onto a  
20 fiber optic network. Removing the need for microwave systems that have a  
21 typical useful lifespan of ten years.  
22

23 **WITNESSES)** Rob Stumph, Fred Crooks & Andy Wolford  
24

25 **Item i)** Explain how it is to the benefit of Kenergy's members-customers for  
26 Kenergy to meet its intra-system communications needs via a fiber network  
27 located on and connected by Kenergy's poles as opposed to the way Kenergy  
28 is currently meeting those needs.  
29

30 **RESPONSE)**

31 The benefits of a fiber network flows in the opposite direction. The members  
32 benefit first in having access to the internet through a fiber-based, high speed  
33 broadband service. It is quite evident from the public support of Kenergy's  
34 members that broadband service is greatly needed.  
35

36 While high speed broadband access to the Internet is the first benefit that  
37 Kenergy's members will realize the capabilities of a fiber optics system are  
38 numerous. If it is allowed to exist, the fiber will be leveraged by our  
39 members in future productivity. Possibilities created are aid to farmers who  
40 use more and more sophisticated methods, to aid to water districts who may

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1           utilize smart meters to quicker response times for emergency management  
2           services.

3  
4           As stated above, income generated by Kenect's lease payments will be used  
5           by Kenergy to pay for the costs of building the fiber network. That income  
6           from the lease payments comes from subscribers to the broadband service.  
7           Because of segregated accounting, Kenergy members who do not subscribe  
8           to broadband will not be paying for the cost to build the fiber network.

9  
10          Kenergy will benefit from having a fiber optic transport network to move it's  
11          "infra system communication" off the existing collection of microwave  
12          systems and IRU fiber systems. AS the existing microwave systems "age-  
13          out", Kenergy simply migrates off the microwave path to the fiber optic path.  
14          The existing network hardware in place is capable of making the transition  
15          with inexpensive optical interfaces installed.

16  
17          Kenergy will also benefit from having a strategic partner (Kenect) to manage  
18          and maintain that fiber infrastructure.

19  
20          Similarly, a fiber infrastructure will allow Kenergy nearly limitless  
21          possibilities to enhance our "intra-system communications" but also smart  
22          grid applications including a medium to convert from RF-based AMI meters  
23          to an option that would not exist but for the fiber infrastructure. Additionally,  
24          the fiber network provides a means for Kenergy to enhance downline  
25          automation. Ultimately, Kenergy's members will be the ones that benefit  
26          from the utilization of fiber assets.

27  
28   **WITNESSES)** Rob Stumph, Fred Crooks and Andy Wolford

29  
30   **Item j)**        Confirm Kenergy has available adequate communication space on its poles  
31                   to accommodate the placement of the proposed fiber network.

32  
33   **RESPONSE)** Qualified "yes". In areas where there is inadequate communications space,  
34                   Kenergy will utilize the electric space for the path of the fiber cable. By  
35                   doing this, Kenergy minimizes make ready costs and moving existing  
36                   attachments.

37  
38   **WITNESSES)** Matthew Moffitt and Fred Crooks

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1 **Item 4)** 4. Refer to the Application, page 5.

2 **Item a)** Provide the useful life of the fiber network.

3 **RESPONSE)** 50 years. A fiber optic system is much like Kenergy's electrical distribution  
4 system in that, to have a long useful life, it will require an active  
5 management/maintenance plan. Additionally, like the electrical distribution  
6 system, the fiber network will also grow and evolve to meet the needs of our  
7 members. With such a management/maintenance plan and growth, the  
8 system can provide the same duration of service as the electrical distribution  
9 system. From a technological perspective, fiber is predicted to be the  
10 transport medium of choice for the foreseeable future. From a technological  
11 perspective, the primary changes that will occur will be to squeeze more  
12 capacity out of a single fiber than currently exists today. With the billions of  
13 dollars being spent each year by the industry to replace existing copper  
14 facilities, it is a testament to the mindset of the industry that a fiber optic  
15 plant will endure for a very long time.

16  
17 **WITNESSES)** Rob Stumph & Fred Crooks

18  
19 **Item b)** State whether Kenergy would charge Kenect interest on the initial  
20 investment. If so, explain how this interest rate would be determined. If not,  
21 explain why not.

22  
23 **RESPONSE)** No interest is charged on the initial investment. Kenergy's initial investment  
24 in Kenect is a capital contribution, not a loan. If the Commission allows  
25 Kenergy to borrow from RUS to construct the fiber network and guarantee  
26 the letter of credit Kenect will need, then there will likely be little to no initial  
27 equity investment required in Kenect.

28  
29  
30  
31 **WITNESS:** Travis Siewert

32  
33 **Item c)** Identify potential sources of grant funding for the project.

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1 **RESPONSE)** [REDACTED]

2 [REDACTED]

3 [REDACTED]

4 [REDACTED]

5 **WITNESS)** Jeff Hohn

6

7 **Item d)** Identify any grants for which Kenect, or Kenergy have applied.

8 **RESPONSE)** [REDACTED]

9 [REDACTED]

10 **WITNESS)** Jeff Hohn

11

12

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1 **Item 5)** Refer to the Application, pages 5-6. Explain in detail and with specificity  
2 how the provisions of KRS 278.2201 to 278.2713 are impracticable or  
3 unreasonable as applied to the circumstances which are the subject of this  
4 proceeding.  
5

6 **RESPONSE)** There are two avenues for Kenect to startup. First, Kenergy can guarantee a  
7 letter of credit that Kenect needs to obtain funding. The alternative is that  
8 Kenergy can invest \$3,000,000 of its equity in Kenect to enable Kenect to  
9 obtain its own letter of credit from CoBank.  
10

11 The first alternative involves placing Kenergy's assets at risk to support the  
12 letter of credit guarantee. From an accounting standpoint, a letter of credit  
13 guarantee is not on the balance sheet. It is an inchoate loan. While no assets  
14 are affected by the guarantee, in the worst case scenario, then Kenergy must  
15 be prepared to satisfy the letter of credit should Kenect fail.  
16

17 The second alternative involves placing \$3,000,000 in current assets (cash)  
18 into Kenect. While not a loan, it does transfer \$3,000,000 of Kenergy's  
19 equity to Kenect. Typically, this is a governance issue in which the  
20 Commission leaves to the cooperative's board and members. However,  
21 theoretically, the transfer of equity could jeopardize the parent corporation's  
22 equity ratio and result in a rate increase request to infuse cash into the  
23 parent. Kenergy's financial standing renders this only a theoretical  
24 possibility. Kenergy consistently retires capital credits to keep its equity  
25 ratio under the benchmark of 40%. Kenergy's proposal to divert a capital  
26 credit retirement to Kenect has no effect on margin as the cash that is used to  
27 retire capital credits would no longer produce interest income. Even if  
28 Kenergy elected to not retire capital credits in 2020, its equity is more than  
29 sufficient to withstand this infusion and maintain its ratios. Under either  
30 scenario, there is at least a theoretical initial subsidy by Kenergy into  
31 Kenect. Because KRS 278.2201 to 278.2713 bars the subsidy of a non-  
32 regulated venture by a regulated utility, a waiver is sought.  
33

34 KRS 278.2213 states that "[a] utility shall not enter into any arrangements  
35 for financing nonregulated activities through an affiliate that would permit a  
36 creditor upon default to have recourse to the assets of the utility." Kenergy  
37 needs a waiver from this under the Kenergy letter of credit guarantee scenario  
38 because, theoretically, Kenergy's assets are necessary to support the parent

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1 letter of credit guarantee and Kenergy's rate structure is potentially affected  
2 by transfer of equity to an affiliate - however remote the possibility is.

3 Regulated cooperatives providing broadband through a subsidiary in  
4 Kentucky is a question of first impression and Kenergy submits that  
5 thorough vetting by the Commission of this proposal is appropriate.  
6

7 For clarity, statutory areas where no waiver is needed are as follows. In  
8 calculating the Kenect lease payment, services and products provided to  
9 Kenect by Kenergy pursuant to a tariff will be at the tariffed rate, with  
10 nontariffed items priced at the Kenergy's fully distributed cost but in no  
11 event less than market, or in compliance with the utility's existing USDA,  
12 SEC, or FERC approved cost allocation methodology. Services and  
13 products provided to Kenergy by Kenect will be priced at the affiliate's fully  
14 distributed cost but in no event greater than market or in compliance with  
15 the utility's existing USDA, SEC, or FERC approved cost allocation  
16 methodology. Kenergy will not provide any type of undue preferential  
17 treatment to a nonregulated affiliate to the detriment of a competitor.  
18

19 **WITNESS)** J. Christopher Hopgood

20

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- 1 **Item 6)** Refer to the Application, page 8. Provide the estimated capital credits  
2 Kenergy would retire in 2020 absent this proposal.  
3  
4 **RESPONSE)** Kenergy budgeted \$3,000,000 for a 2020 capital credit retirement. The five  
5 year average for capital credit retirements is \$3,200,000. However, given the  
6 current state of the COVID-19 emergency, Kenergy is reluctant to commit to  
7 a capital credit retirement until it has a better understanding of the financial  
8 ramifications caused by COVID-19.  
9  
10 **WITNESSES)** Jeff Hohn and Travis Siewert.

11

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1 **Item 7)** Refer to the Direct Testimony of Jeffrey Hohn (Hohn Testimony), page 2,  
2 lines 18-20. Provide the amount of start-up capital that Kenergy would  
3 provide to Kenect.  
4

5 **RESPONSE:** Under the CoBank proposal, an equity investment is required. All that is  
6 requested at this time under that proposal is permission to invest \$3,000,000  
7 in Kenect to avoid Kenergy committing to guarantee the Kenect letter of  
8 credit. If Kenergy is granted permission to commit to a guarantee of the  
9 Kenect letter of credit, Kenergy would loan Kenect approximately \$43,000  
10 with interest owed on the loan at a market rate.  
11

12 **WITNESS)** Jeff Hohn and Travis Siewert



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- 1 **Item 8)** Refer to the Hohn Testimony, page 3. Provide any Kenergy Board of  
2 Director meeting minutes discussing Kenect or this proposal.  
3  
4 **RESPONSE)** See attached  
5 **WITNESS)** Debra Hayden

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- 1 **Item 9)** Provide Kenect's bylaws, cost allocation manual, and any formal business  
2 plan, and projected annual revenues and expenses.  
3  
4 **RESPONSE)** See attached.  
5 **WITNESSES)** Jeff Hohn and Debra Hayden

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1 **Item 10)** Explain whether Kenergy and Kenect will share any board of directors,  
2 officers, or employees. If so, provide a list of individuals and the position  
3 they do or will hold in both entities.  
4

5 **RESPONSE)** Kenergy's Board and Kenect Board currently mirror each other. At some  
6 point, if Kenect is successful, Kenergy may elect to have a smaller Kenect  
7 Board comprised of Kenergy's Board members that would, in effect, operate  
8 in the same manner as a Kenergy Board committee. Kenect's initial  
9 Executive Officers are Kenergy's Executive Officers (Jeff Hohn - CEO;  
10 Steve Thompson, VP of Finance and Debra Hayden - Assistant  
11 Secretary). However, once Kenect operations begin, Kenect will most likely  
12 have separate officers.  
13

14 **WITNESS)** Jeff Hohn.

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1 **Item 11)** Identify all entities currently having attachments on Kenergy poles.

2 **RESPONSE)**

**Time Warner  
Inside Connect  
Zito  
Mediacom SE  
Windstream KY E  
TDS Lewisport  
TDS Salem  
City of Henderson  
Comcast of the South  
MuniNet Fiber  
OMU  
Windstream Communications  
Crown Castle  
Hancock Co Board of Education  
Commonwealth of KY**

3

4 **WITNESS)** Matthew Moffitt and Rob Stumph

5

6 **Item a)** State whether the attachments of these entities will have to be moved to  
7 accommodate the installation of the fiber network.

8

9 **RESPONSE)** Some of the attachments of these entities will have to be moved.

10 **WITNESS)** Matthew Moffitt and Rob Stumph

11

12 **Item b)** State how the attachments of these entities will be moved to accommodate  
13 the installation of the fiber network and how the entities will receive notice  
14 that their equipment will be moved.

15

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1 **RESPONSE)** The attachments of these entities will be moved by the entity that owns the  
2 attachment. They will be notified via NJUNS (National Joint Utilities  
3 Notification System).  
4

5 **WITNESS)** Matthew Moffitt and Rob Stumph

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1 **Item 12)** Describe any additional work or improvements that must be made to  
2 Kenergy's poles to accommodate the fiber network.  
3

4 **RESPONSE)** Kenergy poles will be evaluated to accommodate the fiber network to meet  
5 the NESC (National Electric Safety Code). The evaluation will include:  
6 ground clearance, fiber network attachment clearance from existing  
7 attachments, and pole strength. Cost analysis will be performed for each pole  
8 or pole line section to determine the feasibility of replacing the pole(s) versus  
9 installing the fiber network underground.  
10

11 **WITNESS)** Matthew Moffitt and Rob Stumph  
12

13 **Item a)** Provide any anticipated additional costs of improvements to poles  
14 necessitated by installation of the fiber network.  
15

16 **RESPONSE)** The anticipated additional costs of improvements to poles necessitated by  
17 installation of the fiber network are the costs associated with meeting the  
18 NESC requirements such as: ground clearance, fiber network attachment  
19 clearance from existing attachments, and pole strength.  
20

21 **WITNESS)** Matthew Moffitt and Rob Stumph  
22

23 **Item b)** Provide the approximate number of poles, if any, which will need to be  
24 replaced to accommodate the installation of the fiber network.  
25

26 **RESPONSE)** Approximately 7,050 poles will need to be replaced to accommodate the  
27 installation of the fiber network.  
28

29 **WITNESS)** Matthew Moffitt and Rob Stumph

**KENERGY CORP.**  
**RESPONSE TO COMMISSION'S DATA REQUEST FOR INFORMATION OF**  
**AUGUST 20, 2020**

1 **Item 13)** State whether Kenergy's current easements will allow for the installation of  
2 the fiber network and Kenect's subsequent use of the network.  
3

4 **RESPONSE)** Qualified "yes". The vast majority of Kenergy's poles are on member's  
5 property, the road rights of way and the Big Rivers Transmission structures.  
6 As a condition of membership, Kenergy members agree to provide access for  
7 any of Kenergy's equipment (this is not limited to the provision of electric  
8 service). However, there may be instances where private easements for fiber  
9 may need to be obtained.  
10

11 **WITNESSES)** Rob Stumph  
12

13 Respectfully submitted,  
14

15 **DORSEY, GRAY, NORMENT & HOPGOOD**  
16 **318 Second Street**  
17 **Henderson, KY 42420**  
18 **Telephone (270) 826-3965**  
19 **Telefax (270) 826-6672**  
20 **Attorneys for Kenergy Corp.**

21  
22 By \_\_\_\_\_

  
23 **J. Christopher Hopgood**  
24 [chopgood@dkgnlaw.com](mailto:chopgood@dkgnlaw.com)  
25  
26

27 **CERTIFICATE OF SERVICE**  
28

29  
30 I hereby certify that the foregoing was served by electronic filing to the  
31 Kentucky Public Service Commission, 211 Sower Blvd., Frankfort, KY 40602 with a copy  
32 served electronically to the Kentucky Attorney General, Office of Rate Intervention, 700  
33 Capital Avenue, Suite 20, Frankfort, KY 40601-8204, on this 31<sup>st</sup> day of August, 2020.  
34  
35

36  
37 Counsel for Kenergy Corp.  
38

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: )  
 )  
ELECTRONIC )  
APPLICATION OF KENERGY CORP. )  
FOR A WAIVER PURSUANT )  
TO KRS 278.2219 ) CASE No. 2020-00215

VERIFICATION

(Staff Data Request – Items 1, 2, 3, 4(c) and 4(d), 6, 7, 9, and 10)


I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

  
\_\_\_\_\_  
Jeff Hohn

STATE OF KENTUCKY  
COUNTY OF DAVIESS

The foregoing was signed, acknowledged and sworn to before me by JEFF HOHN this 28<sup>th</sup> day of August, 2020.

My commission expires 5-24-2023

 #623317  
\_\_\_\_\_  
Notary Public, State of Kentucky at Large

(seal)



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: )  
 )  
ELECTRONIC )  
APPLICATION OF KENERGY CORP. )  
FOR A WAIVER PURSUANT )  
TO KRS 278.2219 ) CASE No. 2020-00215

VERIFICATION

(Staff Data Request – Items 3, 8 and 9)

I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

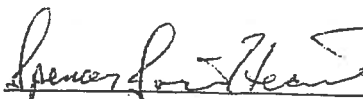
  
Debra Hayden

STATE OF KENTUCKY

COUNTY OF DAVIESS

The foregoing was signed, acknowledged and sworn to before me by DEBRA HAYDEN this 28 day of August, 2020.

My commission expires 18 March 2024

 KY NP 1149  
Notary Public, State of Kentucky at Large

(seal)


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

**In the Matter of:** )  
 )  
**ELECTRONIC** )  
**APPLICATION OF KENERGY CORP.** )  
**FOR A WAIVER PURSUANT** )  
**TO KRS 278.2219** ) **CASE No. 2020-00215**

**VERIFICATION**

(Staff Data Request – Items 3(b), 3(c) 3(d), 3(e), and 3(f))


I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

  
\_\_\_\_\_  
Randy Klindt  
Conexon

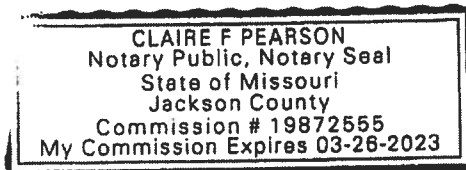
STATE OF MO  
COUNTY OF Jackson

The foregoing was signed, acknowledged and sworn to before me by RANDY KLINDT this 31 day of August, 2020.

My commission expires 3/26/2023

  
\_\_\_\_\_  
Notary Public

(seal)



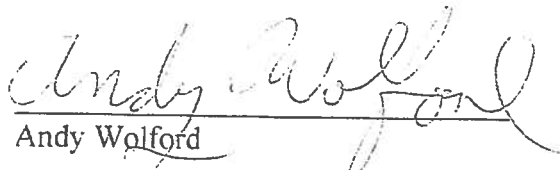
COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: )  
)  
ELECTRONIC )  
APPLICATION OF KENERGY CORP. )  
FOR A WAIVER PURSUANT )  
TO KRS 278.2219 ) CASE No. 2020-00215

VERIFICATION

(Staff Data Requests – Item 3(h) & 3(i))

I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

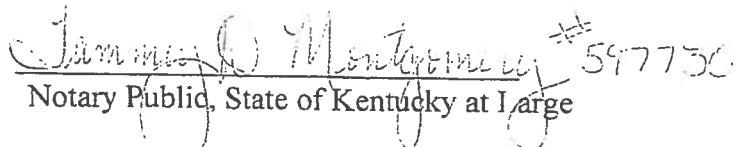
  
Andy Wolford

STATE OF KENTUCKY

COUNTY OF DAVIESS

The foregoing was signed, acknowledged and sworn to before me by ANDY WOLFORD this 28 day of August, 2020.

My commission expires April 24, 2022

  
Notary Public, State of Kentucky at Large #597730

(seal)


COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: )  
 )  
ELECTRONIC )  
APPLICATION OF KENERGY CORP. )  
FOR A WAIVER PURSUANT )  
TO KRS 278.2219 ) CASE No. 2020-00215

VERIFICATION

(Staff Data Requests – Item 3(g), 3(h), 3(I), 3(j), and 4(a))

I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

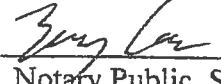
  
Fred Crooks

STATE OF KENTUCKY

COUNTY OF DAVIESS

The foregoing was signed, acknowledged and sworn to before me by FRED CROOKS this 28 day of August, 2020.

My commission expires 9-24-22

 609381  
Notary Public, State of Kentucky at Large

(seal)

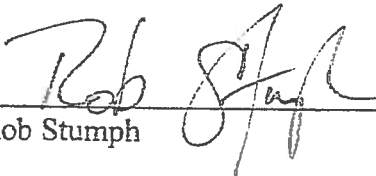
COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of: )  
 )  
ELECTRONIC )  
APPLICATION OF KENERGY CORP. )  
FOR A WAIVER PURSUANT )  
TO KRS 278.2219 ) CASE No. 2020-00215

VERIFICATION

(Staff Data Request – Items 3(h), 3(I), 4(a), 11, 12 and 13)

I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

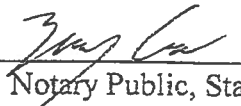
  
\_\_\_\_\_  
Rob Stumph

STATE OF KENTUCKY

COUNTY OF DAVIESS

The foregoing was signed, acknowledged and sworn to before me by ROB STUMPH this 28 day of August, 2020.

My commission expires 9-24-22

 609381  
Notary Public, State of Kentucky at Large

(seal)


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

**In the Matter of:** )  
 )  
**ELECTRONIC** )  
**APPLICATION OF KENERGY CORP.** )  
**FOR A WAIVER PURSUANT** )  
**TO KRS 278.2219** ) **CASE No. 2020-00215**

**VERIFICATION**

(Staff Data Request – Items 1, 3, 4(b), 6, and 7)

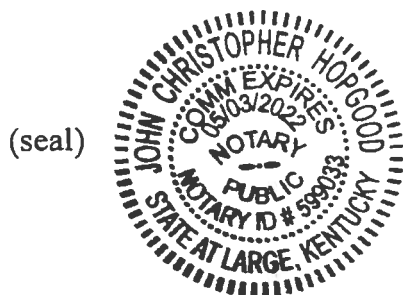
I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

  
\_\_\_\_\_  
Travis Siewert

STATE OF KENTUCKY  
COUNTY OF DAVIESS

The foregoing was signed, acknowledged and sworn to before me by TRAVIS SIEWERT this 26<sup>th</sup> day of August, 2020.

My commission expires 5-3-2029



  
\_\_\_\_\_  
Notary Public, State of Kentucky at Large

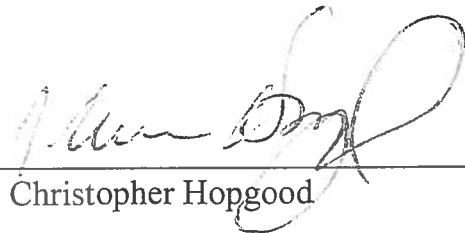
**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

**In the Matter of:** )  
 )  
**ELECTRONIC** )  
**APPLICATION OF KENERGY CORP.** )  
**FOR A WAIVER PURSUANT** )  
**TO KRS 278.2219** ) **CASE No. 2020-00215**

**VERIFICATION**

(Staff Data Request – Item 5)

I verify, state and affirm that the data request response attached hereto and filed with this verification is true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

  
\_\_\_\_\_  
J. Christopher Hopgood

STATE OF KENTUCKY

COUNTY OF HENDERSON

The foregoing was signed, acknowledged and sworn to before me by J. CHRISTOPHER HOPGOOD this 28th day of August, 2020.

My commission expires September 29, 2021

  
\_\_\_\_\_  
Notary Public, State of Kentucky at Large

(seal)

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

**In the Matter of:** )  
 )  
**ELECTRONIC** )  
**APPLICATION OF KENERGY CORP.** )  
**FOR A WAIVER PURSUANT** )  
**TO KRS 278.2219** ) **CASE No. 2020-00215**

**VERIFICATION**

(Staff Data Request – Items 3, 3(j), 11 and 12)

I verify, state and affirm that the data request responses attached hereto and filed with this verification are true and correct to the best of my knowledge and belief formed after a reasonable inquiry, and I ask that I be added as a witness for this information.

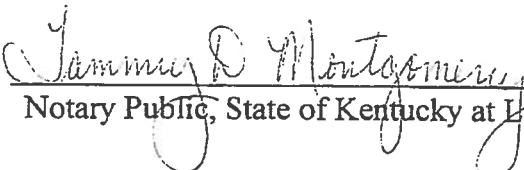
  
Matthew Moffitt

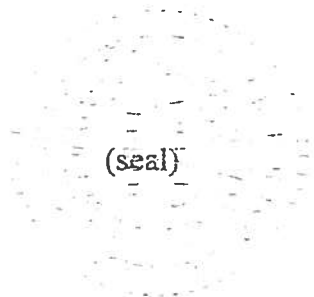
STATE OF KENTUCKY

COUNTY OF DAVIESS

The foregoing was signed, acknowledged and sworn to before me by MATTHEW MOFFITT this 28 day of August, 2020.

My commission expires April 24, 2022

 #597730  
Notary Public, State of Kentucky at Large





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

**IN THE MATTER OF:**

<b>APPLICATION OF KENERGY CORP. FOR A</b>	<b>)</b>	<b>CASE NO.</b>
<b>WAIVER PURSUANT TO KRS 278.2219</b>	<b>)</b>	<b>2020-00215</b>

**FEASIBILITY STUDY PRODUCED UNDER  
CONFIDENTIALITY**

**STAFF DATA REQUEST 2**

**ATTORNEY GENERAL DATA REQUEST 3**

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

**IN THE MATTER OF:**

<b>APPLICATION OF KENERGY CORP. FOR A</b>	<b>)</b>	<b>CASE NO.</b>
<b>WAIVER PURSUANT TO KRS 278.2219</b>	<b>)</b>	<b>2020-00215</b>

**KENERGY DIRECTOR MINUTES EXCERPTS**

**STAFF DATA REQUEST 8**

Kenergy Board of Directors Meeting, February 11, 2020

The meeting was adjourned for lunch at 11:00 a.m. and resumed at 11:30 a.m. with the board, executive staff and legal counsel in attendance for a presentation by representatives from Conexon on the possibility of entering into a partnership to extend broadband into Kenergy's service territory. Following the presentation and discussion of the proposed project, Richard Basham moved that staff be authorized to proceed with pursuing this opportunity with Conexon. Motion was seconded by John Warren and carried by unanimous vote of members present. Directors Denton and Givens were not present for the vote.

Kenergy Board of Directors Meeting, March 10, 2020

The CEO provided an update on broadband.

Kenergy Board of Directors Meeting, April 14, 2020

Jeff Hohn provided an update on the broadband project and advised the board that the next step would be to form a subsidiary. The board directed management and staff to begin thinking of some possible names for the subsidiary and to plan to have those submitted for board consideration at the May meeting.

Kenergy Board of Directors Meeting, May 12, 2020

The CEO gave an update on the broadband project. John Warren moved that Kenergy proceed with filing an application to create a broadband subsidiary. Motion was seconded by Susie Givens and carried by unanimous vote.

Kenergy Board of Directors Meeting, July 14, 2020

During executive session, the broadband committee joined the meeting via WebEx for the CEO's presentation on the [REDACTED]

[REDACTED]

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

**IN THE MATTER OF:**

<b>APPLICATION OF KENERGY CORP. FOR A</b>	<b>)</b>	<b>CASE NO.</b>
<b>WAIVER PURSUANT TO KRS 278.2219</b>	<b>)</b>	<b>2020-00215</b>

**KENECT ARTICLES OF INCORPORATION, BYLAWS, COST  
ALLOCATION MANUAL AND STOCK CERTIFICATE**

**STAFF DATA REQUEST 9**



Multi-page document. Select page: 1 2 3

<b>1102828.09</b>	Bdennis ADD
Michael G. Adams Kentucky Secretary of State Received and Filed: 7/6/2020 12:02 PM Fee Receipt: \$50.00	

**ARTICLES OF INCORPORATION  
OF KENECT, INC.**

The undersigned incorporator executes these articles of incorporation for the purpose of forming and does hereby form a for profit corporation under the laws of the Commonwealth of Kentucky, KRS 271B.2-020 in accordance with the following provisions:

**ARTICLE I: NAME**

The name of the corporation is **KENECT, INC.**

**ARTICLE II: NUMBER OF SHARES**

The aggregate number of shares which the corporation shall have authority to issue is 1,000 each share having no par value and each share entitled to one vote.

**ARTICLE III: PURPOSE AND POWERS**

(A) The corporation is organized and operated exclusively for commercial, for-profit purposes. In carrying out its corporate purposes, the corporation shall have all powers allowed corporations by KRS Ch. 271B

(B) In furtherance of the general purposes in paragraph (A), the particular purposes of the corporation are to provide broadband and communication services to members and non-members of Kenegy Corp. in unserved and underserved areas within and adjacent to Kenegy Corp.'s certified territory.

**ARTICLE IV: DIRECTORS**

The business affairs of the corporation shall be governed by a board of directors. The eleven (11) members of the initial board of directors shall serve until the first annual election of directors and until their successors are elected and qualify. A director may be removed from office by majority vote with or without cause. The names and mailing addresses of the initial directors are:

- Craig Roberts
- Robert White
- Chris Mitchell
- Susie Givens
- William Denton

DOCUMENT NO: 1751267  
RECORDED: July 09, 2020 08:53:00 AM  
TOTAL FEES: \$46.00  
COUNTY CLERK: LESLIE A MCCARTY  
DEPUTY CLERK: ANDREA GRIFFIN  
COUNTY: DAVIESS COUNTY  
BOOK: MC265 PAGES: 149 - 151

Multi-page document. Select page: 1 2 3

Multi-page document. Select page: [1](#) [2](#) [3](#)

Larry Elder  
John B. Warren, II  
William Reid  
Brent Wigginton  
Jonathan Ayer  
Richard Basham

#### **ARTICLE V: SHAREHOLDER**

The Corporation has one shareholder, Kenergy, Corp., a Kentucky corporation.

#### **ARTICLE VI: LIMITATION OF DIRECTOR LIABILITY**

No director shall be personally liable to the corporation for monetary damages for breach of his or her duties as a director except for liability:

- (a) For any transaction in which the director's personal financial interest is in conflict with the financial interest of the corporation;
- (b) For acts or omissions not in good faith or which involve intentional misconduct or are known to the director to be a violation of law;  
or
- (c) For any transaction from which the director derives an improper personal benefit.

If the Kentucky Revised Statutes are hereafter amended to authorize corporate action further eliminating or limiting the personal liability of directors, then the liability of a director of the corporation shall be deemed to be eliminated or limited by this provision to the fullest extent then permitted by the Kentucky Revised Statutes, as so amended.

#### **ARTICLE VII: REGISTERED OFFICE AND RESIDENT AGENT**

The street address of the initial registered office of the corporation in the Commonwealth of Kentucky is 6402 Old Corydon Road, Henderson, KY 42420.

The initial registered agent at the same address is Jeffrey Hohn.

Multi-page document. Select page: [1](#) [2](#) [3](#)

Multi-page document. Select page: 1 2 3

**ARTICLE VIII: Principal Office**

The mailing address of the principal office of the corporation is Post Office Box 18, Henderson, KY 42419.

**ARTICLE IX: INCORPORATOR**

The name and address of the incorporator is: Jeffrey Hohn, Post Office Box 18, Henderson, KY 42419.

Executed by the incorporator this the 25<sup>th</sup> day of June, 2020, at Henderson, Kentucky.

  
JEFFREY HOHN

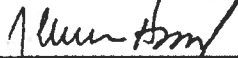
**CONSENT OF INITIAL REGISTERED AGENT**

Pursuant to the provisions of KRS Ch. 271B, the undersigned, as the initial registered agent identified in Article VII of the Articles of Incorporation of KENECT, Inc. Jeffrey Hohn hereby consents to serve KENECT, INC. in that capacity until such time as such appointment is terminated or until the undersigned resigns in accordance with the Kentucky Nonprofit Corporation Act.

  
JEFFREY HOHN

*msd*

This instrument was prepared by

  
DORSEY, GRAY, NORMENT & HOPGOOD  
318 Second Street  
Henderson, Kentucky 42420

DOCUMENT NO: 1751267  
RECORDED: July 09, 2020 08:53:00 AM  
TOTAL FEES: \$46.00  
COUNTY CLERK: LESLIE A MCCARTY  
DEPUTY CLERK: ANDREA GRIFFIN  
COUNTY: DAVIESS COUNTY  
BOOK: MC265 PAGES: 149 - 151

Multi-page document. Select page: 1 2 3

**BYLAWS  
OF  
KENECT, INC.**

**ARTICLE I  
OFFICES**

**Section 1. Registered Office.** The registered office of Kenect, Inc. in the State of Kentucky shall be located at 6402 Old Corydon Road, Henderson, KY 42420. The name of the registered agent at that address is Jeffrey Hohn.

The registered office or registered agent may be changed by the Board of Directors of the Corporation (“Board of Directors”) from time to time.

**Section 2. Other Offices.** The Corporation may also have offices at such other places, both within and without the State of Kentucky, as the Board of Directors may from time to time determine or the business of the Corporation may require.

**ARTICLE II  
MEETINGS OF STOCKHOLDER(S)**

**Section 1. Annual Meeting.** An annual meeting of the stockholder(s) shall be held on the second Tuesday of June for the purpose of electing directors and conducting such other business as properly may be brought before the annual meeting pursuant to Section 7 of ARTICLE II of these Bylaws.

**Section 2. Special Meetings.** Special meetings of the stockholder(s) may only be called in the manner provided in the Articles of Incorporation of the Corporation, as amended and restated from time to time (the “Articles of Incorporation”).

**Section 3. Place of Meetings.** The Board of Directors may designate any place, either within or without the State of Kentucky, as the place of meeting for any annual meeting or for any special meeting. If no designation is made, or if a special meeting be otherwise called, the place of meeting shall be the principal executive office of the Corporation. If for any reason any annual meeting shall not be held during any year, the business thereof may be transacted at any special meeting of the stockholder(s).

**Section 4. Notice.** Whenever stockholder(s) are required or permitted to take action at a meeting, written, printed or electronic notice stating the place, date, time and, in the case of special meetings, the purpose or purposes, of such meeting, shall be given to each stockholder entitled to vote to the record date, determined in accordance with the provisions of Section 3 of ARTICLE VI hereof. If mailed, such notice shall be deemed to be delivered when deposited in the U. S. mail, postage prepaid, addressed to the stockholder(s) therein.

**Section 5. Quorum.** The holders of a majority in voting powers of the outstanding shares of capital stock entitled to vote at the meeting of the stockholder(s) shall constitute a quorum at all meetings of the stockholder(s).

**Section 6. Proxies.** Each stockholder entitled to vote at a meeting of the stockholder(s) may authorize another person or persons to act for such stockholder by proxy.

**Section 7. Annual Meeting.** At an annual meeting of the stockholder(s), only such nominations of persons for election to the Board of Directors shall be considered and only such business shall be conducted as shall have been properly brought before the

meeting. To be properly brought before an annual meeting, nominations and other business must be (a) specified in the notice of meeting (or any supplement thereto) given by or at the direction of the Board of Directors, (b) brought before the meeting by or at the direction of the Board of Directors or (c) otherwise properly brought before the meeting by a stockholder who (i) is a stockholder of record of the Corporation (and, with respect to any beneficial owner, if different, on whose behalf such business is proposed or such nomination or nominations are made, only if such beneficial owner is the beneficial owner of shares of the Corporation) on the record date for the determination of stockholder(s) entitled to vote at the annual meeting of stockholder(s), (ii) is entitled to vote at the meeting, and (iii) complies with the notice procedures set forth in paragraph (a) of this Section 7. For nominations or other business to be properly brought before the annual meeting, the stockholder(s) must be given timely notice thereof in writing and in proper form to the secretary of the corporation.

**Section 8. Special Meetings of the Stockholder(s).** Special meetings of the stockholder(s) may be called by the Board of Directors or by a majority in interest of the stockholder(s). Only such business shall be conducted as shall have been brought before the meeting pursuant to the Corporation's notice of meeting. Unless waived by unanimous action of the stockholder(s), 20 days' written notice of a special called meeting is required to all stockholder(s).

## **ARTICLE III DIRECTORS**

**Section 1. General Powers.** Except as provided in the Certificate of Incorporation, the business and affairs of the Corporation shall be managed by or under the direction of the Board of Directors. In addition to such powers as are herein and in the Articles of Incorporation expressly conferred upon it, the Board of Directors shall have and may exercise all the powers of the Corporation, subject to the provisions of the laws of Kentucky, the Articles of Incorporation and these Bylaws.

**Section 2. Number, Election and Term of Office.** The number of directors which constitute the entire Board of Directors of the Corporation shall be such number as is specified in the Articles of Incorporation and the directors shall be elected and shall hold office only in the manner provided in the Articles of Incorporation.

**Section 3. Resignation.** Any director may resign at any time upon oral, written or electronic notice to the Corporation. Such resignation shall take effect at the time therein specified, and, unless otherwise specified in such resignation, the acceptance of such resignation shall not be necessary to make it effective.

**Section 4. Vacancies.** Vacancies and newly created directorships resulting from any increase in the total number of directors may be filled only in the manner provided in the Articles of Incorporation.

**Section 5. Nominations.** Subject to the provisions contained in the Articles of Incorporation, only persons who are nominated in accordance with the procedures set forth in these Bylaws shall be eligible to serve as directors. Nominations of persons for

election to the Board of Directors of the Corporation may be made at a meeting of stockholder(s) (i) by or at the direction of the Board of Directors or (ii) by any stockholder of the Corporation who was a stockholder of record at the time of giving of notice provided for in these Bylaws, who is entitled to vote generally in the election of directors at the meeting and who shall have complied with the notice procedures set forth in Section 7 of ARTICLE II. The person presiding over the meeting of the stockholder(s) shall, if the facts warrant, determine and declare to the meeting that a nomination was not made in accordance with the procedures prescribed by this section, and if he or she should so determine, he or she shall so declare to the meeting and the defective nomination shall be disregarded.

**Section 6. Annual Meetings.** The annual meeting of the Board of Directors shall be held without other notice than these Bylaws immediately after, and at the same place as, the annual meeting of stockholder(s).

**Section 7. Other Meetings and Notices.** Regular meetings, other than the annual meeting of the board of directors may be held without notice at such time and at such place as shall from time to time be determined by resolution of the board of directors.

**Section 8. Quorum, Required Vote and Adjournment.** A majority of the total number of directors shall constitute a quorum for the transaction of business. Unless by express provision of an applicable law, the Articles of Incorporation or these Bylaws a different vote is required, the vote of a majority of directors present at a meeting at which a quorum is present shall be the act of the board of directors. If a quorum shall not be present at any meeting of the board of directors, the directors present thereat may adjourn



the meeting. At least 24 hours' notice of any adjourned meeting of the board of directors shall be given to each director whether or not present at the time of the adjournment, or at least three days' notice if by mail. Any business may be transacted at an adjourned meeting that might have been transacted at the meeting as originally called.

**Section 9. Committees.** The Board of Directors may, by resolution passed by a majority of the total number of directors then in office, designate one or more committees, each committee to consist of one or more of the directors of the Corporation, which to the extent provided in said resolution or resolutions shall have and may exercise the powers and authority of the board of directors in the management of the business and affairs of the Corporation (including the power and authority to designate other committees of the board of directors); *provided however* that no such committee shall have power or authority in reference to the following matters: (i) approving or adopting, or recommending to the stockholder(s), any action or matter expressly required by the Kentucky Revised Statutes to be submitted to stockholder(s) for approval, or (ii) adopting, amending, or repealing the Bylaws of the Corporation. The Board of Directors may designate one or more directors as alternate member of any committee, who may replace any absent or disqualified member at any meeting of the committee. Such committee or committees shall have such name or names as may be determined from time to time by resolution adopted by the board of directors. Each committee shall keep regular minutes of its meetings and report the same to the board of directors upon rest. Each committee designated by the board of directors shall be formed and function in compliance with applicable law and the

rules and regulations of any national securities exchange on which any securities of the Corporation are listed.

**Section 10. Committee Rules.** Subject to applicable law, the rules and regulations of any national securities exchange on which any securities of the Corporation are listed and these Bylaws, each committee of the Board of Directors may fix its own rules of procedure and shall hold its meetings as provided by such rules, except as may otherwise be provided by a resolution of the Board of Directors designating such committee. Unless otherwise provided in such a resolution, the presence of at least a majority of the members of the committee shall be necessary to constitute a quorum. Unless otherwise provided in such a resolution, in the event that a member and that member's alternate, if alternates are designated by the Board of Directors, of such committee is or are absent or disqualified, the member or members thereof present at any meeting and not disqualified from voting, whether or not such member or members constitute a quorum, may unanimously appoint another member of the Board of Directors to act at the meeting in place of any such absent or disqualified member.

**Section 11. Communications Equipment.** Members of the Board of Directors or any committee thereof may participate in and act at any meeting of such board or committee through the use of a conference telephone or other communications equipment by means of which all persons participating in the meeting can hear and speak with each other, and participation in the meeting pursuant to this section shall constitute presence in person at the meeting.

**Section 12. Waiver of Notice.** Any member of the Board of Directors or any committee thereof who is present at a meeting shall be conclusively presumed to have waived notice of such meeting except when such member attends for the express purpose of objecting at the beginning of the meeting to the transaction of any business because the meeting was not lawfully called or convened and does not thereafter vote or otherwise participate in the meeting.

**Section 13. Action by Written Consent.** Unless otherwise restricted by the Articles of Incorporation or these Bylaws, any action required or permitted to be taken at any meeting of the Board of Directors, or of any committee thereof, may be taken without a meeting if all of the members of the Board of Directors or the relevant committee thereof, as the case may be, consent thereto in writing, and the writing or writings are filed with the minutes of proceedings of the Board of Directors or committee.

#### **ARTICLE IV OFFICERS**

**Section 1. Number.** Subject to the provisions contained in the Articles of Incorporation, the officers of the Corporation shall be elected by the Board of Directors and shall consist of a chairman of the board, a vice chairman of the board, a chief executive officer, a president, one or more vice-presidents, a secretary, and such other officers and assistant officers as may be deemed necessary or desirable by the Board of Directors. Any number of offices may be held by the same person, except that neither the chief executive officer nor the president shall also hold the office of secretary. In its discretion, the Board of Directors may choose not to fill any office for any period as it may deem advisable,

except that the offices of chief executive officer and secretary shall be filled as expeditiously as possible.

**Section 2. Election and Term of Office.** Subject to the provisions contained in the Articles of Incorporation, the officers of the Corporation shall be elected by the Board of Directors. Vacancies may be filled or new offices created and filled at any meeting of the Board of Directors. Each officer shall hold office until a successor is duly elected and qualified or until his or her earlier death, resignation or removal as hereinafter provided.

**Section 3. Removal.** Subject to the provisions contained in the Articles of Incorporation, any officer or agent elected by the Board of Directors may be removed by the Board of Directors at its discretion, but such removal shall be without prejudice to the contract rights, if any, of the person so removed.

**Section 4. Vacancies.** Subject to the provisions contained in the Articles of Incorporation, any vacancy occurring in any office because of death, resignation, removal, disqualification or otherwise may be filled by the Board of Directors.

**Section 5. Compensation.** Subject to applicable law and the rules and regulations of any national securities exchange on which any securities of the Corporation are listed, the compensation of all executive officers shall be approved by the Board of Directors, and no officer shall be prevented from receiving such compensation by virtue of his or her also being a Director of the Corporation.

**Section 6. Chairman of the Board and Vice Chairman of the Board.** Except as provided in the Articles of Incorporation, the Board of Directors shall elect, by

the affirmative vote of a majority of the total number of directors then in office, a chairman of the Board of Directors and a vice chairman of the Board of Directors. The chairman of the board shall preside at all meetings of the stockholder(s) and of the Board of Directors and shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or provided in these Bylaws. If the chairman of the Board of Directors is not present at a meeting of the stockholder(s) or the Board of Directors, the vice chairman shall preside at such meeting. If neither the chairman nor the vice chairman is present at a meeting of the stockholder(s) or the Board of Directors, a majority of the directors present at such meeting shall elect one of their members to so preside. The vice chairman shall be permitted to attend all meetings of standing committees of the Board of Directors on an ex officio basis.

**Section 7. Chief Executive Officer.** The chief executive officer shall have the powers and perform the duties incident to that position. Subject to the powers of the Board of Directors, the chief executive officer shall be in the general and active charge of the entire business and affairs of the Corporation, and shall be its chief policy making officer. The chief executive officer shall have such other powers and perform such other duties as may be prescribed by the Board of Directors or provided in these Bylaws. The chief executive officer is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. Whenever the president is unable to serve, by reason of sickness,

absence or otherwise, the chief executive officer shall perform all the duties and responsibilities and exercise all the powers of the president.

**Section 8. The President.** The president of the Corporation shall, subject to the powers of the Board of Directors and the chief executive officer, have general charge of the business, affairs and property of the Corporation, and control over its officers, agents and employees. The president shall see that all orders and resolutions of the Board of Directors are carried into effect. The president is authorized to execute bonds, mortgages and other contracts requiring a seal, under the seal of the Corporation, except where required or permitted by law to be otherwise signed and executed and except where the signing and execution thereof shall be expressly delegated by the Board of Directors to some other officer or agent of the Corporation. The president shall have such other powers and perform such other duties as may be prescribed by the chief executive officer, the Board of Directors or as may be provided in these Bylaws.

**Section 9. Vice Presidents.** The vice president, or if there shall be more than one, the vice presidents in the order determined by the Board of Directors, shall, in the absence or disability of the president, act with all of the powers and be subject to all the restrictions of the president. The vice presidents shall also perform such other duties and have such other powers as the Board of Directors, the chief executive officer, the president or these Bylaws may, from time to time, prescribe. The vice presidents may also be designated as executive vice presidents or senior vice presidents, as the Board of Directors may from time to time prescribe.

**Section 10. The Secretary and Assistant Secretaries.** The secretary shall attend all meetings of the Board of Directors, all meetings of the committees thereof and all meetings of the stockholder(s) and record all the proceedings of the meetings in a book or books to be kept for that purpose or shall ensure that his or her designee attends each such meeting to act in such capacity. Under the chairman of the board's supervision, the secretary shall give, or cause to be given, all notices required to be given by these Bylaws or by law; shall have such powers and perform such duties as the Board of Directors, the chief executive officer, the president or these Bylaws may, from time to time, prescribe; and shall have custody of the corporate seal of the Corporation. The secretary, or an assistant secretary, shall have authority to affix the corporate seal to any instrument requiring it and when so affixed, it may be attested by his or her signature or by the signature of such assistant secretary. The Board of Directors may give general authority to any other officer to affix the seal of the Corporation and to attest the affixing by his or her signature. The assistant secretary, or if there be more than one, any of the assistant secretaries, shall in the absence or disability of the secretary, perform the duties and exercise the powers of the secretary and shall perform such other duties and have such other powers as the Board of Directors, the chief executive officer, the president, or the secretary may, from time to time, prescribe.

**Section 11. Other Officers, Assistant Officers and Agents.** Officers, assistant officers and agents, if any, other than those whose duties are provided for in these Bylaws, shall have such authority and perform such duties as may from time to time be prescribed by resolution of the Board of Directors.

**Section 12. Absence or Disability of Officers.** In the case of the absence or disability of any officer of the Corporation and of any person hereby authorized to act in such officer's place during such officer's absence or disability, the Board of Directors may by resolution delegate the powers and duties of such officer to any other officer or to any director, or to any other person selected by it.

## **ARTICLE V INDEMNIFICATION**

**Section 1. Right to Indemnification.** Each person who was or is made a party or is threatened to be made a party to or is otherwise involved (including involvement as a witness) in any action, suit or proceeding, whether civil, criminal, administrative or investigative (a "proceeding"), by reason of the fact that he or she is or was a director or officer of the Corporation or a subsidiary of the Corporation or, while a director, officer or employee of the Corporation or a subsidiary of the Corporation, is or was serving at the request of the Corporation or a subsidiary of the Corporation as a director, officer, employee, partner, member, manager, trustee, fiduciary or agent of another Corporation or of a partnership, joint venture, limited liability company, trust or other entity or enterprise, including service with respect to an employee benefit plan (an "indemnitee"), shall be indemnified and held harmless by the Corporation to the fullest extent authorized by the Kentucky Revised Statutes as the same exists or may hereafter be amended (but, in the case of any such amendment, only to the extent that such amendment permits the Corporation to provide broader indemnification rights than permitted prior thereto), against all expense, liability and loss (including attorneys' fees, judgments, fines, excise taxes or penalties and



amounts paid in settlement) reasonably incurred or suffered by such indemnitee in connection therewith and such indemnification shall continue as to an indemnitee who has ceased to be a director, officer, employee, partner, member, manager, trustee, fiduciary or agent and shall inure to the benefit of the indemnitee's heirs, executors and administrators; provided, however, that, except as provided in Section 2 of this ARTICLE V with respect to proceedings to enforce rights to indemnification or advance of expenses, the Corporation shall not indemnify any such indemnitee in connection with a proceeding (or part thereof) initiated by such indemnitee except to the extent such proceeding (or part thereof) was authorized in writing by the Board of Directors of the Corporation. The right to indemnification conferred in this Section 1 of this ARTICLE V shall be a contract right and shall include the obligation of the Corporation to pay the expenses incurred in defending any such proceeding in advance of its final disposition (an "advance of expenses"); provided, however, that an advance of expenses incurred by an indemnitee in his or her capacity as a director or officer shall be made only upon delivery to the Corporation of an undertaking (an "undertaking"), by or on behalf of such indemnitee, to repay all amounts so advanced if it shall ultimately be determined by final judicial decision from which there is no further right to appeal (a "final adjudication") that such indemnitee is not entitled to be indemnified for such expenses under this Section 1 of this ARTICLE V or otherwise.

**Section 2. Procedure for Indemnification.** Any indemnification of an indemnitee or advance of expenses under Section 1 of this ARTICLE V shall be made promptly, and in any event within 30 days (or, in the case of an advance of expenses, 20

days), upon the written request of the indemnitee. If the Corporation denies a written request for indemnification or advance of expenses, in whole or in part, or if payment in full pursuant to such request is not made within thirty days (or, in the case of an advance of expenses, 20 days), the right to indemnification or advances as granted by this ARTICLE V shall be enforceable by the indemnitee in any court of competent jurisdiction. Such person's costs and expenses incurred in connection with successfully establishing his or her right to indemnification or advance of expenses, in whole or in part, in any such action shall also be indemnified by the Corporation.

**Section 3. Insurance.** The Corporation may purchase and maintain insurance on its own behalf and on behalf of any person who is or was a director, officer, employee or agent of the Corporation or a subsidiary of the Corporation or was serving at the request of the Corporation or a subsidiary of the Corporation as a director, officer, employee, partner, member, manager, trustee, fiduciary or agent of another Corporation, partnership, joint venture, limited liability company, trust or other entity or enterprise against any expense, liability or loss asserted against him or her and incurred by him or her in any such capacity, whether or not the Corporation would have the power to indemnify such person against such person against such expenses, liability or loss under the Kentucky Revised Statutes.

**Section 4. Amendment or Repeal.** Any repeal or modification of the foregoing provisions of this ARTICLE V shall not adversely affect any right or protection hereunder of any indemnitee in respect of any act, omission or condition existing or event or circumstance occurring prior to the time of such repeal or modification.

**Section 5. Non-Exclusivity of Rights.** The rights to indemnification and to the advance of expenses conferred in this ARTICLE V and in the Articles of Incorporation shall not be exclusive of or restrict any other right which any person may have or hereafter acquire hereunder or under any statute, by-law, agreement (including any indemnification agreement between the Corporation and any director or officer), vote of stockholder(s) or disinterested directors or otherwise.

**Section 6. Other Sources.** The Corporation's obligation, if any, to indemnify or to advance expenses to any director, officer or employee who was or is serving at its request as a director, officer, employee or agent of another entity shall be reduced by any amount such director, officer or employee may collect as indemnification or advancement of expenses from such other entity.

**Section 7. Other Indemnification and Prepayment of Expenses.** This ARTICLE V shall not limit the right of the Corporation, to the extent and in the manner permitted by applicable law, to indemnify and to advance expenses to persons other than directors or officers with the same or lesser scope and effect as provided herein when and as authorized by appropriate corporate action.

**Section 8. Merger or Consolidation.** For purposes of this ARTICLE V, references to the "Corporation" shall include, in addition to the Corporation resulting from or surviving a consolidation or merger with the Corporation, any constituent Corporation (including any constituent of a constituent) absorbed in a consolidation or merger with the Corporation which, if its separate existence had continued, would have had power and authority to indemnify its directors, officers or employees, so that any person who is or

was a director or officer of such constituent Corporation or a wholly owned subsidiary of such constituent Corporation or, while a director, officer or employee of such constituent Corporation or a wholly owned subsidiary of such constituent Corporation is or was serving at the request of such constituent Corporation or a wholly owned subsidiary of such constituent Corporation as a director, officer, employee, partner, member, manager, trustee, fiduciary or agent of another Corporation or of a partnership, joint venture, limited liability company, trust or other entity or enterprise, including service with respect to an employee benefit plan, shall stand in the same position under this ARTICLE V with respect to the resulting or surviving Corporation as he or she would have with respect to such constituent Corporation if its separate existence had continued.

**Section 9. Severability.** If any provision of this ARTICLE V shall be found to be invalid or limited in application by reason of any law or regulation, it shall not affect the validity of the remaining provisions hereof.

## **ARTICLE VI CERTIFICATES OF STOCK**

**Section 1. General.** Every holder of stock in the Corporation shall be entitled to have a certificate, signed by, or in the name of the Corporation by the chief executive officer, president or vice president and the secretary or an assistant secretary of the Corporation, certifying the number of shares owned by such holder in the Corporation.

**Section 2. Lost Certificates.** The Corporation may issue (i) a new certificate or certificates of stock or (ii) uncertificated shares in place of any certificate or certificates previously issued by the Corporation, as applicable, in place of any certificate

or certificates previously issued by the Corporation alleged to have been lost, stolen or destroyed, upon the making of an affidavit of that fact by the person claiming the certificate of stock to be lost, stolen or destroyed. When authorizing such issue of a new certificate or certificates, the Corporation may, in its discretion and as a condition precedent to the issuance thereof, require the owner of such lost, stolen or destroyed certificate or certificates, or his or her legal representative, to give the Corporation a bond sufficient to indemnify the Corporation against any claim that may be made against the Corporation on account of the loss, theft or destruction of any such certificate or the issuance of such new certificate.

**Section 3. Fixing a Record Date for Stockholder Meetings.** In order that the Corporation may determine the stockholder(s) entitled to notice of or to vote at any meeting of stockholder(s) or any adjournment thereof, the Board of Directors may fix a record date, which record date shall not precede the date upon which the resolution fixing the record date is adopted by the Board of Directors, and which record date shall not be more than 60 nor less than 10 days before the date of such meeting. If no record date is fixed by the Board of Directors, the record date for determining stockholder(s) entitled to notice of or to vote at a meeting of stockholder(s) shall be the close of business of the next day preceding the day on which notice is first given. A determination of stockholder(s) of record entitled to notice of or to vote at a meeting of stockholder(s) shall apply to any adjournment of the meeting; provided, however, that the Board of Directors may fix a new record date for the adjourned meeting.

## **ARTICLE VII GENERAL PROVISIONS**

**Section 1. Dividends.** Dividends upon the capital stock of the Corporation, subject to the provisions of the Articles of Incorporation, may be declared by the Board of Directors at any regular or special meeting, in accordance with applicable law. Dividends may be paid in cash, in property or in shares of the capital stock, subject to the provisions of the Articles of Incorporation. Before payment of any dividend, there may be set aside out of any funds of the Corporation available for dividends such sum or sums as the directors from time to time, in their absolute discretion, think proper as a reserve or reserves to meet contingencies, or for equalizing dividends, or for repairing or maintaining any property of the Corporation, or any other purpose and the directors may modify or abolish any such reserve in the manner in which it was created.

**Section 2. Checks, Drafts or Orders.** All checks, drafts or other orders for the payment of money by or to the Corporation and all notes and other evidences of indebtedness issued in the name of the Corporation shall be signed by such officer or officers, agent or agents of the Corporation, and in such manner, as shall be determined by resolution of the Board of Directors or a duly authorized committee thereof.

**Section 3. Contracts.** In addition to the powers otherwise granted to officers pursuant to ARTICLE IV hereof, the Board of Directors may authorize any officer or officers, or any agent or agents, of the Corporation to enter into any contract or to execute and deliver any instrument in the name of and on behalf of the Corporation, and such authority may be general or confined to specific instances.

**Section 4. Loans.** Subject to compliance with applicable law, the Corporation may lend money to, or guarantee any obligation of, or otherwise assist any officer or other employee of the Corporation or of its subsidiaries, including any officer or employee who is a director of the Corporation or its subsidiaries, whenever, in the judgment of the directors, such loan, guaranty or assistance may reasonably be expected to benefit the Corporation and would not violate applicable law. The loan, guaranty or other assistance may be with or without interest, and may be unsecured, or secured in such manner as the Board of Directors shall approve, including, without limitation, a pledge of shares of stock of the Corporation, subject to applicable law. Nothing in this Section 4 shall be deemed to deny, limit or restrict the powers of guaranty or warranty of the Corporation at common law or under any statute.

**Section 5. Fiscal Year.** The fiscal year of the Corporation shall be fixed by resolution of the Board of Directors.

**Section 6. Corporate Seal.** The Board of Directors may provide a corporate seal which shall be in the form of a circle and shall have inscribed thereon the name of the Corporation and the words "Corporate Seal, Kentucky." The seal may be used by causing it or a facsimile thereof to be impressed or affixed or reproduced or otherwise. Notwithstanding the foregoing, no seal shall be required by virtue of this Section.

**Section 7. Inspection of Books and Records.** The Board of Directors shall have power from time to time to determine to what extent and at what times and places and under what conditions and regulations the accounts and books of the Corporation, or any of them, shall be open to the inspection of the stockholder(s); and no

stockholder shall have any right to inspect any account or book or document of the Corporation, except as conferred by the laws of the state of Kentucky, unless and until authorized so to do by resolution of the Board of Directors or of the stockholder(s) of the Corporation.

**Section 8. Facsimile Signatures.** In addition to the provisions for use of facsimile signatures elsewhere specifically authorized in these Bylaws, facsimile signatures of any officer or officers of the Corporation may be used whenever and as authorized by the Board of Directors.

**Section 9. Section Headings.** Section headings in these Bylaws are for convenience of reference only and shall not be given any substantive effect in limiting or otherwise construing any provision herein.

**Section 10. Inconsistent Provisions.** In the event that any provision of these Bylaws is or becomes inconsistent with any provision of the Articles of Incorporation, the Kentucky Revised Statutes or other applicable law or regulation, the provision of these Bylaws shall not be given any effect to the extent of such inconsistency but shall otherwise be given full force and effect.

**Section 11. Notices.** Except as provided in Section 4 of ARTICLE II hereof and Section 7 of ARTICLE III hereof, all notices referred to herein shall be in writing, shall be delivered personally, by first class mail, postage prepaid, or by telecopy or other means of electronic transmission, and shall be deemed to have been given when so delivered or mailed to the Corporation at its principal executive offices and to any stockholder at such holder's address as it appears in the stock records of the Corporation (unless otherwise



specified in a written notice to the Corporation by such holder) or, in the case of telecopy, electronic mail or other electronic transmission, when directed to a number or an electronic mail address to which the stockholder has consented to receive notice or as otherwise specified in the Kentucky Revised Statutes.

### ARTICLE VIII

#### AMENDMENTS

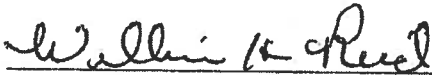
These Bylaws may be made, amended, altered, changed, added to or repealed by majority vote of the Board of Directors.



\_\_\_\_\_  
Chairman, Board of Directors

DATE: \_\_\_\_\_

8/25/20



\_\_\_\_\_  
Secretary

DATE: \_\_\_\_\_

8/25/20

Certificate No. 1 For 1 Shares Issued to KENERGY CORP.  
Dated July, 20 20 Receipt acknowledged

Transferred from \_\_\_\_\_ / \_\_\_\_\_ / 20  
No. Original Certificate \_\_\_\_\_ No. Original Shares \_\_\_\_\_ No. Of Shares Transferred \_\_\_\_\_

NUMBER  
-1-

INCORPORATED UNDER THE LAWS OF  
KENTUCKY

SHARES  
-100-



*This Certificate Represents*

---ONE HUNDRED---

KENERGY CORP.

is the owner of

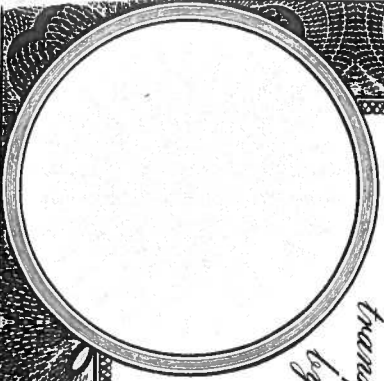
fully paid

and non-assessable Shares of the Capital Stock of the above named Corporation  
transferable only on the books of the Corporation by the holder hereof in person or  
by duly authorized Attorney upon surrender of this Certificate properly endorsed.

In Witness Whereof, the said Corporation has caused this Certificate to be signed by its duly authorized officers  
and its Corporate Seal to be hereunto affixed this \_\_\_\_\_ day of \_\_\_\_\_ 20 20

*Shana Davidson*  
TREASURER/SECRETARY

*Jeff Miller*  
PRESIDENT



**KENERGY CORP.**  
Cost Allocation Manual  
Effective Date August 31, 2020

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**Introduction**

The Commonwealth of Kentucky General Assembly enacted KRS 278.2205 during the 2000 regular session. The Kentucky Public Service Commission (PSC) requires that all utilities providing non-regulated activities, either directly or through an affiliate keep separate accounts and allocate costs to ensure that regulated ratepayers do not subsidize the non-regulated activities. This law requires utilities that meet certain revenue levels to file a Cost Allocation Manual (CAM) to identify the method for segregating costs between regulated and non-regulated activities. This manual is an indexed compilation of Kenergy Corp.'s cost allocation policies and procedures.

## Definitions

**Affiliate** - a person that controls or is controlled by, or is under common control with, a utility.

**Arm's Length** - the standard of conduct under which unrelated parties, each party acting in its own best interest, would negotiate and carry out a particular transaction.

**Control** - the power to direct the management or policies of a person through ownership, by contract, or otherwise.

**Cost Allocation Manual (CAM)** - an indexed compilation and documentation of a company's cost allocation policies and related procedures.

**Common Costs** - cost associated with services or products that are of joint benefit between regulated and non-regulated business units.

**Cost Driver** - a measurable event or quantity which influences the level of costs incurred and which can be directly traced to the origin of the costs themselves.

**Direct Costs** - costs which can be specifically identified with a particular service or product.

**Distribution Cooperative** - a utility formed under KRS Chapter 279 that provides retail service.

**Electric-Consuming Facilities** - everything that utilizes electric energy from a central station source.

**Facility** - includes all property, means, and instrumentalities owned, operated, leased, licensed, used, furnished, or supplied for, by, or in connection with the business of any utility.

**Fully Distributed Costs** - the sum of the direct costs plus an appropriate share of indirect costs.

**Global Costs** - cost that do not have specific identifiable causal relationship with a particular activity but apply to all activities.

**Incidental Treatment** - a utility may report an incidental non-regulated activity if (a) the revenue from the aggregate of the total of the utility's non-regulated incidental activities does

ot exceed the lesser of two percent (2%) of the utility's total revenue or one million dollars (\$1,000,000) annually and (b) the non-regulated activity is reasonably related to the utility's regulated activity.

**Indirect Costs** - costs that cannot be identified with a particular service or product. This includes but is not limited to overhead costs, administrative and general, and taxes.

**Kentucky Public Service Commission (PSC) (Commission)** - state regulatory body governing the rates and practices of utilities.

**Net Book Value** - the book cost, as defined by the uniform system of accounts, reduced by related provisions for accumulated depreciation, depletion, or amortization and adjusted for any unamortized plant acquisition adjustment related to the asset.

**Non-regulated Activity** - the provision of competitive retail products or services over which the commission exerts no regulatory authority.

**Person** - includes natural persons, partnerships, corporations, and two (2) or more persons having a joint or common interest.

**Prevailing Market Pricing** - a generally accepted market value that can be substantiated by clearly comparable transactions, auction or appraisal.

**Rate** - any individual or joint fare, toll, charge, rental, or other compensation for service rendered by any utility, and any rule, regulation, practice, act, requirement, or privilege in any way relating to such fare, toll, charge, rental, or other compensation, and any schedule or tariff or part of a schedule or tariff thereof.

**Regulated Activity** - a service provided by a utility, the rates and charges of which are regulated by the Commission.

**Retail Electric Service** - electric service furnished to a consumer for ultimate consumption.

**Service** - any practice or requirement in any way relating to the service of any utility, including the voltage of electricity, the provision of broadband internet services, voice over internet phone and communication services, and in general the quality, quantity, and pressure of any commodity or product used for or in connection with the business of any utility.

**Shared Services** - those centrally-managed services that benefit both the utility and its affiliates/divisions.

**Solicit** - to engage in or offer for sale a good or service, either directly or indirectly and irrespective of place or audience.

**Subsidize** - the recovery of costs or the transfer of value from one call of customer, activity, or business unit that is attributable to another.

**USoA - Uniform System of Accounts** - a system of accounts for public utilities established by the Rural Utilities Service (RUS) of the United States Department of Agriculture and adopted by the Commission.

**Utility** - a natural person, partnership, or corporation (except a municipality) which owns, controls, operates or manages a facility in connection with the generation, production, transmission, or distribution of electricity to or for the public, for compensation, for lights, heat, power, or other uses.

**Utility Revenue** - operating electric revenue s reported on Page 1, line 4, of RUS Form 12a.

**Wholesale Electric Service** - electric service generated or purchased and furnished to a retail electric company or another wholesale electric company for further distribution.

## **Regulated and Non-regulated Divisions and Affiliates and Related Services and Products**

### **Regulated Division**

#### **Kenergy Corp.**

Kenergy Corp is a regulated not-for-profit distributive cooperative utility whose primary function is the delivery of retail electric service to its members.

#### **Kenect, Inc.**

Kenect, Inc. is a wholly owned for profit corporation established by Kenergy Corp. to provide broadband services in Kenergy's certified territory.

## **Nature of Transactions**

### **From the Utility to the Affiliate/Division**

Goods, services and use of assets provided by the regulated utility to the non-regulated affiliate/division shall be at the tariffed rate. Non-tariffed items shall be priced at the fully distributed cost or prevailing market price, if available, whichever is greater.

The transfer or sale of assets by the utility to the non-regulated affiliate shall be priced at the greater of the utility's net book value or prevailing market price, if available.

Goods or services provided by a regulated utility to an affiliated regulated utility shall be priced at fully distributed cost.

### **From the Affiliate/Division to the Utility**

Goods, services and use of assets provided by the non-regulated affiliate/division to the regulated utility shall be at the lower of the affiliate's full distributed cost or prevailing market price, if available.

The transfer or sale of assets by the non-regulated affiliate to the regulated utility shall be priced at the lower of the affiliate's net book value or prevailing market price, if available.

The transfer or sale of assets between regulated affiliates shall be at the net book value.



## **Cost Allocation Methodologies**

Certain costs are shared by both regulated and non-regulated divisions and affiliates. The allocation methods of these shared costs are discussed below. Representative rates are developed to apply to a measurable unit and costs relating to non-regulated activities are transferred to non-regulated accounts. These rates are based on actual costs and reviewed at least annually.

### **Direct Labor Hours**

Costs will be allocated proportionally based on the number of direct labor hours recorded for each activity.

### **Occupancy**

Costs will be allocated proportionally based on the size of the workspace devoted to a particular activity.

### **Percentage of Board Meeting Time**

Costs will be allocated proportionally based on the amount of board meeting time devoted to a particular activity.

### **Global - Proportional on All Other Expenses**

Costs are allocated proportionally based on directly assigned expenses.

**Chart of Accounts**

Revenue and Expense Accounts

All revenues and expenses will be directly assigned where appropriate, otherwise, they will be allocated according to the cost allocation method identified below

Account	Description	Regulated	Non-Regulated	Direct Labor Hours	Occupancy	Percentage of Board Meeting Time	Global Allocator
403.25	DEPRE-DIST PLANT-CLASS C	X					
403.6	DEPRECIATION EXP-DISTRIBUTION PLANT	X					
403.7	DEPRECIATION EXP-GENERAL PLANT	X					
407.0	AMORTIZATION OF REGULATORY ASSET-AMI	X					
408.71	REGULATORY ASSESSMENT TAX	X					
408.721	REG ASSESSMENT TAX-H'VILLE SMELTER	X					
408.722	REG ASSESSMENT TAX-SEBREE SMELTER	X					
408.73	REGULATORY ASSESSMENT TAX-CLASS B	X					
408.74	REGULATORY ASSESSMENT TAX-CLASS C	X					
409.1	INCOME TAX EXPENSE	X					
409.110	INCOME TAX EXPENSE - Fiber Lease		X				
412.000	Revenue from Electric Plant Leased to Others - Fiber		X				
413.100	Expenses of Electric Plant Leased to Others - Operations		X				
413.200	Expenses of Electric Plant Leased to Others - Maintenance		X				
413.300	Expenses of Electric Plant Leased to Others - Depreciation		X				
416.0	COSTS & EXPENSES-GEOTHERMAL	X					
417.002	REVENUE-INTERNET-LOCAL/LONG DISTANC	X					
417.102	EXPENSES-INTERNET-LOCAL/LONG DISTAN	X					
417.107	EXPESES-WIRELESS ISP	X					
418.100	Equity in Earnings of Subsidiary Companies - Kenect		X				
419.0	INTEREST-DIVIDEND INCOME	X					
421.0	MISC NON-OPERATING INC-DEDUCTIONS	X					
421.2	LOSS ON DISPOSITION OF PROPERTY	X					
424.0	OTHER CAPITAL CR ALLOCATIONS	X					
426.1	OTHER INCOME DEDUCTIONS-DONATIONS	X					
426.3	PENALTIES	X					
426.4	MISC INC DED-EXP FOR CIVIC POL ACT	X					
427.1	INTEREST ON REA CONSTRUCTION LOAN	X					
427.125	INTEREST RUS-CLASS C	X					
427.2	INTEREST -LONG TERM DEBT-CFC	X					
427.21	INTEREST ON COBANK LOANS	X					
427.22	INTEREST-FEDERAL FINANCING BANK	X					
427.230	INTEREST-FEDERAL FINANCING BANK - Fiber		X				
431.0	INTEREST EXP - CONSUMER DEPOSITS	X					
431.25	INTEREST EXPENSE-AMG ALUMINUM	X					
431.4	INTEREST EXPENSE-ACMI (ALCOA)	X					
431.41	INTEREST EXPENSE-ROUGH CREEK MINE	X					

**Chart of Accounts**

Revenue and Expense Accounts

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Account	Description	Regulated	Non-Regulated	Direct Labor Hours	Occupancy	Percentage of Board Meeting Time	Global Allocator
431.42	INTEREST EXPENSE-HARTHSORNE MINING	X					
431.44	INTEREST EXPENSE-PRECOAT METAL DEPOSIT	X					
431.46	INTEREST EXP-SEBREE MINING-KMMC	X					
431.47	INT EXP-SEBREE MINING-ALLIED RES	X					
431.53	INTEREST EXPENSE-PENNYRILE	X					
431.55	INTEREST EXPENSE-ACCURIDE DEPOSIT	X					
431.6	INTEREST EXPENSE-HOPKINS CO COAL	X					
431.65	INTEREST EXPENSE-DOTIKI	X					
431.71	INTEREST EXP-WEST KY RIVER LOADOUT-DOCK	X					
431.72	INTEREST EXP-WEST KY RESOURCES-EQUALITY	X					
431.73	INTEREST EXP-WEST KY RESOURCES-LEWIS CRE	X					
431.74	INTEREST EXP-WEST KY RAIL LOADOUT-MIDWAY	X					
440.1	REVENUE-RESIDENTIAL(EXCLUD SEASONAL	X					
440.2	REVENUE-RESIDENTIAL-SEASONAL	X					
442.1	REVENUE-COMMERCIAL-SINGLE PHASE	X					
442.101	REV-COMMERCIAL-3PHASE-UNDER 1000KW	X					
442.2	REV-COMMERCIAL-3PHASE(OVER 1000KW)3	X					
442.21	REVENUE-COMM-ALERIS	X					
442.214	REVENUE-CENTURY SEBREE-BREC	X					
442.215	REVENUE-CENTURY SEBREE-EDF	X					
442.216	REVENUE-CENTURY SEBREE-KENERGY	X					
442.22	REVENUE-INDUSTRIAL-DOMTAR	X					
442.23	REVENUE-CENTURY HAWESVILLE-BREC	X					
442.231	REVENUE-CENTURY HAWESVILLE-EDF	X					
442.232	REVENUE-CENTURY HAWESVILLE-KENERGY	X					
442.24	REVENUE-INDUSTRIAL ALCOA AUTO CAST	X					
442.271	REVENUE-WEST KY RIVER LOADOUT-DOCK	X					
442.272	REVENUE-WEST KY RESOURCES-EQUALITY	X					
442.273	REVENUE-WEST KY RESOURCES-LEWIS CREEK	X					
442.274	REVENUE-WEST KY RAIL LOADOUT-MIDWAY	X					
442.28	REVENUE-COMM- PRECOAT METALS	X					
442.29	REVENUE-INDUSTRIAL-KIMBERLY CLARK	X					
442.801	REVENUE-ACCURIDE	X					
442.802	REVENUE-SEBREE MINING-KMMC	X					
442.803	REVENUE-SEBREE MINING-STEAMPORT	X					
442.805	REVENUE-HOPKINS CO COAL	X					
442.806	REVENUE-DOTIKI #3	X					

**Chart of Accounts**

Revenue and Expense Accounts

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Account	Description	Regulated	Non-Regulated	Direct Labor Hours	Occupancy	Percentage of Board Meeting Time	Global Allocator
442.807	REVENUE-TYSON	X					
442.808	REVENUE-AMG ALUMINUM	X					
442.812	REVENUE-SOUTHWIRE	X					
442.814	REVENUE-VALLEY GRAIN	X					
442.816	REVENUE-HARTSHORNE MINING	X					
442.817	REVENUE-ROUGH CREEK MINE LLC	X					
442.819	REVENUE-PENNYRILE	X					
444.0	REVENUE-PUBLIC STREET&HWY LIGHTS 5	X					
445.0	REVENUE-PUBLIC AUTHORITIES-SINGLE P	X					
445.1	REVENUE-PUBLIC AUTHORITIES-3PHASE	X					
450.0	REVENUE-FORFEITED DISCOUNTS	X					
450.24	FORFEITED DISCOUNTS-CLASS C	X					
451.0	REVENUE-TURN-ON CHARGE	X					
451.1	REVENUE-RECONNECT CHARGE	X					
451.2	REVENUE-TERMINATION OR FIELD CONNEC	X					
451.4	REVENUE-METER TEST CHARGE	X					
451.5	REVENUE-RETURNED CHECK CHARGE	X					
451.6	REVENUE-UNNECESSARY TRIP BY S/MAN	X					
454.0	REVENUE-RENT FROM BELL SOUTH ATTACH	X					
454.1	REVENUE-RENTAL FROM TOWER LEASES	X					
454.11	REVENUE-RENT-CABLE CO & OTHER TELEP	X					
456.0	KY SALES TAX RETURN COMPENSATION	X					
555.0	PURCHASED POWER RURAL	X					
555.1	PURCHASED POWER-MEMBER GENERATED KWH	X					
555.101	PURCHASED POWER-ACCURIDE	X					
555.102	POWER COST-SEBREE MINING-KMMC	X					
555.103	POWER COST-SEBREE MINING-STEAMPORT	X					
555.105	PURCHASED POWER-HOPKINS CO COAL	X					
555.106	PURCHASED POWER-DOTIKI #3	X					
555.107	PURCHASED POWER-TYSON	X					
555.108	PURCHASED POWER-AMG ALLOYS	X					
555.109	PURCHASE POWER-PENNYRILE ENERGY	X					
555.112	PURCHASED POWER-SOUTHWIRE	X					
555.114	PURCHASED POWER-VALLEY GRAIN	X					
555.2	PURCHASED POWER-ALERIS	X					
555.21	PURCH POWER-WEST KY RIVER LOADOUT DOCK	X					
555.22	PURCH POWER-WEST KY RESOURCES-EQUALITY	X					

**Chart of Accounts**

Revenue and Expense Accounts

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Account	Description	Regulated	Non-Regulated	Direct Labor Hours	Occupancy	Percentage of Board Meeting Time	Global Allocator
555.23	PURCH POWER-WEST KY RESOURCES-LEWIS CREE	X					
555.24	PURCH POWER-WEST KY RAIL LOADOUT-MIDWAY	X					
555.26	PURCHASED POWER-HARTSHORNE MINING	X					
555.27	PURCHASED POWER-ROUGH CREEK MINE LLC	X					
555.3	PURCHASED POWER-DOMTAR	X					
555.4	PURCHASED POWER-CENTURY HAWESVILLE-BREC	X					
555.401	PURCHASED POWER-CENTURY HAWESVILLE-EDF	X					
555.5	PURCHASED POWER---ALCOA AUTO CASTIN	X					
555.6	PURCHASED POWER-CENTURY SEBREE-BREC	X					
555.601	PURCHASED POWER-CENTURY SEBREE-EDF	X					
555.9	PURCHASED POWER- PRECOAT METALS	X					
555.95	PURCHASED POWER-KIMBERLY CLARK	X					
582.0	DISTRIBUTION-EXP-OPS STATION EXP	X					
582.2	DIST EXP OPR - MICROWAVE SYSTEM	X					
583.0	DISTRIBUTION-EXP-OPS OVERHEAD LINE	X					
584.0	DISTRIBUTION-EXP-OPS-UNDERGROUND	X					
586.0	DISTRIBUTION-EXP-OPS METERS	X					
587.0	DIST EXP-OPS CONSUMER INSTALLATION	X					
588.0	DIST EXP-OPS MISCELLANEOUS DIST	X					
592.0	DIST EXP-MAIN-STATION EQUIPMENT	X					
592.1	DIST EXP-MAIN-SUPERVISORY CONTROL	X					
592.2	DIST EXP MAIN-MICROWAVE SYSTEM	X					
592.25	DIST EXPENSE-STATION EQUIP-CLASS C	X					
593.0	DIST EXP-MAIN-OVERHEAD LINES	X					
593.2	DIST EXP-MAIN-STORM DAMAGE	X					
593.25	DIST EXPENSE-OVERHEAD LINE-CLASS C	X					
593.3	MAINTENANCE OF OVERHEAD LINES-ROW	X					
593.8	DIST EXP-MAINTENANCE-ACCIDENT BILLINGS	X					
594.0	DIST EXP-MAIN-UNDERGROUND LINES	X					
595.0	DIST EXP-MAIN-LINE TRANSFORMERS	X					
596.0	DIST EXP-MAIN-ST LIGHTS-SIGNALS	X					
597.0	DIST EXP-MAIN-METERS	X					
598.0	DIST EXP-MISC DISTRIBUTION PLT	X					
903.0	CONSUMER ACC EXP-OPS RECORD-COLLECT	X					
903.221	BILLING-CLASS A H'VILLE SMELTER	X					
903.222	BILINGS-CLASS A SEBREE SMELTER	X					
903.23	BILLING-CLASS B	X					

**Chart of Accounts**

Revenue and Expense Accounts

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Account	Description	Regulated	Non-Regulated	Direct Labor Hours	Occupancy	Percentage of Board Meeting Time	Global Allocator
903.24	BILLING-CLASS C	X					
904.0	CONSUMER ACC EXP-OPS UNCOLLECT-ACCT	X					
908.0	CUSTOMER ASSISTANCE EXPENSE	X					
908.221	CUSTOMER ASSISTANCE-CENTURY H'VILLE	X					
908.222	CUSTOMER ASSISTANCE-CENTURY SEBREE	X					
908.23	CUSTOMER ASSISTANCE-CLASS B	X					
908.24	CUSTOMER ASSISTANCE-CLASS C	X					
920.0	ADM-GEN EXP-OPS-EXECUTIVE SALARY	X					
920.1	ADM-GEN EXPENSE-BROADBAND SUBSIDIARY		X				
920.22	DIRECT MANAGEMENT LABOR-CLASS A	X					
920.221	ALLOCATED GEN MANAGEMENT-CLASS A	X					
920.222	ALLOC GEN MGMT CLASS A-H'VILLE SMEL	X					
920.223	ALLOC GEN MGMT-CLASS A SEBREE SMEL	X					
920.23	DIRECT MANAGEMENT LABOR-CLASS B	X					
920.231	ALLOCATED GEN MANAGEMENT-CLASS B	X					
920.24	DIRECT MANAGEMENT LABOR-CLASS C	X					
920.241	ALLOCATED GEN MANAGEMENT-CLASS C	X					
920.25	DIRECT MGMT LABOR-HAWESVILLE SMELTE	X					
920.26	DIRECT MGMT LABOR-SEBREE SMELTER	X					
921.0	ADM-GEN EXPENSE	X	X				X
921.221	OFFICE SUPPLIES CLASS A-H'VILLE SM	X					
921.222	OFFICE SUPPLIES-CLASS A-SEBREE SMEL	X					
921.23	OFFICE EQUIP/SUPPLIES CLASS B	X					
921.24	OFFICE EQUIP/SUPPLIES CLASS C	X					
923.0	OUTSIDE SERVICES - GENERAL	X					
923.221	OUTSIDE SERVS-CLASS A H'VILLE SMELT	X					
923.222	OUTSIDE SERVS-CLASS A-SEBREE SMELTE	X					
923.23	DIRECT OUTSIDE SERVICES CLASS B	X					
923.24	DIRECT OUTSIDE SERVICES CLASS C	X					
927.0	FRANCHISES-ANNUAL	X					
928.0	REGULATORY COMM. EXPENSE	X					
930.1	GENERAL ADVERTISING EXPENSES	X					
930.2	MISC GENERAL EXPENSES	X					
930.21	DIRECTORS FEES & EXPENSES	X	X			X	
930.222	OTHER A&G-CLASS A H'VILLE SMELTER	X					
930.223	OTHER A&G-CLASS A SEBREE SMELTER	X					
930.231	OTHER A & G CLASS B	X					

**Chart of Accounts**

Revenue and Expense Accounts

All revenues and expenses will be directly assigned where appropriate, otherwise, they will be allocated according to the cost allocation method identified below

Account	Description	Regulated	Non-Regulated	Direct Labor Hours	Occupancy	Percentage of Board Meeting Time	Global Allocator
930.241	OTHER A & G CLASS C	X					
935.0	MAINT OF GENERAL PLANT	X	X	X	X		
935.22	BUILDINGS/GROUNDS CLASS A	X					
935.221	BLDGS/GROUNDS CLASS A-H'VILLE SMELT	X					
935.222	BLDGS/GROUNDS CLASS A-SEBREE SMELTE	X					
935.23	BUILDINGS/GROUNDS CLASS B	X					
935.24	BUILDING/GROUNDS CLASS C	X					