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

IN THE MATTER OF:

**APPLICATION OF KENERGY CORP. FOR A)
WAIVER PURSUANT TO KRS 278.2219)**

**CASE NO.
2020-00215**

**KENERGY CORP.'S RESPONSES TO
ATTORNEY GENERAL'S FIRST DATA REQUESTS**

Item 1) The application request approvals for Kenergy to (1) act as guarantor for a letter of credit to be issued by CoBank on behalf of Kenect or (2) to allow Kenergy to provide \$3 million in start-up capital to Kenect.

Item a) Will the letter of credit to be issued by CoBank also be limited to \$3 million?

RESPONSE) No.

Item b) Will Kenergy incur any financing charges in obtaining the letter of credit? If so, will Kenect compensate Kenergy for those charges?

RESPONSE) Under the CoBank proposal, Kenergy would be required to maintain a 50% equity position in Kenect and CoBank would issue the letter of credit on behalf of Kenect without Kenergy guarantee. The letter of credit fee would be would be paid by Kenect not Kenergy.

WITNESS) Travis Siewert

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 2)** Fully discuss whether the proposed transfer of \$3 million to Kenect will
2 increase electricity rates to be paid by Kenergy customers.
3

4 **RESPONSE)** If Kenergy were to invest \$3 million in Kenect rather than retire \$3
5 million in capital credits, there is no impact to electric rates. If Kenergy were
6 to keep the \$3 million in cash instead of retiring capital credits then invest in
7 Kenect, then the opportunity cost would be 0.5% interest on \$3 million or
8 \$15,000.
9

10 **WITNESS)** Travis Siewert

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 3)** Provide a copy of the feasibility study, including the analysis of the current
2 internet availability within Kenergy's service territory, as referenced in the
3 application, at page 2. Also provide a copy of the request for proposal and
4 contract associated with the feasibility study.
5


6 **RESPONSE)** See attached Feasibility Study produced in the confidential filing.
7 Kenergy did not submit a request for proposal.
8

9 The Conexon contract is produced in the confidential filing.
10

11 **WITNESS)** Jeff Hohn

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 4)** Describe the relationship between Kenect and Kenergy and whether this
2 relationship could in any way impact electrical rates to be paid by Kenergy
3 customers.
4

5 **RESPONSE)** Kenect is a wholly owned subsidiary of Kenergy. 
6 
7
8
9

10
11 **Item a)** Specifically discuss any personnel that will be shared by the two companies.
12

13 **RESPONSE)** Any Kenergy personnel performing work for Kenect would charge their
14 time to Kenect. If this person's time is currently 100% in electric rates, then
15 this will also have downward pressure on electric rates.
16

17 **WITNESS)** Travis Siewert
18

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 5)** Once Kenect is fully operational:
2

3 **Item a)** Will it remain an affiliate of Kenergy, and if so, for how long?
4

5 **RESPONSE)** At this point in time, Kenergy envisions Kenect being a wholly owned
6 subsidiary for its entire existence.
7

8 **Item b)** Will it return the \$3 million in start-up capital Kenergy is supplying? If so,
9 when?
10

11 **RESPONSE)** Under the CoBank proposal, Kenergy would need to maintain 50% equity
12 in Kenect. Therefore, no equity distributions would likely occur until after
13 year 6, the end of the construction phase. If the Commission allows Kenergy
14 to borrow the funds required to build the fiber infrastructure from RUS, and
15 lease the fiber to Kenect, then there would be little to no required equity
16 investment in Kenect, and Kenect could begin making equity distributions to
17 Kenergy much earlier, per the Conexon model.
18

19 **Item c)** Will it in the future have any additional need for funding from Kenergy, or
20 will Kenect be financially independent from Kenergy?
21

22 **RESPONSE)** If CoBank were to lend directly to Kenect with no parent guarantee, then
23 yes, Kenergy would be required to maintain a 50% equity position in the
24 subsidiary. This would require additional equity investments by Kenergy
25 into the subsidiary. If Kenergy borrows the money directly and builds the
26 fiber infrastructure, then Kenergy would receive a much lower interest rate,
27 there would be no equity requirement in the subsidiary, and the subsidiary
28 can begin making equity distributions to Kenergy sooner.
29

30 **WITNESS:** Travis Siewert
31

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 6)** Refer to the application, paragraph 8, and the testimony of Jeffrey Hohn,
2 page 2, lines 24 – 26:
3

4 **Item a)** Provide a list of current grants that remedy the rural internet access issues,
5 and provide a detailed description of each grant, including the monetary
6 amounts of each, and whether Kenect will attempt to obtain each grant.
7

8 **RESPONSE)** 

14 **Item b)** Provide a detailed list of all grants that Kenect has already obtained, if any,
15 along with the monetary amounts of each.
16

17 **RESPONSE)** None to date.
18

19 **Item c)** Provide a detailed list of all grants that for which Kenect plans to apply, if
20 any, along with the monetary amounts of each.
21

22 **RESPONSE)** 

25 **WITNESS)** Travis Siewert

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 7)** Refer to the application, paragraph 10, in which Kenergy states that it
2 anticipates recouping its investment in 3 to 5 years or less, depending on the
3 amount of funding Kenect receives. Provide all analyses that Kenergy relies
4 upon to conclude that the investment should be recouped in 3 to 5 years.
5

6 **RESPONSE)**

[REDACTED]

7
8
9
10
11
12 **WITNESS:** Travis Siewert

13

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **ITEM 8)** Refer to the application, paragraph 12, in which Kenergy assert that if Kenect
2 does not pursue the opportunity then the \$3 million will be returned to
3 Kenergy. If the \$3 million is returned to Kenergy, explain in detail what
4 Kenergy would do with the money.
5

6 **RESPONSE)** The \$3 million is part of Kenergy's equity that it must maintain to satisfy
7 RUS requirements. If returned, it is part of Kenergy's equity and is the basis
8 for the future retirement of capital credits so that Kenergy's equity ratios are
9 not excessive.
10

11 **WITNESS)** Travis Siewert
12

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 9)** Provide a business plan for Kenect to the extent one exists.

2

3 **RESPONSE)** See the Feasibility Study produced in the confidential filing.

4

5 **WITNESS)** Jeff Hohn

6

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 10)** Provide a copy of powerpoint presentations presented to groups related to the
2 Kenect proposal.
3

4 **RESPONSE)** See attached produced in the confidential filing.
5

6 **WITNESS)** Jeff Hohn
7

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 11)** Provide an available documentation related to communication with potential
2 Kenect customers.

3

4 **RESPONSE)** Kenergy's Facebook page is our mode of communication and is an open
5 social media platform for review by the public and the Attorney General.

6

7 **WITNESS)** Jeff Hohn

8

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 12)** Will Kenect utilize the Kentucky Wired Network? If so, provide all
2 documentation of communications with representatives of Kentucky Wired.

3

4 **RESPONSE)** Kenergy and Kenect have not yet reached that stage of planning yet. There
5 are several options available, and they will be evaluated with the best
6 option(s) being selected. There is a very good possibility that more than one
7 option could be selected.

8

9 **WITNESS)** Jeff Hohn

10

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 13)** Define what is meant by unserved and underserved customers.
2

3 **RESPONSE)** "Unserved" means areas that lack broadband service. "Underserved" areas
4 are areas that have internet access at speeds slower than broadband service.
5 According to the FCC, underserved is service with less than twenty-five (25)
6 megabits per second downstream and three (3) megabits per second
7 upstream.
8

9 **WITNESS)** Jeff Hohn
10
11

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **ITEM 14)** Discuss whether the organizers considered operating Kenect as a non-profit
2 and why they elected not to organize as such.

3

4 **RESPONSE)** Kenergy is not aware of a section under IRS code 501 that allows broadband
5 providers to be tax exempt.

6

7 **WITNESS)** Travis Siewert

8

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 15)** Discuss the pricing and specification of plans to be offered by Kenect to
2 consumers to the extent known. Discuss the anticipated take rate and cost of
3 the typical household.
4

5 **RESPONSE)** See the feasibility study produced in the confidential filing.
6

7
8 **WITNESS)** Jeff Hohn
9

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 16)** Will Kenect be charged a pole attachment fee by Kenergy? If so, at what
2 rate?

3

4 **RESPONSE)** Assuming Kenergy owns the fiber and leases it to Kenect then no pole
5 attachment fee is charged.

6

7 **WITNESS)** Travis Siewert

8

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 17)** Will Kenect lease fiber to Kenergy? If so, on what terms?
2

3 **RESPONSE)** Just the opposite. If the Application herein is approved, Kenergy will lease
4 fiber to Kenect.
5

6 **WITNESS)** Jeff Hohn
7

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 18)** Did representatives of Kenect approach other providers to discuss a potential
2 partnership related to the provision of broadband services?
3

4 **RESPONSE)** No. The potential government subsidy presents this as a unique situation.
5

6 **WITNESS)** Jeff Hohn
7

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 19)** What sources of public or private equity have been explored related to the
2 start-up?
3

4 **RESPONSE)** At this early stage, the only source of funding anticipated is government
5 subsidy and RUS loans.
6

7 **WITNESS)** Jeff Hohn
8

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 20)** Discuss the amount and source of matching funds that have been identified
2 for the project, if any.
3

4 **RESPONSE)** There are no "matching funds" *per se*, but to the extent that "S" represents
5 the amount of government subsidy, "T" represents the total cost of the project
6 then the amount of loan funding Kenergy/Kenect must come up with ("L")
7 is $T-S=L$.
8

9 **WITNESS)** Jeff Hohn
10

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 21)** Please fully discuss the liability exposure of Kenergy owners for losses of
2 Kenect if the proposal is approved.
3

4 **RESPONSE)** If the Commission allows Kenergy to borrow the funds to construct the
5 fiber network from RUS under its smart grid program, then Kenergy will
6 own all the fiber assets and will be liable for all the debt. If Kenect borrows
7 directly from CoBank or some other lender, and Kenergy is required to
8 maintain 50% equity in Kenect, then all of Kenergy's equity in Kenect is at
9 risk and Kenect owns all the fiber assets not Kenergy.
10

11 **WITNESS)** Travis Siewert
12

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 22)** What measures will be taken to ensure that Kenergy/Kenect does not utilize
2 regulated assets to the detriment of its competitors?
3

4 **RESPONSE)** Reference the response to Commission Staff's First Request for Information
5 Item 3(f), which explains how the lease payment from Kenect will cover all
6 cost of the fiber plus a return on investment.
7

8 **WITNESS)** Travis Siewert
9

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 23)** Confirm that Kenergy is the sole shareholder of Kenect and that, derivatively,
2 the owners of Kenergy will control all returns associated with the operation.
3 If so, provide supporting documentation.
4

5 **RESPONSE)** If the Commission allows Kenergy to borrow the funds to construct the
6 fiber network from RUS under its smart grid program, then Kenergy will
7 own the fiber infrastructure, lease it to Kenect, and be the sole shareholder
8 of Kenect. The member-owners of Kenergy will control all returns
9 associated with its operation. If Kenergy is not allowed to borrow the funds
10 to finance the fiber infrastructure, then Kenergy would be required to pursue
11 a different avenue for financing, which may involve some form of the
12 CoBank proposal and additional outside investors. Depending on the
13 arrangement, this would likely relinquish some control and a significant
14 amount of the returns to outside investors. Kenergy would prefer its
15 members maintain 100% of the control and returns of this project.
16

17 **WITNESS)** Travis Siewert
18

KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

1 **Item 24)** Discuss the organization and control of Kenect. Specifically discuss who
2 will exercise control over the compensation of directors, executives, and
3 other employees. Discuss generally how Kenergy will ensure that Kenect
4 operates in a responsible manner and in accord with the interests of the
5 owners of Kenergy.
6

7 **RESPONSE)** At this time, the boards of Kenergy and Kenect mirror each other. The initial
8 executive staff of Kenect is that of Kenergy. It is in the best interest of the
9 Kenergy Board that Kenect run as efficiently as possible to provide reliable
10 broadband and any profit inures to the benefit of Kenergy and its members.
11

12 **WITNESS)** Jeff Hohn
13

14 Respectfully submitted,
15

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

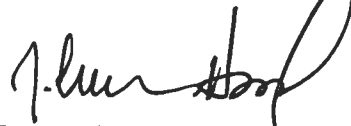
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24 By _____


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KENERGY CORP
RESPONSE TO ATTORNEY GENERAL'S DATA REQUEST OF AUGUST 24
2020

CERTIFICATE OF SERVICE

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



Counsel for Kenergy Corp.

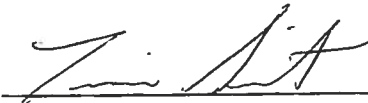
COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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

VERIFICATION

(Attorney General Data Request – Items 1, 2, 4(a), 5, 6, 7, 8 14, 16, 21, 22 and 23)

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.



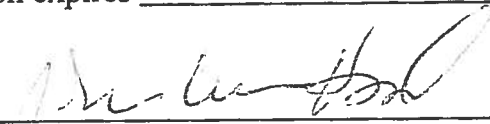
Travis Siewert

STATE OF KENTUCKY

COUNTY OF DAVIESS

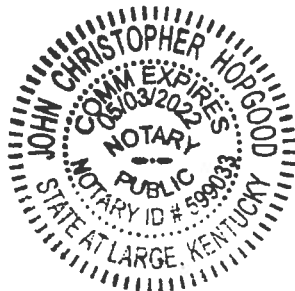
The foregoing was signed, acknowledged and sworn to before me by TRAVIS SIEWERT this 28th day of August, 2020.

My commission expires 5-3-2022



Notary Public, State of Kentucky at Large

(seal)



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

IN THE MATTER OF:

**APPLICATION OF KENERGY CORP. FOR A)
WAIVER PURSUANT TO KRS 278.2219)**

**CASE NO.
2020-00215**

**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:

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

**CONEXON CONTRACT PRODUCED UNDER PETITION FOR
CONFIDENTIALITY**

ATTORNEY GENERAL DATA REQUEST 3