COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE ELECTRONIC APPLICATION OF KENERGY CORP.	)	
FOR A GENERAL ADJUSTMENT OF RATES	)	Case No.
PURSUANT TO STREAMLINED PROCEDURE PILOT	)	2021-00066
PROGRAM ESTABLISHED IN CASE NO. 2018-00407	)	

KENERGY CORP.'S COMMENTS IN SUPPORT OF APPLICATION

Comes now Kenergy Corp. ("Kenergy"), by counsel, pursuant to the Commission's March 25, 2021 Procedural Order, and in further support of its Application requesting a general adjustment of its existing rates, respectfully offers the following comments:

Kenergy is a not-for-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279 that provides retail electric service to approximately 58,000 active accounts in fourteen counties.[1] Approximately sixty-three percent (63%) of Kenergy's total non-direct serve energy usage is consumed by residential customers.[2] Using a historical, twelve-month test period ending on December 31, 2019, Kenergy seeks approval to increase its annual revenues by $3,665,491 or 2.8% to achieve an Operating Times Interest Earned Ratio ("OTIER") of 1.85.[3] This revenue requirement is proposed to be allocated by increasing the monthly residential customer charge from $18.20 to $20.60 per month, and the energy charge from $0.102038 per kWh to $0.105357 per kWh. The increase would result in a 4.31% increase for

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[1] *See* Application, p. 1.

[2] *See* John Wolfram Testimony ("Wolfram Testimony"), p. 7 (March 11, 2021).

[3] *See* Application, p. 2.

residential customers and no increase for all other customer classes.[4] Residential customers using an average number of kWh a month would see their bills increase by $6.54 per month.[5] Each of these rate design proposals is consistent with the Cost of Service Study ("COSS") prepared by Mr. John Wolfram.[6]

Kenergy's last revision to base rates became effective on May 20, 2016.[7] Kenergy's margins from energy sales have declined, while costs for vegetation management and depreciation expense have increased. Despite close management supervision to minimize cost-escalation, the increases in vegetation management and depreciation expense have combined with declining sales margins to adversely impact Kenergy's overall financial performance. In order to address Kenergy's current undesirable financial condition, the cooperative's Board of Directors, in conjunction with its management, has determined that a general adjustment of retail rates is necessary.[8] Moreover, Kenergy's existing rates do not align with its cost of providing service, which makes its margins more susceptible to volatility. Without an adjustment of its rates, Kenergy's undesirable and insufficient rate structure will continue to worsen, thereby placing at risk not only the cooperative's contractual relationships with its lenders, but also the safe and reliable service its members deserve and expect.

Kenergy has experienced limited growth in its service territory, having added only approximately 356 members per year over the five-year period. That equates to a growth rate of approximately 0.6% per year. The annual energy sales (excluding direct served industrial) have declined nearly 5% during the five-year period. The average residential bill usage has decreased

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[4] *See* Application, Exhibit 9.

[5] *See* Application, Exhibit 9, Exhibit JW-9.

[6] *See* Application, Exhibit JW-3 through JW-8.

[7] *See* Application, p. 2. *See also* attached Commission order in Kenergy's last rate case.

[8] *See id.*

from 1,352 per month to 1,248. Total revenues less power costs or net revenue has decreased approximately $1.6 million.[9]

Kenergy's management has done an excellent job in managing costs. Kenergy reduced its workforce from the last rate case to the current case by 19 employees. Approximately six of these reductions can be attributed to the implementation of the automated metering system implemented in 2015. Other reductions were made mainly in the middle layer of supervision. The cost savings attributed to the reduction of 19 employees is $2,393,837.[10]

Kenergy has also continued to increase the employee's share of the health insurance premium contribution. Kenergy employees have increased their contribution from 10% to 16% since the last rate case, resulting in a savings of $135,357 per year.[11]

In spite of the fact that Kenergy has made every effort to keep expenses and costs down, there have been increases in certain areas that have made a small rate increase necessary. Increases to per unit labor expense, vegetation management costs, and depreciation expense are among the areas that have risen since the last rate case was filed. As a result, Kenergy's financial metrics have generally deteriorated.

Labor costs per employee have been gradually increasing. Kenergy's expenditures on human capital have been reasonable and appropriate. Mr. Blair Johanson, President of Johanson Consulting, Inc. dba Johanson Group, offers testimony at Exhibit 11 describing the results of a just-completed Wage and Benefit study. That analysis concludes that Kenergy Corp.'s employee benefits are competitive with the market benefits study organizations and that Kenergy's wages and benefits are competitive and comparable to local, state and regional averages.

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[9] *See* Jeff Hohn Testimony ("Hohn Testimony"), p. 4 (March 11, 2021).
[10] *See* Hohn Testimony, pg. 6.
[11] *See ibid.*

While labor costs are increasing gradually, vegetation management costs are increasing more rapidly. The costs for contractor right-of-way tree trimming have increased $1,722,469 since Kenergy's last rate case. In order to adhere to Kenergy's Vegetation Management Plan on file with the Commission, Kenergy must clear 912 miles of line each year. Kenergy bid out the circuits required to be trimmed in 2021 and executed contracts with two contractors for the lowest bid per mile on each circuit. The proforma adjustment in Exhibit 9 of the application reflects the cost Kenergy is incurring in 2021, by contract, for right-of-way tree trimming.[12]

The deterioration in financial metrics also stems from increasing investment in the distribution plant delivery system. Kenergy must continue to add new members while ensuring safe and reliable electric service to the members. Pursuant to the 2016-2020 construction work plan approved by the Board of Directors and reviewed by the Commission, a total of $56,663,774 was spent from July 1, 2015 through December 31, 2019 representing an average of $12,591,950 per year. This increased plan investment resulted in depreciation expense increasing approximately $2 million over the four-and-a-half-year period.[13]

With respect to depreciation rates, Kenergy retained The Prime Group, LLC to perform a depreciation study. See Exhibit 10, which contains testimony and the depreciation study completed and sponsored by Mr. William Steven Seelye. The depreciation rates were developed using industry standard methods that were also used in Kenergy's prior depreciation studies and are uncontested in this docket. The study recommends keeping depreciation rates at current levels.

Consistent with the Commission's streamlined rate case guidelines and general ratemaking principles, Kenergy made adjustments to the test year expense to account for: (1) the fuel adjustment clause; (2) the environmental surcharge; (3) the member rate stability mechanism; (4)

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[12] *See* Hohn Testimony, pg. 5.
[13] *See ibid.*

the non-smelter non-FAC PPA; (5) rate case expense; (6) year-end customer normalization; (7) depreciation expense normalization; (8) disallowed expenses; (9) vegetation management; (10) interest on long term debt; (11) interest expense and income; (12) non-operating margins interest; (13) labor expenses; (14) labor overheads; (15) miscellaneous revenues; and (16) the PSC assessment.[14]

Kenergy removed from rates all of the miscellaneous costs that are typically excluded, consistent with Kentucky statutes, regulations, and Commission precedent. The Attorney General requests a full evaluation of other costs related to annual compensation increases, incentive compensation, and insurance costs.[15] This is what the Commission required in the last rate order[16] to which Kenergy complied in this case via the testimony and exhibits of Mr. Johanson. Additional review is unwarranted. There is no evidence in the record to support a claim that Kenergy's expenditures in these areas are excessive. Despite the Attorney General's complaints about average pay increases in the 2 to 3 percent range, there is evidence in the record to support Kenergy's position that Kenergy's wages and benefits are competitive and comparable to local, state, and regional averages.[17] Beyond base compensation, it is reasonable for Kenergy to provide incentive compensation to employees should the cooperative meet or exceed established metrics in Safety, Member Satisfaction, Outage Restoration and Financial Cost per Member.[18]

Kenergy incurs other expenses for employee service awards, retirement gifts, civil and political activities, charitable donations, and other items at the discretion of the management team

[14] *See* Wolfram Testimony, Exhibit JW-2, Schedules 1.01 through 1.16.

[15] *See* Attorney General's Comments, p. 4 (May 6, 2021)

[16] *See* attached.

[17] *See* Exhibit 11.

[18] *See* Kenergy response to the Commission Staff's Initial Request for Information, Item 16.

and Board of Directors. All of these costs are removed from rates. The Attorney General suggests that Kenergy should continue to evaluate areas where cost containment and savings can be achieved. Kenergy does this on an on-going basis and will continue to do so. The fact that over nearly five years since the last rate case, the drivers for this rate case are increased vegetation management costs and depreciation expense supports this point. [19]

In allocating the proposed rate increase, Kenergy asked Mr. Wolfram to prepare a COSS using standardized procedures whereby: (1) costs were functionalized to the major functional groups; (2) costs were classified as energy-related, demand-related, or customer-related; and then (3) costs were allocated to the rate classes.[20] Mr. Wolfram's detailed analysis[21] demonstrated that Kenergy is not recovering its costs from the residential customer class, so that class alone is being subsidized by all of the other customer classes. Residential is the only class with a negative rate of return and with negative margins in the adjusted test year.[22] As explained by Mr. Wolfram: (1) the COSS demonstrates a need to increase the rates for residential customers; and (2) the COSS supports a fixed monthly customer charge of $25.66 for residential while the current charge is $18.20 per month.[23]

Despite the fact that expenses and costs have risen in the five years since the last rate case, Kenergy is still only requesting a 2.8% increase. This does not exceed the Commission's cap on OTIER and is well below the cap to the overall rate increase of 3.75 percent (based on the nearly

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[19] *See* Application, p. 2.

[20] *See* Wolfram Testimony, p. 17.

[21] The method supporting Mr. Wolfram's analysis is described in-depth in his testimony. *See* Wolfram Testimony, pp. 16-23.

[22] *See* Kenergy's Response to AG-DR-01-007.

[23] *See* Wolfram Testimony, p. 28.

five years that have transpired since Kenergy's last base rate change) pursuant to the requirements of the Streamlined Rate Order.[24]

Kenergy's proposed rate increase and rate design are fair, just, and reasonable. Kenergy has reasonably delayed seeking an increase in its rates, but it has not waited too long, such that its financial condition is in a crisis. Likewise, Kenergy seeks to align its rates so that those customer classes which cause the cooperative to incur costs are the same customer classes that proportionally pay those costs.[25] While some inter-class subsidization continues,[26] the proposed rate design reduces the amount of the subsidization in accordance with the Commission's preference towards gradualism.[27]

While the Attorney General objects to the request to increase the residential customer charge, the fact remains that the filed COSS supports a monthly charge of \$25.65 [28] Moreover, the proposed increase closes only one-third of the gap between the existing rate and the cost-based rate, which demonstrates the application of the ratemaking principle of gradualism to this issue.[29] This amount is a target percentage within a range, not an arbitrary amount; the goal is to close between one-fourth and one-third of the gap between current rates and cost-based rates.[30] The calculation of the customer charge is consistent with the methods outlined in the NARUC *Electric Utility Cost Allocation Manual* ("NARUC CAM") and with previous Kenergy rate filings accepted by the Commission.[31] The Commission asked Kenergy to provide a COSS model with an

[24] *See* Wolfram Testimony, p. 8.
[25] *See id*, pg. 26.
[26] *See id*, pg. 29.
[27] *See ibid*.
[28] *See* Wolfram Testimony, p. 28.
[29] *See ibid*.
[30] *See ibid*.
[31] *See* Wolfram Testimony, pp. 18-22.

alternative classification of costs for poles, overhead conductor, and underground conductor, but the requested classification is inappropriate, is inconsistent with Commission precedent and with the NARUC CAM, and should not be adopted here.[32] A recent Commission Order on this subject in another docket is currently the subject of a Motion for Rehearing by another cooperative.[33] The proposed increase to the customer charge of $2.40 per month is relatively low and is not likely to create a hardship for Kenergy's members. Finally, the increase to the fixed charge must not be considered in isolation; it is the overall increase to member bills that drives the reasonableness of the proposed rates. In other words, the increase of the customer charge is 13 percent, but the overall average increase to residential member bills is 4.31 percent.[34]

Kenergy is proposing revisions to its miscellaneous charges, including the Turn-on Charge, Reconnect Charge, Termination or Field Collection Charge, Special Meter Reading Charge, Meter Test Charge, Returned Check Charge, and Remote Disconnect/Reconnect Charge.[35] The supporting calculations for the current and proposed charges are found in Exhibit 2 to the Application, and an adjustment to the revenue requirement to reflect the revision to other revenues is included in Exhibit 9 to the Application under Exhibit JW-2, Reference Schedule 1.15.[36]

Recent Commission decisions concerning special nonrecurring charges have found that as personnel are paid during normal business hours, estimated labor costs previously included in determining the amount of nonrecurring charges should be eliminated from these charges. Kenergy respectfully suggests that this approach should not be adopted here because of the fully embedded

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[32] *See* Kenergy response to the Commission Staff's Initial Request for Information, Item 9.
[33] See *In The Matter Of: Electronic Application Of Licking Valley Rural Electric Cooperative Corporation For A General Adjustment Of Rates Pursuant To Streamlined Procedure Pilot Program Established In Case No. 2018-00407*, Case No. 2020-00338, Motion For Rehearing filed April 21, 2021.
[34] *See* Wolfram Testimony, Exhibit JW-9, p. 1.
[35] Note that Kenergy also originally proposed revisions to the Remote Special Meter Reading Charge but agreed in discovery that this tariff is no longer applicable, and the sheet should be removed from the tariff. *See* Kenergy response to the Commission Staff's Initial Request for Information, Item 3a.
[36] *See* Steve Thompson Testimony ("Thompson Testimony"), p. 6 (March 11, 2021).

cost principle. The fully embedded cost principle is consistent with cost causation because it states that the individual members who cause particular costs to be incurred should pay those costs, rather than having all members pay for them. In other words, it is appropriate for customers responsible for non-recurring costs to pay Kenergy's labor cost associated with those activities, and for the entire membership to pay only the remainder of the labor cost. It is not appropriate for Kenergy to socialize all the labor costs for these activities across the entire membership when the cooperative knows that particular members cause portion of these costs to be incurred.[37]

Foregoing or reducing the proposed revenue adjustment at this time would only harm Kenergy's financial and operational performance thus impairing the ability to safely serve our member-owners at satisfactory levels. To ensure a financially healthy electric distribution cooperative remains intact to uphold its mission of providing safe, reliable, and affordable power, it is imperative that Kenergy be allowed to seek the moderate revenue adjustment set forth in its application.

In summary, Kenergy's proposal is fair, just, and reasonable both in regard to the amount of the revenue request and the rate design. Kenergy is grateful to the Commission for allowing this case to proceed under the streamlined rate case procedures and appreciates the AG's constructive participation in the case. For the reasons set forth above, Kenergy respectfully requests the Commission to approve its Application and authorize the new rates.

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[37] *See* Kenergy response to Commission Staff's Initial Request for Information, Item 2d.

Respectfully submitted,

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By______________________________
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Counsel for Kenergy Corp.

CERTIFICATE OF SERVICE

I hereby certify that the electronic version of the foregoing is a true and accurate copy of the paper original and that the electronic version has been submitted to the Commission by electronic mail and further that the Attorney General of Kentucky, Office of Rate Intervention, 1024 Capital Center Drive, Frankfort, Kentucky 40601, has been notified by electronic mail of the availability of this filing on the Commission's website, on this 6th day of May, 2021.

J. Christopher Hopgood
Counsel for Kenergy Corp.

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

ORDER

On October 29, 2015, Kenergy Corp. ("Kenergy") applied for a $2,563,807 increase in retail electric service rates. The proposed rates reflect a 0.56 percent increase above total normalized test-year revenues. Excluding the direct served industrial revenues, the increase is 1.93 percent. Kenergy states that the proposed increase is needed to offset a decline in revenues and an increase in costs it has incurred since its last rate increase. A review revealed that Kenergy's application did not meet the minimum filing requirements set forth in 807 KAR 5:001 Sections 4, 16, and 17, and a notice of filing deficiencies was issued on November 9, 2015. On November 13, 2015, Kenergy filed information to cure all deficiencies. Kenergy also requested two deviations from the Commission's filing requirements; one deviation was contained in Kenergy's application and the other was in a motion filed on November 12, 2015 The Commission granted the deviations by Orders entered on November 16, 2015, and November 20, 2015, respectively, and Kenergy's application was deemed filed as of November 20, 2015.[1]

[1] Based on a November 20, 2015 filed date, the earliest date the proposed rates could be effective was December 20, 2015.

Finding that an investigation would be necessary to determine the reasonableness of Kenergy's proposed increase, the Commission suspended the proposed rates for five months, up to and including May 19, 2016, pursuant to KRS 278.190(2).

On May 18, 2016, Kenergy notified the Commission of its intent to put into effect on May 20, 2016, the proposed rates set forth in its application. Kenergy's notice was made pursuant to KRS 278.190(2). By Order dated May 24, 2016, the Commission found that it was unable to complete its investigation within the suspension period and that Kenergy had complied with the statutory provisions to place the proposed rates into effect. The May 24, 2016 Order directed that Kenergy's proposed rates should be collected subject to refund and that Kenergy should maintain its records to allow it, the Commission, or any customer to determine the amounts to be refunded, and to whom, in the event a refund is ordered upon final resolution of this matter.

BACKGROUND

Kenergy is a consumer-owned rural electric cooperative corporation, organized under KRS Chapter 279, engaged in the distribution and sale of electric energy to approximately 55,800 member-consumers in the Kentucky counties of Breckinridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union, and Webster. Kenergy has no electric generating facilities and purchases its total power requirements from Big Rivers Electric Corporation ("Big Rivers").

The Commission granted motions to intervene filed by the Attorney General of the Commonwealth of Kentucky, by and through his Office for Rate Intervention ("AG"), and Kentucky Industrial Utility Customers, Inc. A procedural schedule was issued in this matter which provided for discovery upon Kenergy, intervenor testimony, discovery upon intervenor testimony, and a public hearing. Kenergy responded to four rounds of discovery from Commission Staff ("Staff"), two rounds of discovery from the AG, and two rounds of post-hearing requests for information issued by Staff. No intervenor testimony was filed. A public hearing was conducted on May 10, 2016. Responses to post-hearing information requests have been submitted by Kenergy. In addition, Kenergy filed a position statement on May 19, 2016, to which the AG responded on May 27, 2016.

TEST PERIOD

Kenergy proposed, and the Commission has accepted, a historical 12-month period ended June 30, 2015, as the test period for determining the reasonableness of the proposed rates. In utilizing the historical test year, the Commission considered appropriate known and measurable changes.

VALUATION

Rate Base

Kenergy determined a net investment rate base of $203,987,349[2] based on the adjusted test-year-end value of plant in service and construction work in progress ("CWIP"), the 13-month average balances for materials and supplies and prepayments, plus a cash working capital allowance, minus the adjusted accumulated depreciation and the test-year-end level of customer advances for construction.

[2] Kenergy's Response to Commission Staff's Post Hearing Data Request filed May 19, 2016 ("May 19 Response to Post-Hearing Request"), Item 5 at 3.

The Commission concurs with Kenergy's proposed rate base, with the exceptions that (1) working capital has been adjusted to reflect the pro forma adjustments to operation and maintenance expenses, and (2) accumulated depreciation has been adjusted to reflect the adjustment described herein. With these adjustments, Kenergy's net investment rate base for ratemaking purposes is as follows:

Utility Plant in Service	$296,499,454
CWIP	822,618
Total Utility Plant	$297,322,072
ADD:	
Materials and Supplies	$1,963,550
Prepayments	886,575
Working Capital	2,644,994
Subtotal	$5,495,118
DEDUCT:	
Accumulated Depreciation	$97,157,803
Customer Advances for Construction	2,528,970
Subtotal	$99,686,773
NET INVESTMENT RATE BASE	$203,130,417

Capitalization and Capital Structure

The Commission finds that Kenergy's test-year-end total capitalization for ratemaking purposes was $218,325,409.[3] This capitalization consisted of $76,734,333 in equity[4] and $141,591,076 in long-term and short-term debt. Using this capital structure, Kenergy's test year-end equity to total capitalization ratio was 35 percent.

[3] Kenergy's Response to Commission Staff's First Request for Information ("Response to Staff's First Request"), Item 5.

[4] Kenergy's equity balance for ratemaking purposes does not include generation and transmission capital credits.

REVENUES AND EXPENSES

Kenergy proposes several adjustments to revenues and expenses to reflect current and expected operating conditions. The Commission finds that 11 of the adjustments proposed by Kenergy are reasonable and should be accepted without change. Those adjustments are shown in the following table:

Description		Adjustments
Normalize Revenues	$	36,826,952
Normalize Purchased Power Costs	$	34,092,667
Labor Overhead	$	114,717
Vegetation management	$	175,179
Depreciation - Distribution Plant	$	848,661
Interest on long term debt	$	715,706
Debt refinancing	$	(277,943)
Non-operating margins – interest	$	63,919
Non-cash capital credit	$	(14,998)
Discontinued Geothermal sales	$	(490)
Bad debt expense	$	33,563

The Commission makes the following modifications to the remaining adjustments proposed by Kenergy:

Amortization of Regulatory Asset

Kenergy proposed to increase its revenue requirement by $388,472[5] to amortize a regulatory asset authorized by the Commission in Case No. 2015-00141.[6] In that case, the Commission approved Kenergy's request to establish a regulatory asset for the write-off of the undepreciated balance of electro-mechanical meters that were being replaced by an Advanced Metering Infrastructure ("AMI") System. Kenergy proposed that the regulatory asset be established at $3,884,717, and be amortized over ten years

[5] Application, Exhibit 5A at 20.

[6] Case No. 2015-00141, *Request of Kenergy Corp. for Approval to Establish a Regulatory Asset in the Amount of $3,884,717 Amortized over a Ten (10) Year Period* (Ky. PSC Aug. 31, 2015).

resulting in the proposed adjustment of $388,472. In its Order, the Commission determined that the amount of the regulatory asset should be based on the undepreciated balance of the electro-mechanical meters at the time of their replacement, which should be less than $3,884,717, due to the ongoing depreciation of the meters. Kenergy estimated that the final amount of the regulatory asset would be $3,570,322[7] when the project was completed, which was expected to be by June 2016. Based on this estimated regulatory asset amount, Kenergy's annual amortization expense would be $357,032 for a ten-year amortization period.

In a similar situation in Case No. 2011-00096,[8] South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") replaced electro-mechanical meters with AMI meters and proposed to amortize the resulting regulatory asset over five years. The Commission authorized South Kentucky to amortize the regulatory asset over the depreciable life of the AMI meters, which was 15 years. The Commission found that a utility's method of calculating depreciation rates (whole life or remaining life) should have no effect on the period of time over which a loss is recognized and paid for by the ratepayers.

In this case, Kenergy's depreciation rates are based on the whole life method and the estimated life of its AMI meters is 15 years. Based on the above estimated regulatory asset amount of $3,570,322, Kenergy's annual amortization expense would be $238,021 for a 15-year amortization period. The Commission finds that the regulatory asset for the undepreciated cost of the electro-mechanical meters should be

[7] Kenergy's Supplemental Response to PSC 1-34c and PSC 3-14b, filed March 25, 2016.

[8] Case No. 2011-00096, *Application of South Kentucky Rural Electric Cooperative Corporation for an Adjustment of Rates* (Ky. PSC May 11, 2012).

amortized over the 15-year estimated life of Kenergy's AMI meters. Accordingly, the Commission will reduce Kenergy's proposed adjustment from $388,472 to $238,021.

Rate Case Expense

Kenergy estimated its rate-case expense to be $110,000.[9] It proposed to recover this expense through a three-year amortization of $36,667 annually. This estimate did not include in-house labor. Throughout this proceeding, Kenergy has provided updates of the actual expenses incurred in presenting this rate case. As of May 13, 2016, Kenergy had expended $145,553 to prepare and process this rate case. The Commission finds that a three-year amortization of these expenses is reasonable and will allow an increase in operating expense of $48,518 to reflect the first year of the amortization for ratemaking purposes.

PSC Assessment Fee

Kenergy proposed adjustments to its PSC Assessment Fee of $124,152 to reflect the effects of normalizing revenues and purchased power expense, and of $4,874 to reflect the impact of its proposed revenue increase, for a total of $129,026.[10] The Commission does not agree with Kenergy's proposed adjustments to the PSC assessment fee. Kenergy calculated its adjustment using the 2015–2016 PSC assessment rate. Commission practice has been to base the adjustment on the most current PSC assessment rate in effect. Using the assessment rate for fiscal year 2016–2017, which is the most current PSC assessment rate in effect, the Commission has determined that an adjustment of $139,228 is appropriate to reflect the effects of

[9] Kenergy's response to Commission Staff's Second Request for Information ("Response to Staff's Second Request"), Item 9.

[10] Id. at 5.

normalizing revenues and purchased power expense. Further, based on the increase being granted in this case, the Commission has determined that an adjustment of an additional $4,572 is appropriate, resulting in a total adjustment of $143,800. Accordingly, the Commission will increase Kenergy's proposed adjustment from $129,026 to $143,800.

Non-Recurring Expense

Kenergy proposed to remove certain expenses in the amount of $194,497 from the test year that are not considered normal recurring expenses.[11] Kenergy included in its non-recurring expense adjustment $28,952 for preparing and mailing capital credit refunds as an offset to the non-recurring items being deducted. Kenergy determined during discovery that this amount was included in the test-year expense and should not have been included in the proposed adjustment,[12] which was acknowledged at the hearing. The Commission agrees with the adjustments proposed by Kenergy and the subsequent removal of the $28,952 from the proposed amount. Accordingly, the Commission has modified Kenergy's non-recurring expense adjustment, resulting in a larger reduction ($28,952), from ($194,497) to ($223,449), in non-recurring expenses.

Professional Services Expense

Through discovery, the Commission identified three adjustments that should be made to professional services expense for the test year. Included in the test year was an expenditure of $8,205 paid to the National Rural Electric Cooperative Association ("NRECA") for the expenses of a NRECA facilitator to assist Kenergy in the

[11] *Id.* at 9.

[12] Kenergy's Response to Commission Staff's Fourth Request for Information ("Response to Staff's Fourth Request"), Item 4.c.

development of a five-year strategic plan. Kenergy stated that while the strategic plan will be visited on an annual basis, the facilitator will not be part of the process and the cost of the facilitator should be removed for ratemaking purposes.[13] The Commission agrees with Kenergy that this would not be a recurring expense and will remove $8,205 from professional services expense.

Kenergy also included an expenditure of $2,720 for actuarial services associated with the transfer of defined benefit pension plan assets of current employees into a new defined benefit plan. Kenergy stated that this one-time expenditure will not be recurring and should be removed for ratemaking purposes.[14] The Commission agrees and will remove $2,720 from professional services expense.

In addition, an expenditure of $2,050 was included in professional services expense for consulting and preparation of ERISA documents and Form 5500 preparation. Kenergy states that approximately $1,000 of the cost for preparation of the Form 5500 is a recurring cost, and the balance of $1,050 should be removed for ratemaking purposes.[15] Accordingly, we will remove $1,050 from professional services expense for ratemaking purposes.

Adding these items together, the Commission has reduced professional services expense by a total of $11,975.

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[13] Kenergy's Response to Staff's Second Request, Item 41.e.

[14] *Id.*, Item 41.f

[15] *Id.*, Item 41.h.

Disallowed Expense Adjustment

Kenergy proposed to remove $461,571 in expenses from the test year for items that the Commission historically has not allowed for ratemaking purposes.[16] Through discovery, Kenergy noted that it had failed to include advertising costs in the amount of $10,924 in its adjustment.[17] The Commission agrees with Kenergy that the advertising costs should be removed from the test year for ratemaking purposes.

In addition, Kenergy determined that it erroneously included in the disallowed expense adjustment expenses associated with the Kenergy board of directors' attendance at a strategic planning meeting in Louisville at the conclusion of the Kentucky Association of Electric Cooperatives annual meeting.[18] The amount of this expense was $8,913. The Commission finds these types of expenses to be reasonable expenses associated with the duties of Kenergy's board of directors and agrees that this should be removed from Kenergy's proposed adjustment. However, the Commission will adjust this amount to $8,845 for expenses incurred by a director's spouse, a type of expense which, historically, the Commission has not allowed for ratemaking purposes.

In response to a discovery request, Kenergy identified an expense in the amount of $7,997 incurred for a golf outing, meal and meeting hosted by Kenergy.[19] Kenergy acknowledges that this expense should be excluded for ratemaking purposes. The

[16] Application, Exhibit 5A, at 5A.

[17] Response to Staff's Second Request, Item 3, at 2 of 2.

[18] Response to Staff's Fourth Request, Item 5.b., at 1 of 3.

[19] Kenergy's Response to the Attorney General's Supplemental Request for Information, Item 18.

Commission concurs with Kenergy that this type of expenditure is not appropriate for ratemaking purposes and will increase the disallowed expense adjustment accordingly.

Combined, these three items result in a net increase of $10,076 in Kenergy's proposed adjustment for disallowed expenses. Accordingly, the Commission has modified Kenergy's disallowed expense adjustment for these items, resulting in a larger reduction, ($10,076), from ($461,571) to ($471,647), in disallowed expenses.

Interest on Customer Deposits

Kenergy proposed to increase test-year expenses through an adjustment to interest on customer deposits by $1,690.[20] The Commission has determined that Kenergy did not record the expense for interest of $3,966 that was actually paid on a customer's guaranteed contract during the test year. Recognizing this amount, results in test-year expenses' being increased by $3,966.[21] Accordingly, the Commission has adjusted interest on customer deposits by this amount, increasing the adjustment from $1,690 to $5,656.

Directors Fees and Expenses

During the test year, Kenergy paid its ten active directors fees and expenses totaling $199,479. Kenergy proposed an adjustment to reduce this expense by $112,604 to exclude certain expenses for ratemaking purposes.[22] The Commission agrees with the exclusions identified by Kenergy. The Commission has identified an

[20] Application, Exhibit 5A, at 14.

[21] Response to Staff's Fourth Request, Item 1.c.

[22] Application, Exhibit 5A, Disallowed Expense Adjustment, at 8c.

additional adjustment that should be made to the directors' fees and expenses for the cost to conduct director elections.[23]

Kenergy included in its test-year expense an amount of $5,688 for a contract with Survey and Ballot Systems to conduct the 2015 director elections.[24] Kenergy stated this was an expense incurred annually and should be included for ratemaking purposes; however, because no director faced any opposition, an election was not held in 2015. As a result, Kenergy executed a contract extension with Survey and Ballot Systems to carry the amount over to 2016. Kenergy proposed that the expense of director elections for ratemaking purposes should be based on a five-year average, and proposed to reduce the test-year expense $1,550, from $5,688 to the five-year average of $4,138. The Commission concurs with Kenergy's proposal to base this adjustment on the five-year average, and will reduce test-year expense by $1,550.

Labor and Labor Overhead

Kenergy proposed adjustments to its labor and labor overhead expenses for the test year. Kenergy proposed an adjustment of $210,127 to normalize total wages and salaries, of which $67,898 was capitalized[25] and $142,231 was an increase in expense.[26] Kenergy's calculations for full-time employees were based on 2,080 hours for the test year. Its calculations for its part-time employees were based on the number of hours actually worked during the test year. Test-year actual overtime and double-

[23] Kenergy's Response to Commission Staff's Third Request for Information, Item 6.l.

[24] Application, Exhibit 5B, at 81 of 116.

[25] The capitalized portion reflects actual capitalized costs, accounts receivable and non-operating accounts.

[26] Application, Exhibit 5A at 5A.

time hours of each employee were calculated by multiplying the test-year-end wage rates for each employee by 1.5 and 2.0, respectively.

The Commission has identified an additional adjustment to Kenergy's proposed labor adjustment. In calculating its proposed adjustment, Kenergy included the salary of its former President and Chief Executive Officer ("CEO"), whose resignation was announced on May 1, 2015. The current CEO was hired post-test year in October 2015 at a salary $34,997 less than what was reflected in the test year. Even though the new CEO joined Kenergy after the end of the test year, the Commission does not believe it is reasonable that the former CEO's salary should be the basis for any payroll adjustment. Therefore, the Commission will reduce Kenergy's labor adjustment by $34,997 from $142,231 to $107,234.

Kenergy proposed an adjustment of $177,340 to normalize labor overhead, of which $62,624 was capitalized[27] and $114,717 was an increase in expense.[28] Kenergy utilized the proposed normalized salaries and wages and appropriate tax rates and earnings limits in determining its payroll tax adjustment. Pension, disability, and workers' compensation adjustments were calculated using the proposed normalized salaries and wages and applicable contribution and coverage rates. Health, dental, and life-insurance adjustments were determined based on the number of covered employees and applicable premiums.

[27] The capitalized portion reflects actual capitalized costs, accounts receivable and non-operating accounts.

[28] Application, Exhibit 5A at 7.

The AG expressed an overall concern with Kenergy's rate-increase request, stating that Kenergy should have taken multiple steps to improve its financial condition.[29] Particularly with regard to Kenergy's labor and labor overhead adjustments, the AG is concerned with Kenergy's "continuous salary and wage increases, merit increases, step increases, multiple types of bonuses, and overly generous insurance and benefits packages to its employees," even though "the average residential Kenergy customer's electricity bill has risen by roughly 40% since 2011."[30] The AG recommended that the Commission adjust downward Kenergy's requested increase for labor and overhead costs.[31]

The Commission shares the AG's concern regarding Kenergy's compensation of employees and the benefits package available to Kenergy employees. However, there is no basis in the record of this case to justify a determination that Kenergy's wage increases and benefits package are not reasonable. Kenergy utilized the services of the NRECA to conduct a compensation study[32] which recommended a 3.2 percent increase in the salary structure.[33] Kenergy provided a 2 percent increase.[34] In addition,

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[29] Attorney General's Comments to Kenergy's Position Statement ("AG's Comments") at 1, filed May 27, 2016.

[30] *Id.*

[31] The AG indicated in its comments that Kenergy has requested an increase of $1,150,000 for labor and overhead. This amount represents increases experienced over a five-year period.

[32] Kenergy's Response to the Attorney General's Initial Request for Information ("AG's Initial Request"), Item 9.

[33] Kenergy's Response to the Attorney General's Supplemental Request for Information, Item 5.b.ii.

[34] *Id.*

Kenergy stated it has increased the employee contribution for medical insurance from 6 percent to 10 percent, and that Kenergy's medical insurance premium has decreased 7.9 percent.[35] Recognizing growing concerns over compensation levels with increasing electric bills, the Commission believes that employee compensation and benefits need to be more sufficiently researched and studied. The Commission will begin placing more emphasis on evaluating salary and benefits as they relate to competitiveness in a broad marketplace. Future rate applications will be required to include a salary and benefits survey that is not limited exclusively to electric cooperatives, electric utilities, or other regulated utility companies. The study must include local wage and benefit information for the geographic area where the utility operates and must include state data where available.

Pro Forma Adjustments Summary

The effect of the pro forma adjustments on Kenergy's net income is as follows:

	Actual Test Period	Pro Forma Adjustments	Adjusted Test Period
Operating Revenues	$422,270,470	$ 34,263,146	$456,533,616
Operating Expenses	415,670,761	35,107,529	450,778,290
Net Operating Income	6,599,709	(844,383)	5,755,326
Interest on Long-Term Debt	4,707,929	437,763	5,145,692
Interest Expense-Other	42,920	5,656	48,576
Other Income and (Deductions) – Net	2,179,800	49,595	2,229,395
NET INCOME	$ 4,028,660	$ (1,238,207)	$ 2,790,453

[35] Response to AG's Initial Request, Item 14.g.

REVENUE REQUIREMENTS

The actual rate of return earned on Kenergy's test-year net investment rate base was 4.28 percent.[36] Kenergy's actual Times Interest Earned Ratio ("TIER") for the test period was 1.86X.[37] Kenergy requests an increase in rates that would result in a TIER of 2.00X and a rate of return of 5.05 percent on its proposed rate base of $203,987,349.[38] Kenergy proposes an increase in revenues of $2,563,807 to achieve the 2.00X TIER.

For the calendar years 2013 and 2014, it achieved TIERs of 2.26X and 2.07X, respectively.[39] After taking into consideration pro forma adjustments, Kenergy's adjusted test-year TIER would be 1.54X without increasing its rates or revenues.

Like most electric distribution cooperatives, Kenergy is required by the Rural Utilities Service ("RUS") to maintain a 1.25X TIER based on the average of the two best of the three most recent calendar years in order to meet its mortgage requirements. Kenergy is requesting a 2.00X TIER, which is consistent with the TIER allowed by the Commission in distribution cooperative rate cases for the last several years.[40] In the hearing, Kenergy indicated that meeting the TIER requirement was not normally a problem, but of more concern was meeting the Operating TIER[41] ("OTIER")

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[36] May 19 Response to Post-Hearing Request, Item 5 at 3.

[37] Response to Staff's First Request, Item 3 at 2 of 2.

[38] May 19 response to Post-Hearing Request, Item 5 at 3 of 3.

[39] Response to Staff's First Request, Item 3 at 2 of 2.

[40] Application, Exhibit 6, Direct Testimony of Steve Thompson at 2 of 4.

[41] Operating TIER is a cooperative's operating margin plus interest on long-term debt divided by the long-term debt interest.

requirement.[42] In addition to achieving a regular TIER of 1.25X, RUS loan requirements call for Kenergy to also achieve an OTIER of 1.10X. Kenergy indicated that its OTIER for calendar years 2014 and 2015 was 1.60X and 1.09X, respectively, and that its budgeted OTIER for 2016 was 1.12X,[43] which included the full amount of the requested increase starting in May 2016.[44] In the hearing, Kenergy stated that it would have liked to have requested a higher TIER because it is in jeopardy of not meeting its OTIER requirement, but that it didn't think the Commission would approve a higher request.[45]

The Commission finds that the use of a 2.00X TIER is reasonable for Kenergy. In order to achieve the 2.00X TIER based on the adjusted test year with net interest on long-term debt of $5,145,692, Kenergy would need to increase its annual revenues by $2,359,811. The Commission has determined that granting a 2.00X TIER would result in an OTIER of 1.57.

Based upon the pro forma adjustments found reasonable, the Commission has determined that an increase in Kenergy's revenues of $2,359,811 would result in a TIER of 2.00X. This additional revenue should produce net income of $5,145,692 which should allow Kenergy to meet its mortgage requirements and service its mortgage debts.

PRICING AND TARIFF ISSUES

Cost of Service

[42] May 10, 2016 Hearing Video Recording ("HVR") at 9:52:39.

[43] May 19 Response to Post-Hearing Request, Item 3.

[44] HVR at 9:56:09.

[45] *Id.* at 9:55:32.

Kenergy filed a fully allocated cost-of-service study ("COSS") in order to determine the cost to serve each customer class and the amount of revenue to be allocated to each customer class. Kenergy filed a revised COSS in response to Staff's discovery requests. Having reviewed Kenergy's COSS, as revised through discovery, the Commission finds it to be acceptable for use as a guide in allocating the revenue increase granted herein.

Revenue Allocation

The approved increase of $2,359,811 results in an overall increase of 1.8 percent in base rate revenue. This is approximately 92 percent of the increase Kenergy requested in its application. The allocation of Kenergy's proposed increase to the various rate classes was based on its COSS results. The Commission has reviewed Kenergy's allocation proposal and finds it to be reasonable; however, given the reduction in the increase granted, each class's share of the increase was reduced proportionately relative to the overall increase proposed by Kenergy.

Rate Design

Kenergy proposed to increase rates for all of its non-direct-served customer classes except for its 3-phase 0–1,000 kW class.[46] For the residential class, Kenergy proposed to increase the customer charge from $15.60 to $18.50 per month, and the energy charge from $.101304 to $.102042 per kWh. This would result in a 2.46 percent increase in the average monthly residential bill. For the remaining classes, increases were proposed only for energy and demand charges, with no increases proposed for

[46] The only change proposed by Kenergy for its direct-served customers is a reduction in the Facilities Charge for Class C customers which results in a revenue reduction of $42,808 for that class. The Commission accepts this proposed change.

customer charges. For the non-residential single-phase class, Kenergy proposed to increase the energy charge from $.099590 to $.100842 per kWh. Kenergy proposed an increase in the demand charge from $12.20 to $12.70 per kW for the 3-phase >1,000-kW class option A, as well as increases to its energy charges. For its 3-phase >1,000-kW class option B, Kenergy proposed an increase in the demand charge from $6.87 to $7.15 per kW, as well as increases to its energy charges. For the lighting class, Kenergy proposed an average adjustment of 1 percent.

Residential Class

The AG proposed that any increase be to the volumetric charge for energy, rather than the customer charge. He argued that by placing a large proportion of the increase on the customer charge, customers have less control over their bills, and that financial risk is shifted from Kenergy to its ratepayers.[47]

In determining rates that are fair, just, and reasonable, the Commission must consider several factors, including the concepts of moving toward cost-based rates, and gradualism. The Commission notes that the COSS filed by Kenergy calculates the fixed cost to serve a residential customer to be $21.11 per month.[48] The rate proposed by Kenergy is roughly mid-way between Kenergy's current customer charge and the COSS-based rate. The Commission finds that Kenergy's proposed changes to its residential charges are structured to gradually move toward cost-based rates that are supported by its COSS. Due to the smaller increase granted to Kenergy, the Commission will apply the majority of the reduction to Kenergy's proposed increase to

[47] AG's Comments.

[48] See COSS filed in response to post-hearing data requests.

the customer charge and will approve a customer charge of $18.20 per month, and an energy charge of $.102038 per kWh.

Non-Residential Classes

For the remaining non-residential classes,[49] the Commission will increase the individual energy rates by applying the same allocations as proposed by Kenergy, taking into consideration the lower increase granted. The Commission accepts the demand rates as proposed.

Other Charges

Kenergy proposed to increase rates for several nonrecurring charges, cable television attachments and the residential deposit amount. The Commission finds these increases to be reasonable.

OTHER ISSUES

Energy Efficiency and Demand-Side Management ("DSM")

In response to requests for information,[50] and testimony at the public hearing, Kenergy stated that it offers its customers DSM programs in conjunction with programs offered by Big Rivers. Kenergy also stated that it has no plans to increase its DSM programs independent of Big Rivers in the future.

The Commission continues to believe that conservation, energy efficiency, and DSM, generally, will become increasingly important as more constraints are likely to be placed upon utilities whose main source of supply is coal-based generation. The

[49] For the 3-phase 0–1,000 kW class, no changes to rates were proposed. Likewise, the rates for this class did not receive any increase.

[50] Response to Staff's Second Request, Item 43.

Commission recognizes Kenergy's efforts regarding DSM-program offerings but believes that it is appropriate to continue to encourage Kenergy and all other electric providers to expand their efforts to offer cost-effective DSM and other energy-efficiency programs.

Unclaimed Capital Credits

Kenergy's capital credits represent revenues it earns that exceed business expenses. Pursuant to Kenergy's by-laws, capital credits earned each year are credited to members' capital credit accounts. Under Kenergy's capital management policy, it refunds the capital credits to its members on a systematic basis. Testifying during the hearing, Steve Thompson, Kenergy's Vice President of Finance and Accounting, explained that when capital credits are refunded to members under Kenergy's equity management plan, a certain number of former members cannot be located, resulting in unclaimed capital credits. Kenergy retains the unclaimed capital credits, which are accounted for in a capital account.[51] According to Mr. Thompson, Kentucky law does not provide for the unclaimed capital credits to escheat to the state.[52] In 2016, approximately $800,000 of refunded capital credits went unclaimed.[53] The current balance in Kenergy's unclaimed capital credit capital account is $5,000,000.[54] Kenergy is developing additional guidelines and methods for notifying members of unclaimed

[51] HVR at 10:36:03.

[52] *Id.* at 12:25:15.

[53] *Id.* at 10:36:03.

[54] *Id.* at 12:24:18.

capital credits and returning unclaimed capital credits to rightful owners.[55] The Commission believes that it is important for each cooperative to develop and implement appropriate practices to locate owners of unclaimed capital credits. In its by-laws, Kenergy acknowledges that all amounts received from the furnishing of electric energy in excess of operating costs and expenses are received with the understanding that they are furnished by members as capital and that members' capital accounts have the same status as if the member had furnished Kenergy corresponding amounts for capital.[56] Pursuant to KRS 272.291, Kenergy may recover unclaimed capital credits which were mailed to its member's last-known address as recorded in Kenergy's records, returned by U.S. mail, and not claimed for a period of five years. KRS 272.291 provides that, when the capital credits have remained unclaimed for five years, the amounts may be placed in Kenergy's income for the year in which such determination is made and redistributed to the current members for that year. The Commission expects that Kenergy will place unclaimed capital credits into its income and redistribute those funds pursuant to the provisions of KRS 272.291. The Commission finds that Kenergy should file a report with the Commission describing its current policies and practices for locating the rightful owners of unclaimed capital credits, what steps Kenergy is taking to improve or revise those policies and practices, and set forth its guidelines to credit

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[55] *Id.* at 10:37:00.

[56] Kenergy By-laws, Article VIII, Section 2.

unclaimed capital credits to Kenergy's income and redistribute the funds to current members after being unclaimed for the statutory period of five years, or explain why Kenergy should not comply with the provisions of KRS 272.291.

Depreciation Issues

The Commission has historically required electric utilities subject to its jurisdiction to regularly prepare depreciation studies. Kenergy has presented a new depreciation study with each of its three most recent rate cases through which it transitioned from depreciating all distribution plant using a single depreciation rate which did not include a reasonable salvage estimate to the rates contained in the study submitted in this case. Kenergy adopted a three-step transition to avoid the substantial increase in depreciation expense that would have otherwise occurred in conjunction with its 2008 general rate case based on its 2006 depreciation study.

The Commission is of the opinion that Kenergy's transition to the depreciation rates it proposes in this proceeding has been successful, and with this Order, those new rates are approved. We concur with Kenergy's depreciation expert that it is appropriate to conduct a new depreciation study every five years to keep depreciation rates current and minimize the impact of any changes that have occurred since the previous study. Accordingly, the Commission will require that Kenergy perform a new depreciation study the earlier of five years from now or with its next base rate application.

SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The rates set forth in Appendix A are the fair, just, and reasonable rates for Kenergy to charge for service rendered on and after the date of this order.

2. The rate of return on net investment rate base and TIER granted herein will provide for Kenergy's financial obligations.

3. As provided previously in this Order, future Kenergy rate applications should include salary and benefits survey information for the geographic area in which Kenergy operates. In addition to the local geographic information, the data must also include available statewide statistics, not be limited exclusively to electric cooperatives, electric utilities, or other regulated utility companies, and must be supported with source references.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Kenergy would produce revenues in excess of the amount found reasonable herein and are hereby denied.

2. The rates set forth in the Appendix to this Order are approved for services rendered by Kenergy on and after the date of this Order.

3. Within 20 days of the date of this Order, Kenergy shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were authorized by this Order.

4. Within 90 days of the date of this Order, Kenergy shall file a report describing its current policies and practices for locating the owners of unclaimed capital credits; the steps Kenergy is taking to improve or revise those policies and practices; and its guidelines to credit unclaimed capital credits to Kenergy's income and

redistribute the funds to members after being unclaimed for the statutory period of five years, or explain why Kenergy should not comply with the provisions of KRS 272.291.

5. The revised depreciation rates as proposed in Kenergy's application are approved for use effective with the date of this Order.

6. Kenergy shall perform a depreciation study within five years from the date of this Order, or in connection with the filing of its next rate case, whichever is earlier.

7. Within 60 days from the date of this Order, Kenergy shall refund with interest all amounts collected for service rendered from May 20, 2016, through the date of this Order that are in excess of the rates set out in the Appendix to this Order. The amount refunded to each customer shall equal the amount paid by each customer during the refund period in excess of the rates approved herein.

8. Kenergy shall pay interest on the refunded amounts at the average of the Three-Month Commercial Paper Rate as reported in the Federal Reserve Bulletin and the Federal Reserve Statistical Release on the date of this Order. Refunds shall be based on each customer's usage while the proposed rates were in effect and shall be made as a one-time credit to the bills of current customers and by check to customers who have discontinued service since May 20, 2016.

9. Within 75 days of the date of this Order, Kenergy shall submit a written report to the Commission in which it describes its efforts to refund all monies collected in excess of the rates that are set forth in the Appendix to this Order.

10. All future Kenergy rate applications shall include salary and benefits survey information for the geographic area in which Kenergy operates. In addition to the local geographic information, the data shall also include available statewide

statistics; shall be supported with source references, and shall not be limited exclusively to electric cooperatives, electric utilities, or other regulated utility companies.

11. Any documents filed pursuant to ordering paragraphs 4 and 9 shall reference this case number and shall be retained in Kenergy's general correspondence file.

By the Commission

ENTERED

SEP 15 2016

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Talina R. Mathews

Executive Director

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2015-00312 DATED SEP 15 2016

The following rates and charges are prescribed for the customers in the area served by Kenergy Corp. All other rates and charges not specifically mentioned in this Order shall remain the same as those in effect under authority of this Commission prior to the effective date of this Order.

SCHEDULE 1
RESIDENTIAL SERVICE – SINGLE AND THREE PHASE

Customer Charge per Delivery Point	$ 18.20
Energy Charge per kWh	$ 0.102038

SCHEDULE 3
ALL NON-RESIDENTIAL – SINGLE PHASE

Customer Charge per Delivery Point	$ 22.10
Energy Charge per kWh	$ 0.100744

SCHEDULE 5
THREE PHASE DEMAND – NON RESIDENTIAL
NON-DEDICATED DELIVERY POINTS – 0–1,000 kW

Customer Charge per Delivery Point	$ 45.52
Demand Charge per kW	$ 5.78
Energy Charge per kWh:	
First 200 kWh per kW	$ 0.08749
Next 200 kWh per kW	$ 0.06710
All Over 400 kWh per kW	$ 0.05940

SCHEDULE 7
THREE PHASE DEMAND – NON RESIDENTIAL
NON-DEDICATED DELIVERY POINTS – 1,000 kW AND OVER

Option A – High Load Factor	
Customer Charge per Delivery Point	$ 975.27
Demand Charge per kW	$ 12.70
Energy Charge per kWh:	
First 200 kWh per kW	$ 0.054069
Next 200 kWh per kW	$ 0.049666

All Over 400 kWh per kW	$	0.047013
Option B – Low Load Factor		
Customer charge per Delivery Point	$	975.27
Demand Charge per kW	$	7.15
Energy Charger per kWh		
First 140 kWh per kW	$	0.074913
Over 150 kWh per kW	$	0.065609

SCHEDULE 15
PRIVATE OUTDOOR LIGHTING

Flat rate per light per month as follows:

Standard:		
175 Watt M.V.	$	11.28
250 Watt M.V.	$	13.74
400 Watt M.V.	$	16.81
100 Watt H.P.S.	$	10.02
200-250 Watt H.P.S.	$	15.06
400 Watt H.P.S.	$	18.88
100 Watt M.H.	$	9.45
400 Watt M.H.	$	20.32
60 Watt LED	$	8.56
108 Watt LED	$	10.86
135 Watt LED	$	13.28
Commercial and Industrial Lighting:		
Flood Lighting Fixture		
192 Watt LED	$	17.26
250 Watt H.P.S.	$	14.60
400 Watt H.P.S.	$	18.88
1,000 Watt H.P.S.	$	41.78
250 Watt M.H.	$	13.97
400 Watt M.H.	$	18.80
1,000 Watt M.H.	$	41.16
Contemporary (Shoebox)		
250 Watt H.P.S.	$	15.96
400 Watt H.P.S.	$	20.90
1,000 Watt H.P.S.	$	41.98
250 Watt M.H.	$	15.79
400 Watt M.H.	$	20.49
1,000 Watt M.H.	$	43.47

Decorative Lighting

100 Watt M.H. – Acorn Globe	$ 13.73
175 Watt M.H. – Acorn Globe	$ 16.91
100 Watt M.H. – Round Globe	$ 13.47
175 Watt M.H. – Round Globe	$ 16.44
175 Watt M.H. – Lantern Globe	$ 15.85
100 Watt H.P.S. – Acorn Globe	$ 15.49

Pedestal Mounted Pole

Steel 25-Ft. Pedestal Mt. Pole	$ 9.36
Steel 30-Ft. Pedestal Mt. Pole	$ 10.52
Steel 39-Ft. Pedestal Mt. Pole	$ 16.44
Wood 30-Ft. Direct Burial Pole	$ 5.44
Aluminum 28-Ft. Direct Burial Pole	$ 12.05
Fluted Fiberglass 15-Ft. Pole	$ 12.88
Fluted Aluminum 14-Ft. Pole	$ 14.14

SCHEDULE 16
STREET LIGHTING SERVICE

Flat rate per light per month as follows:

175 Watt M.V.	$ 11.15
400 Watt M.V.	$ 16.81
100 Watt H.P.S.	$ 10.02
250 Watt H.P.S.	$ 15.65
100 Watt M.H.	$ 9.45
400 Watt M.H.	$ 20.61
60 Watt LED	$ 8.56
108 Watt LED	$ 10.86
135 Watt LED	$ 13.28

Underground Service with Non-Standard Pole:

Governmental Entities and Street Lighting Districts, per Pole	$ 7.33

Overhead Service to Street Lighting Districts:

Street Lighting District, per Pole	$ 3.07

Decorative Underground with Non-standard Pole:

70 Watt H.P.S. – Acorn Globe	$ 14.89
70 Watt H.P.S. – Lantern Globe	$ 14.89
70 Watt 2 Décor Fix	$ 24.49
H.P.S. Acorn Globe 14-Ft. Pole	$ 26.75
LED – Acorn Globe 14-Ft. Pole	$ 23.13

SPECIAL STREET LIGHTING DISTRICTS

Flat rate per light per month as follows:

Baskett	$ 3.87
Meadow Hill	$ 3.52
Spottsville	$ 4.36

SCHEDULE 33
LARGE INDUSTRIAL CUSTOMERS SERVED UNDER SPECIAL CONTRACT
DEDICATED DELIVERY POINTS (Class C)

Facilities Charge per Assigned Dollars of Kenergy Investment for Facilities 1.15%

SPECIAL CHARGES

Turn on Service Charge	$ 33.00
Reconnect Charge – Regular	$ 33.00
Reconnect Charge – After Hours	$ 98.00
Terminate Service Charge	$ 33.00
Meter Reading Charge	$ 33.00
Meter Test Charge	$ 52.00
Returned Check Charge	$ 13.00
Trip by Servicetech – Regular	$ 33.00
Trip by Servicetech – After Hours	$ 98.00
Remote Disconnect/Reconnect	$ 24.00

CABLE TELEVISION ATTACHMENT

Two-Party Pole Attachment	$ 6.20
Three-party Pole Attachment	$ 4.83
Two-Party Anchor	$ 14.82
Three-party Anchor	$ 9.88

RESIDENTIAL DEPOSIT

With accelerated use of Big Rivers' reserve funds	$274.00
After expiration of Big Rivers' reserve funds	$325.00

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