

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

**In the Matter of:**

**ELECTRONIC APPLICATION OF KENERGY CORP.)  
FOR AN ADJUSTMENT OF RATES ) CASE NO. 2023-00276**

**KENERGY CORP.'S REBUTTAL TESTIMONY**

Petitioner **KENERGY CORP** submits the attached Rebuttal Testimony and  
Verification.

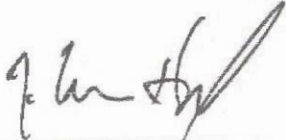
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Counsel for Kenergy Corp.**

By \_\_\_\_\_

  
**J. Christopher Hopgood  
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**CERTIFICATE OF SERVICE**

I hereby certify that the foregoing electronic filing was transmitted to the Kentucky Public Service Commission for filing on February 9, 2024; that same was electronically sent to Larry Cook, LARRY.COOK@KY.GOV; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding by virtue of the Commission's Order of 2020-00085, no paper copies of this filing will be made.

  
\_\_\_\_\_  
J. Christopher Hopgood  
Counsel for Kenergy Corp.

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

**In the Matter of:**

<b>THE ELECTRONIC APPLICATION OF</b>	)	
<b>KENERGY CORP. FOR A GENERAL</b>	)	<b>CASE NO. 2023-000276</b>
<b>ADJUSTMENT OF RATES</b>	)	

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**REBUTTAL TESTIMONY OF**  
**JOHN WOLFRAM**  
**PRINCIPAL, CATALYST CONSULTING LLC**  
**ON BEHALF OF**  
**KENERGY CORP.**

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**Filed: February 9, 2024**

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

**In the Matter of:**

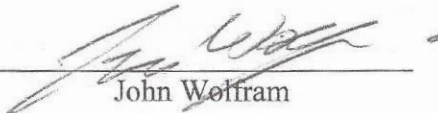
**THE ELECTRONIC APPLICATION OF            )**  
**KENERGY CORP. FOR                            )**     **Case No. 2023-00276**  
**A GENERAL ADJUSTMENT OF RATES        )**

**VERIFICATION OF JOHN WOLFRAM**

COMMONWEALTH OF KENTUCKY    )

COUNTY OF JEFFERSON                    )

John Wolfram, Principal of Catalyst Consulting LLC, being duly sworn, states that he has supervised or prepared Rebuttal Testimony in the above referenced case on behalf of Kenergy Corp., and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.

  
\_\_\_\_\_  
John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 26 day of January, 2024, by John Wolfram

\_\_\_\_\_  
Notary Public, KY. State at Large

**DALAL BROOKS**  
Notary Public - State at Large  
Kentucky  
My Commission Expires Oct. 23, 2027  
Notary ID KYNP81483

Commission expires \_\_\_\_\_

(seal)

**REBUTTAL TESTIMONY  
OF  
JOHN WOLFRAM**

**I. INTRODUCTION**

1 **Q. PLEASE STATE YOUR NAME, BUSINESS ADDRESS, AND POSITION.**

2 A. My name is John Wolfram. I am the Principal of Catalyst Consulting LLC. My  
3 business address is 3308 Haddon Road, Louisville, Kentucky, 40241.

4 **Q. ON WHOSE BEHALF ARE YOU TESTIFYING?**

5 A. I am testifying on behalf of Kenergy Corp. (“Kenergy”).

6 **Q. ARE YOU THE SAME INDIVIDUAL THAT PROVIDED DIRECT  
7 TESTIMONY IN THIS CASE?**

8 A. Yes.

9 **Q. WHAT IS THE PURPOSE OF YOUR REBUTTAL TESTIMONY?**

10 A. The purpose of my testimony is to respond to the recommendations of Witness Mr.  
11 Randy A. Futral on behalf of the Office of the Attorney General of the  
12 Commonwealth of Kentucky (“AG”), as provided in Mr. Futral’s direct testimony  
13 dated January 3, 2024.

14 **Q. DID MR. FUTRAL MAKE RECOMMENDATIONS REGARDING  
15 KENERGY’S OPERATING REVENUES AND EXPENSES?**

16 A. Yes. The AG made recommendations regarding the effect of four different items  
17 on the proposed revenue requirement in this case. I will respond to each item and  
18 recommendation in turn.

19 **Q. WHAT DID THE AG RECOMMEND REGARDING RIGHT OF WAY  
20 EXPENSE?**

1 A. Mr. Futral states that Kenergy’s level of expense for routine ROW maintenance  
2 was higher than normal during the test year (Futral Direct, page 5, lines 13-14). He  
3 recommends that the Commission authorize the amount of routine ROW  
4 maintenance based on the Company’s actual average cost of \$5,052.16 per circuit  
5 mile in 2023 and an assumption that the Company will actually trim 906 miles per  
6 year in order to maintain a six-year cycle (Futral Direct, page 10, lines 7-10).

7 **Q. HOW DO YOU RESPOND?**

8 A. I disagree with this recommendation.

9 First, the AG acknowledges that “it is a known fact that such expenses have  
10 increased considerably in Kentucky over the last several years” (Futral Direct, page  
11 6, lines 6-7). The data in his Table 2 showing Kenergy’s annual ROW expense  
12 from 2019 to the test year supports this fact in that the total amount increases each  
13 year. But the AG’s conclusion that the test year expenses are “especially elevated  
14 and need to be normalized” (Futral Direct, page 6, line 8) contradicts his own  
15 observation about the ROW maintenance cost trend in Kentucky. In fact in  
16 response to Kenergy’s First Request for Information Item 2, Mr. Futral provided  
17 support for the fact that ROW maintenance expenses are increasing considerably  
18 by citing witness testimony from four recent electric rate filings with the  
19 Commission. He provides no basis for the claim that Kenergy’s test year costs are  
20 “especially elevated.” Importantly, if the current trend of cost increases in  
21 Kentucky continues, the test year amounts will not be elevated but instead would  
22 be insufficient for achieving the target trim cycle, as the costs for tree trimming  
23 continue to escalate.

1           Second, Kenergy’s Vegetation Management Plan states that “it is Kenergy’s  
2 intention to perform vegetation management control activities on a cycle that does  
3 not exceed six (6) years.” The six years is an upper bound; it is prudent for Kenergy  
4 to plan to complete these activities on a cycle of less than six years in order to not  
5 exceed the six years under different contingencies.

6           Finally, one of the vegetation management vendors (Townsend) ceased  
7 working for Kenergy in 2019. For the nine years between 2010 and 2018, before  
8 Townsend left, the average circuit miles trimmed per year was 1,107. It would be  
9 more appropriate to rely on this number than the six-year average of 906 miles that  
10 the AG proposes, because the six-year period includes several anomalous years  
11 (e.g., 2019- 2021).

12           For these reasons it is not reasonable to make this adjustment and the  
13 Commission should not accept this recommendation.

14 **Q.   WHAT DID THE AG RECOMMEND REGARDING VEGETATION**  
15 **MANAGEMENT EXPENSE ASSOCIATED WITH BROADBAND**  
16 **INTERNET SERVICE CONSTRUCTION?**

17 A.   Mr. Futral states that Kenergy did not properly remove all expenses associated with  
18 the new broadband fiber optic network from the revenue requirement in this  
19 proceeding (Futral Direct, page 15, lines 6-8). He recommends that the  
20 Commission (a) require that the ROW maintenance expenses incurred due to the  
21 broadband fiber construction project be reflected as an account 417 non-utility  
22 expense and removed from the revenue requirement so that the electric distribution  
23 members do not subsidize any portion of the project costs incurred during the test

1 year, and (b) require Kenergy to begin recording all such costs as an account 417  
2 non-utility expense so that these costs can be appropriately considered in all future  
3 base rate proceedings (Futral Direct, page 18, lines 10-16).

4 **Q. HOW DO YOU RESPOND?**

5 A. I disagree with this recommendation. The broadband installation is on the  
6 existing Kenergy system that includes the electric distribution lines. New miles of  
7 line were not added for the broadband project. If portions of certain circuits were  
8 advanced on the schedule due to broadband, it simply means that those circuits  
9 will not require as much trimming later. In other words, while the broadband  
10 project may have changed the timing of the vegetation management, it did not  
11 increase the scope of vegetation management on the Kenergy system. It is not  
12 reasonable to make this adjustment and the Commission should not accept this  
13 recommendation.

14 **Q. WHAT DID THE AG RECOMMEND REGARDING PAYROLL AND**  
15 **OVERHEAD EXPENSE FOR VACANT POSITIONS?**

16 A. The AG indicates that the Company adjustment to test year labor expense is  
17 overstated, is based on a headcount that is too high, and uses a wage rate that is  
18 overstated for certain positions. He recommends that the Commission reduce  
19 payroll expense to remove the amounts associated with the five vacant positions as  
20 of the end of the test year, and that the Commission reduce the related payroll  
21 overhead expenses attributable to the five employees for all benefits and payroll tax  
22 amounts allocated to expense (Futral Direct, page 22, lines 13-17).

23 **Q. HOW DO YOU RESPOND?**

1 A. I disagree with this recommendation.

2 First, Kenergy used the actual hourly rate for each of the 128 positions  
3 when calculating the pro forma average wage rate of \$41.10.

4 Second, Kenergy's lowest actual headcount at year-end has been between  
5 124 and 155 for the period from 2008 (155) to 2023 (129). Even the year-end  
6 value of 124 in 2022 only resulted from year-end departures that were backfilled  
7 the following year. Kenergy has made huge strides in optimizing the headcount  
8 to ensure efficient operation of the business, having reduced headcount from 150  
9 to 129 over the last decade. The AG's proposal to use 123 employees for  
10 ratemaking purposes instead of Kenergy's proposed 128 positions would be lower  
11 than Kenergy's actual year-end headcount for any year over the last 16 years.  
12 This is unreasonable and ignores Kenergy's efforts and results on managing  
13 headcount over this time period.

14 Third, in response to the Commission Staff's Fourth Request for  
15 Information Item 5, Kenergy recalculated labor cost using actual test period hours  
16 and actual test period ending 2/28/2023 hourly rates. The resulting labor cost was  
17 \$88,314 higher than Kenergy's original pro forma labor adjustment using 128  
18 employees. Applying Kenergy's test period expense percentage of 71.05%, the  
19 revised pro forma adjustment would result in additional labor expense of \$62,747.

20 Kenergy's original pro forma labor adjustment amount and the increased  
21 labor cost calculated in the response to the Commission Staff's Fourth Request for  
22 Information Item 5 are both reasonable approaches to determine Kenergy's pro



1 forma labor cost. The AG's adjustment is not reasonable, and the Commission  
2 should not accept the AG's recommendation.

3 **Q. WHAT DID THE AG RECOMMEND REGARDING CREDIT CARD**  
4 **PROCESSING FEES?**

5 A. Mr. Futral recommends that the Commission remove the credit card processing fees  
6 as an expense in the revenue requirement, stating that all customers should not be  
7 charged for the much higher expense incurred to benefit a subset of customers that  
8 are relieved from paying the transaction-specific fees. He did not recommend the  
9 implementation of convenience fees charged at the time of each transaction due to  
10 the potential increased VISA transaction costs of doing so as described by the  
11 Company. Instead, he recommends that the Company track all such payment  
12 transactions in order to charge those specific customers in arrears a predetermined  
13 fee on their next bill. (Futral Direct, page 27 line 27 – page 28 line 2).

14 **Q. HOW DO YOU RESPOND?**

15 A. I disagree with this recommendation. The AG's argument on credit card  
16 processing fees is flawed. As a larger share of the cooperative's members are  
17 now using credit cards to pay their electric bills, it is an expense that is  
18 appropriate to spread to all members and not pass on to the individual member. In  
19 addition, regardless of the per-unit transaction cost, a fee is not charged to  
20 members who pay in person with cash, who pay with a check or a money order;  
21 those costs are similarly spread to the classes at large. The costs associated with  
22 these forms of payments are shared by all members and not assigned to the  
23 individual member. The Commission has recently found that "card processing

1 fees should not be removed from base rates because there are costs to all payment  
2 processing methods and passing through the costs for one specific payment could  
3 have unintended consequences on late and returned payments.” Credit card  
4 payments also assist the cooperative in collecting payments on time and without  
5 the inconvenience of waiting for a check to clear or the efforts that have to be  
6 undertaken if the check does not clear, so it is appropriate to treat them as a  
7 reasonably incurred cost included in rates.

8 Kenergy forwarded the AG’s most recent credit card fee recommendation  
9 to its payment processor. Kenergy was informed that it could not circumvent  
10 payment card industry convenience fee rules by charging a fee after-the-fact. If it  
11 did so, Kenergy would lose its VISA utility interchange rate, which would  
12 increase Kenergy’s credit card processing costs significantly. Kenergy would  
13 have to charge the same fee to all payment types processed in a given payment  
14 channel, meaning the fee must be applied to credit card, debit card, and e-check  
15 transactions completed on the web, on the mobile app, and via the IVR phone  
16 system. Kenergy would not be allowed to charge the fee on recurring credit card,  
17 debit card, and e-check transactions. Kenergy would also not be allowed to  
18 charge the fee on in-person credit card and debit card transactions.

19 The AG’s recommendation would increase the overall cost to Kenergy’s  
20 members, and it would not achieve the goal of assigning the cost to the member  
21 that caused it. Therefore, it is not reasonable to make the AG’s adjustment and  
22 the Commission should not accept this recommendation.

1 **Q. WHAT WAS THE OVERALL INCREASE RECOMMENDED BY THE AG**  
2 **IN THIS CASE?**

3 A. The AG recommended maximum base rate increase in this case is \$3,188,109  
4 (Futral Direct, page 5, Table 1).

5 **Q. IS THIS AMOUNT REASONABLE?**

6 A. No. The proposed increase would effectively require Kenergy to reduce its staff  
7 and reduce its vegetation management activities in order to try to maintain its  
8 financial metrics. The cooperative is already operating on the razor's edge and the  
9 recommended reductions would increase Kenergy's risk of failure to meet the loan  
10 covenants even further. It is not reasonable to adopt the AG's recommendations,  
11 particularly those related to tree trimming and headcount, when it is clear from the  
12 evidence in this case that both of those proposed adjustments represent levels far  
13 below the known and measurable present amounts for these items.

14 **Q. BASED ON THE RESPONSES TO THE AG'S DIRECT TESTIMONY**  
15 **DESCRIBED HEREIN, DOES KENERGY RECOMMEND ANY**  
16 **REVISIONS TO ITS FILED CASE?**

17 A. No. None of the AG's adjustments are reasonable and the Commission should  
18 not accept any of them.

19 **Q. DID KENERGY IDENTIFY ANY REVISIONS OR CORRECTIONS TO**  
20 **ITS FILED CASE IN RESPONSE TO DISCOVERY?**

21 A. No. Kenergy's proposed rates should be approved as filed.

22 **Q. DOES THIS CONCLUDE YOUR TESTIMONY?**

23 A. Yes, it does.