COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO KENERGY CORP.

Kenergy Corp. ("Kenergy"), pursuant to 807 KAR 5:001, is to file with the Commission the original in paper medium and an electronic version of the following information. The information requested herein is due on or before February 2, 2016. Responses to requests for information in paper medium shall be appropriately bound, tabbed and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that persons knowledge, information, and belief formed after a reasonable inquiry.

Kenergy shall make timely amendment to any prior responses if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which Kenergy fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a document containing personal information, Kenergy shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the document so that personal information cannot be read.

1. Refer to Kenergy's application ("Application"), Exhibit 5A, page 9a.

a. Provide an explanation for the increase in the credit to Account 586.000 for the test year compared to the time period of 2010 through 2014.

b. Fully explain why this account would reflect a credit balance for meter removal labor.

2. Refer to the Application, Exhibit 5A, page 9b. Fully explain the nature of this expense and why Kenergy is proposing this adjustment.

3. Refer to the Application, Exhibit 5A, page 10. Explain how the cost per mile of $2,449.15 was determined.

4. Refer to the Application, Exhibit 5A, page 11, Depreciation Adjustment. Confirm that the balance of $5,955,490 for Account 370.000, Meters, includes the investment of $4,409,844 in electro-mechanical meters being replaced by the AMI meter replacement project. If this cannot be confirmed, explain why.

5. Refer to the Application, Exhibit 5A, page 19. Provide the calculation that resulted in a proforma bad debt expense of $344,023.

6. Refer to the Application, Exhibit 5B.

a. Page 2 of 116 shows a payment of $3,000 to Madisonville-Hopkins Co for Economic Development. Fully explain the nature of this expenditure and why Kenergy considers this to be a normal recurring expense.

b. Page 8 of 116 shows two payments of $150 each to Kentucky Assoc for Econ for 2015 Member Dues. Fully explain the nature of this expenditure and why Kenergy considers this to be a normal recurring expense.

c. Page 11 of 116 shows a payment of $3,000 to Madisonville-Hopkins Co for Annual Alliance. Fully explain the nature of this expenditure and why Kenergy considers this to be a normal recurring expense.

d. Page 11 of 116 shows payments of $10,000 and $3,000 to Greater Owens Econ and Hancock Co Indus respectively for Econ Devel. Fully explain the nature of these expenditures and why Kenergy considers this to be a normal recurring expense.

e. Explain the entries on pages 12 and 13 of 116 under NRECA Dues and KAEC Dues described as Prepaid Writeoff Other. Fully explain the nature of these expenditures and why Kenergy considers this to be a normal recurring expense.

f. Page 45 of 116 shows a payment of $2,725.40 to Dell Account for Laptop & Accessories. Fully explain the nature of this expenditure and why Kenergy believes this expense should be included for ratemaking purposes.

g. Page 45 of 116 shows a payment of $80 to NRECA for CKAE Annual Dues. Fully explain the nature of this expenditure and why Kenergy believes this expense should be included for ratemaking purposes.

h. Page 48 of 116 shows a payment of $350 to National Rural Econ for Annual Member Dues. Fully explain the nature of this expenditure and why Kenergy believes this expense should be included for ratemaking purposes.

i. Refer to pages 54 through 73 of 116. Under the column titled Assoc Mtg Exp & Trng, there are 24 items listed totaling $17,673.23. Fully explain the nature of these 24 expenditures and why Kenergy believes these expenses should be included for ratemaking purposes. Provide the attendees, location, and dates for each meeting, training/educational event, or conference listed. Provide a detailed narrative or documentation fully describing the agenda and the nature of the topics covered at the event and how it benefits Kenergy.

j. Refer to pages 75 through 94 of 116. Under the column titled MAC are 17 items listed totaling $3,696.16. Fully explain the nature of these expenditures and why Kenergy believes these expenses should be included for ratemaking purposes.

k. Page 76 of 116 shows a payment of $965.38 to Miller House for Board Dinner – CFC CEO. Fully explain the nature of this expenditure and why Kenergy believes this expense should be included for ratemaking purposes.

l. Page 81 of 116 shows a payment of $5,688.00 to Survey & Ballot Systems for Ballots Director Elections. Fully explain the nature of this expenditure and why Kenergy believes this expense should be included for ratemaking purposes. Provide a copy of the invoice(s) for this expenditure.

m. Page 94 of 116 shows a total expenditure of $25,305.16 for Liability Insurance. Fully explain the nature of this expenditure and why Kenergy believes this expense should be included for ratemaking purposes.

7. Refer to the Application, Exhibit 7, the Testimony of Jack Gaines, page 8, Question 15. Mr. Gaines states that plant accounts 364 – 368 are classified using the minimum intercept methodology. Provide these minimum intercept calculations.

8. Refer to the Application, Exhibit 8, the Direct Testimony of Robert N. Welsh, Exhibit RW-1, page 1, and Kenergy's responses to Staff's Second Request for Information ("Staff's Second Request"), Items 20 and 21. Among other things, Exhibit RW-1 shows current, calculated, and proposed depreciation rates. The responses refer to how RUS reviews changes in depreciation rates and increasing depreciation rates by using the mid-point between the current and calculated net salvage percentage. Explain why, on Exhibit RW, which shows a current depreciation rate of 2.9 percent and a calculated rate of 3.5 percent for Account 368, Line Transformers, use of the mid-point did not extend to developing a rate of 3.2 percent rather than the proposed recommended rate of 3.3 percent.

9. Refer to the Application, Exhibit 12, Account 151.000, Fuel Inventory. Explain why Kenergy has a balance of $19,582.85 in this account, and provide a detailed analysis of the amounts that make up this balance.

10. Refer to Kenergy's response to Staff's Second Request, Item 1. Explain why Kenergy is not normalizing the number of vacation and sick days paid in the test year, given that the resultant increase for "non-worked charges" is responsible for approximately one-third of the $12,677 increase for "special charges."

11. Refer to Kenergy's response to Staff's Second Request, Item 4.b.

a. Using the response as provided, add a column for the number of employees in each job classification.

b. Explain whether each employee receives the same bonus amount. If each employee does not receive the same amount, provide an explanation.

12. Refer to Kenergy's response to Staff's Second Request, Item 7, and the Commission's final Order in Case No. 2015-00141.[1]

a. The response to Item 7 indicates that accounting treatment "of the $1,394,200 prepayment to the NRECA defined benefit pension plan" was approved by RUS. That accounting treatment provided for recording the amount in Account 186, Miscellaneous Deferred Debits, as a regulatory asset. Confirm that the RUS approval reflects a blanket authorization for such treatment, as per the February 14, 2013 letter to all electric program borrowers attached to the response.

b. That February 14, 2013 letter allows for amortizing the deferred cost over ten years, which Kenergy chose, or an alternative based on the average age of a utility's workforce and the workforce's normal retirement age. Explain why Kenergy chose the ten-year amortization period rather than the alternative offered by RUS.

c. Page 3 of the last sentence of the only full paragraph in the Final Order in Case No. 2015-00141 states, "Utilities must obtain Commission approval for accounting adjustments before establishing any expense as a new regulatory asset." That sentence is footnoted to a 2002 Commission Order in a rate case of The Union Light, Heat and Power Company. Explain whether Kenergy sought approval of the Commission prior to establishing a regulatory asset for the prepayment to the defined benefit pension plan. If Commission approval was not sought, explain why.

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[1] 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).

13. Refer to Kenergy's responses to Staff's Second Request, Item 10, and the Commission Staff's Second Request for Information, Item 1, in Case No. 2015-00141.

a. The response to Item 10, part a., shows a balance of $4,350,057 in undepreciated electro-mechanical meters as of June 30, 2015, the end of the test year. Using the descriptions on the left side of the response, identify the type and amount of meters that are not being replaced as part of Kenergy's meter-replacement program.

b. Explain whether the estimated dollar amount of the meters being retired as part of the meter replacement program continues to be $3,884,717, as it was in Case No. 2015-00141.

c. The Case No. 2014-00141 response reflects that Kenergy believes that either 10 or 15 years is a reasonable amortization period for the loss on the early retirement of its electro-mechanical meters. It also reflects that "Kenergy prefers using 10 years to be sure the loss is completely amortized before the new AMI meters useful life ends, currently estimated at 15 years." Explain why the loss's being fully amortized prior to the end of the new AMI meters' useful life is of any consequence.

14. Refer to Exhibit 5A, page 20 and Kenergy's response to Staff's Second Request, Item 10.d.

a. Provide all journal entries recorded since the end of the test year to record the regulatory asset for the undepreciated balance of the electro-mechanical meters.

b. Provide an analysis of the regulatory asset recorded as of December 31, 2015, showing by month the number of meters retired by type, with the cost of the meters broken down by the net book value and removal costs. Provide supporting calculations of removal costs recorded in the regulatory asset. Consider this an ongoing request to be provided monthly up to the time of the hearing in this matter.

c. Provide the expected completion date of the meter replacement project.

d. Provide a breakdown of the total meters to be replaced by type as a result of the meter replacement project.

15. Refer to Kenergy's response to Staff's Second Request, Item 10.e. The middle of the page subpart b. indicates 23,923 single phase meters were replaced as of December 31, 2015, and subpart c. indicates 25,585 single phase meters were retired as of December 31, 2015. Reconcile this discrepancy.

16. Refer to Kenergy's response to Staff's Second Request, Item 44, Exhibit 10.

a. Provide pages 1–4 in Excel spreadsheet format, with all formulas intact and unprotected and with all columns and rows accessible.

b. Refer to page 1 of 171. Provide the reconciliation of lines 19–23, margins in a manner similar to the table in response to Staff's Second Request, Item 24.

c. Refer to page 3 of 171. Provide an explanation of the Regular Tariff Adjustment in column 3 of $1,732.

d. Refer to pages 22–37 of 171, Functionalization and Subfunctionalization of Utility Plant Investment. Provide the rationale for using LABOR as the basis for allocating General Plant.

e. Refer to page 56 of 171, line 94. Provide the rationale for using Sub T&D for Uncollectible Accounts.

f. Refer to page 60 of 171, line 157. Provide an explanation for Income Tax, Cell Phones and the rationale for using LABOR as the basis for allocating.

g. Refer to page 60 of 171. Provide the rationale for using NUP-2 as the basis for allocating the following accounts:

(1) Account 426, Realized Gain/(Loss); and

(2) Account 431, Interest on Consumer Deposits.

h. Refer to the Determination of Fixed Charge Rate, page 171 of 171.

(1) Provide the source and calculation of the cost of capital;

(2) Provide the source of the Distribution Plant Depreciation Rate;

(3) Provide the Source of the General Plant Depreciation Rate; and

(4) Explain why the calculations do not match the calculations found in the Third Revised Tariff Sheet No 35B.

17. Refer to Staff's Second Request, PSC 2 Item 44 – Kenergy 2015 COS (rev 12-22-2015).xls, tab Input Rate Class Allocators.

a. Refer to cell Reference E75. Provide the source and calculations of the Residential Single Phase Load Factor for the 12 Month Average Coincident Peak ("CP").

b. Refer to cell Reference E111. Provide the source and calculations of the Residential Single Phase Load Factor for the 12 Month Average Non-Coincident Peak ("NCP").

c. Explain why the Peak Demand for the 12 Month Average CP and the 12 Month Average NCP is calculated based off the total kWh as opposed to load research data representing each class's contribution to the system CP.

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DATED JAN 21 2016

cc: Parties of Record

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