COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF KENERGY CORP. FOR A GENERAL ADJUSTMENT OF RATES	)))	CASE NO. 2023-00276

O R D E R

On October 2, 2023, Kenergy Corp. (Kenergy) pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, filed an application requesting an increase to its rates.

BACKGROUND

Kenergy is a not-for-profit, member-owned, rural electronic distribution cooperative organized under KRS Chapter 279.[1] Kenergy is engaged in the business of distribution retail electric power to 59,000 members in Daviess, Hancock, Henderson, Hopkins, McLean, Muhlenberg, Ohio, Webster, Breckinridge, Union, Crittenden, Caldwell, Lyon, and Livingston counties.[2] Kenergy owns approximately 7,200 miles of distribution lines in its service territory and purchases its power requirements from Big Rivers Electric Corporation and Century Marketer, LLC.[3]

In its application, Kenergy requested an increase in revenues of $4,876,566 or 3.2 percent.[4] Kenergy also requested an increase of the monthly residential charge from

[1] Application (filed Oct. 2, 2023) at 1.

[2] Application at 1.

[3] Application at 1.

[4] Application at 2.

$18.20 to $21.95.[5] In addition, Kenergy requested to increase its pole attachment rental rates.[6]

The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), is the only intervenor in this matter.

By Order entered October 12, 2023, the Commission suspended the proposed rates up to and including April 1, 2024, and established a procedural schedule. On January 16, 2024, the procedural schedule was amended to establish a deadline by which Kenergy or the Attorney General could request a hearing or that the case be submitted for decision based on the record, as well as extending the time for supplemental requests for information to Kenergy. On February 14, 2024, Kenergy and the Attorney General filed a joint motion to waive a hearing and requested an opportunity to brief the matter. On February 26, 2024, the procedural schedule was amended again to allow for a briefing schedule. Additionally, on February 26, 2024, Kenergy filed a notice of intent to place rates into effect subject to refund effective April 2, 2024.[7] On March 6, 2024, Kenergy and the Attorney General submitted their initial briefs and on March 13, 2024, both parties submitted reply briefs. The Commission issued an Order on March 13, 2024, requiring Kenergy to maintain its records in such a manner as will allow it, the Commission, or any customer to determine the amounts to be refunded, and to whom, in the event a refund is ordered.[8] This matter now stands submitted to the Commission for a decision.

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[5] Application, Exhibit 5 at 5.

[6] Application, Exhibit 3 at 16-20.

[7] Kenergy's Notice of Intent (filed Feb. 26, 2024).

[8] Order (Ky. PSC Mar. 13, 2024) at 2.

LEGAL STANDARD

Kenergy filed its application pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001. The Commission's standard of review for a utility's request for a rate increase is whether the proposed rates are "fair, just and reasonable."[9] Kenergy bears the burden of proof to show that the proposed rates are just and reasonable under the requirements of KRS 278.190(3).

TEST PERIOD

Kenergy used as its historical test period the 12-month period ending February 28, 2023.[10] The Attorney General did not contest the use of this period as the test period.

The Commission finds that it is reasonable to use the 12-month period ending February 28, 2023, as the test period in this case based on the timing of Kenergy's application.

REVENUE REQUIREMENT

Revenues and Expenses. Kenergy proposed 17 adjustments to normalize its test-year operating revenues and expenses. The Commission finds that 12 of the proposed adjustments are reasonable and should be accepted without change. Shown below are the Commission approved adjustments[11]:

[9] KRS 278.300; *Pub. Serv. Comm'n v. Com. Ex rel. Conway*, 324 S.W.3d 373, 377 (Ky.2010).

[10] Application at 2.

[11] Application, Direct Testimony of John Wolfram (Wolfram Direct Testimony), Exhibit JW-2 at 2.

Item	Revenue	Expense	Non-Operating Income	Net Margin
Fuel Adjustment Clause	(21,167,624)	(21,167,624)		-
Environmental Surcharge	(5,648,911)	(5,648,911)		-
Member Rate Stability Mechanism	6,788,175	6,788,175		-
Non-Smelter Non-FAC PPA	(4,644,272)	(4,644,272)		-
Year-End Customer Normalization	260,452	173,480		86,972
Depreciation Expense Normalization		245,790		(245,815)
Disallowed Expenses		(399,863)		399,863
Interest on LTD		397,778		(397,778)
Other Interest Expense		180,205		(180,205)
Non Operating Margins - Interest			85,918	85,918
Miscellaneous Revenues	(5,410)			(5,410)
Non-Recurring Expenses		(54,950)		54,950

Right of Way Maintenance Expense. Kenergy made no pro forma adjustment for right of way (ROW) maintenance expenses, but ROW expenses increased by approximately $1.8 million from the last rate case to the test-year.[12] Kenergy's system is 5,438 miles, and it must maintain a clearing cycle that does not exceed six years.[13]

The Attorney General argued that Kenergy's failure to adjust the actual test year amount is problematic because the level of expense for routine right of way maintenance was higher than normal during the test year.[14] The Attorney General recommended that the Commission authorize the amount of routine ROW maintenance expense based on Kenergy's actual average cost of $5,052.16 per circuit mile in 2023 and an assumption that Kenergy will trim 906 miles per year in order to maintain a six-year cycle for its total

[12] Wolfram Direct Testimony, Exhibit JW-2 at 2 and Kenergy's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Oct. 2, 2023), Item 1(a), Attachment. *See* Case No. 2021-00066, *Electronic Application of Kenergy Corp. for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC June 24, 2021), Application, Direct Testimony of John Wolfram, Exhibit JW-2 at 15.

[13] Kenergy's Response to the Attorney General's Second Request for Information (Attorney General's Second Request) (filed Dec. 14, 2023), Item 1.

[14] Direct Testimony of Randy Futral (Futral Direct Testimony) (filed Jan. 3, 2024) at 5.

5,438 circuit miles to be trimmed.[15] The Attorney General stated that the test year routine ROW maintenance activity was considerably higher than the average and that the recommendation was consistent with Commission precedent.[16] The Attorney General stated that the effect on the test year was a reduction of $812,063 in routine ROW maintenance expense included in the claimed base revenue deficiency and a reduction of $813,283 in the base revenue requirement as well as the requested base increase after the gross-up for Commission assessment fees.[17]

In its rebuttal testimony, Kenergy argued that it is not reasonable to make the adjustment recommended by the Attorney General and that the Commission should not accept this recommendation.[18] First, Kenergy argued that the Attorney General contradicted itself by acknowledging that such expenses have increased considerably in Kentucky over the last several years, but then stated that test year expenses are especially elevated and need to be normalized.[19] Next, Kenergy argued that it was prudent for it to plan to complete vegetation management control activities on a cycle of less than six years in order to not exceed the six years under different contingencies.[20] Last, Kenergy argued that one of the vegetation management vendors ceased working for Kenergy in 2019, reducing the completed miles, and for the nine years between 2010

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[15] Futral Direct Testimony at 10.

[16] Futral Direct Testimony at 9-10 *citing* Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC October 3, 2023), Order at 12.

[17] Futral Direct Testimony at 10-11.

[18] Rebuttal Testimony of John Wolfram (Wolfram Rebuttal Testimony) (filed Feb. 9, 2024) at 4.

[19] Wolfram Rebuttal Testimony at 3.

[20] Wolfram Rebuttal Testimony at 3 and 4.

and 2018 the average circuit miles trimmed per year was 1,107.[21] Therefore, Kenergy asserted that it would be more appropriate to rely on this number than the six-year average of 906 miles because it includes the anomalous years of 2019–2021.[22]

The Commission agrees with the Attorney General that an adjustment to normalize ROW expenses based on the actual costs per mile in 2023 is appropriate but disagrees with the five-year average miles cleared that was used in the Attorney General's calculation and Kenergy's proposed nine-year average. Instead, the Commission finds that the average miles cleared between 2016-2024, excluding 2019 and 2020 as anomalous years without a full complement of contractors, is the appropriate measure to normalize expenses. The miles cleared in 2021 are not materially different from the budgeted miles for 2023 and using this mix of historical and budgeted years balances the historical activity and current plans. This results in an average of 1,027 miles cleared per year, a cycle of 5.3 years which will give Kenergy room to achieve its 6-year cycle, and an expense adjustment decrease of $199,503.

Remove Unregulated Broadband Affiliate. Kenergy proposed an adjustment to remove $109,739, the test year expense amounts associated with broadband, which are unrelated to the provision of electric service.[23] Kenergy formed a wholly owned subsidiary, Kenect, Inc. (Kenect), for the purpose of providing broadband internet service

[21] Wolfram Rebuttal Testimony at 4.

[22] Wolfram Rebuttal Testimony at 4.

[23] Wolfram Direct Testimony, Exhibit JW-2 at 2 and 15. This adjustment was presented as a decrease to expenses, however, Kenergy's test-year included $114,982 in broadband expenses and $5,153 in non-operating margins. The net impact of the adjustment to net margins is the same under either presentation.

to its members.[24] Kenergy's broadband project officially began in October 2022.[25] Kenergy stated prior to its official commencement, that Kenergy recorded broadband expenses in separate operating accounts, and once the project started, began recording all the broadband revenue in 417 accounts and broadband expenses in 417.1 accounts.[26] Kenergy stated that because the test period in this case covers the 12-months ended February 2023, Kenergy had broadband expenses recorded in both operating and non-operating accounts, but going forward everything will be recorded in non-operating 417 accounts.[27]

The Attorney General argued that Kenergy failed to remove certain ROW vegetation management expenses associated with the broadband fiber construction project performed by Kenect.[28] The Attorney General argued that this will result in Kenergy customers subsidizing the broadband project in violation of KRS 278.2201, unless the Commission precludes recovery of these improper costs.[29]

The Attorney General recommended that the Commission require that the ROW maintenance expenses incurred due to the broadband fiber construction project be reflected as an account 417 non-utility expense and removed from the revenue requirement so that the electric distribution members do not subsidize any portion of the

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[24] Application, Exhibit 25 at 2.

[25] Kenergy's Response to Commission Staff's Fourth Request for Information (Staff's Fourth Request) (filed Jan. 29, 2024), Item 3.

[26] Kenergy's Response to Staff's Fourth Request, Item 3.

[27] Kenergy's Response to Staff's Fourth Request, Item 3.

[28] Attorney General Brief (filed Mar. 6, 2024) at 4.

[29] Attorney General Brief at 4.

project cost incurred during the test year.[30] The Attorney General further recommended that the Commission require Kenergy to begin recording all such costs as an account 417 non-utility expense so that the costs can be appropriately considered in all future base rate proceedings.[31] The Attorney General stated that the effect is a $122,178 reduction in ROW maintenance expense and a $122,361 reduction in the base revenue requirement as well as the requested base rate increase after the gross-up for Commission assessment fees.[32]

Kenergy disagreed with the Attorney General's recommendation and argued it was not reasonable to make this adjustment.[33] Kenergy argued that the broadband installation is on the existing Kenergy system, and that while the broadband project may have changed the timing of the vegetation management, it did not increase the scope of vegetation management on the Kenergy system.[34] Kenergy stated that rescheduling a circuit for trimming within a six year plan does not increase cost to Kenergy.[35] However, when asked about including revenues from broadband in the revenue requirement, Kenergy stated that electric rates should reflect the costs of providing electric service, plus a reasonable return on the investment necessary to provide electric service, without including the costs associated with affiliate or subsidiary utility services.[36]

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[30] Futral Direct Testimony at 18.

[31] Futral Direct Testimony at 18.

[32] Futral Direct Testimony at 18.

[33] Wolfram Rebuttal Testimony at 5.

[34] Wolfram Rebuttal Testimony at 5.

[35] Kenergy Brief at 3.

[36] Kenergy's Response to Staff's Fourth Request, Item 3.

The Commission finds that the Attorney General's proposed adjustment should be accepted. Kenergy presented no evidence that the clearing for broadband construction purposes reduced routine or non-routine clearing expenses, and therefore did not meet its burden of proof that such an adjustment is necessary. These expenses are not expected to be recurring as part of Kenergy's non-routine vegetation maintenance, and can be properly allocated to the broadband subsidiary, Kenect, consistent with KRS 278.2201. This adjustment will reduce the test-year expenses by $122,178.

The Commission emphasizes that Kenergy must attribute any broadband project costs in Account 417. In addition, the Commission expects Kenergy to provide a complete and thorough accounting in its next rate case, whether streamlined or general of its investment in the broadband project, the costs expensed in Account 417 as well as a complete explanation, along with accompanying evidence of the allocation of the project's costs, as it relates to Kenergy's electrical service.

Pole Attachment Fee. In Case No. 2022-00106,[37] the Commission investigated pole attachment tariffs filed pursuant to 807 KAR 5:015E[38] of the Commonwealth of Kentucky's rural electric cooperative corporations. Included in the investigation final Order was a discussion about fees for anchor attachments.[39] The Commission did not change the way the pole attachment fees were calculated but instead focused on language that the rural electric cooperative corporations (RECCs) had in their respective

[37] Case No. 2022-00106, *Electronic Investigation of the Proposed Pole Attachment Tariffs of Rural Electric Cooperative Corporations* (Ky. PSC Dec. 28, 2022), final Order.

[38] Revised and approved through the emergency process after the 2024 General Assembly Session.

[39] Case No. 2022-00106, Dec. 28, 2022 final Order at 30-31.

tariffs and set out guidelines for the utilities to follow. As to the anchor attachments, the Commission noted that those fees had been in the RECCs' tariff for a long time, and the Commission noted that a party would have to demonstrate the fee to be unreasonable.[40]

The Commission reviewed Kenergy's pole attachment tariff filings. Until June 2021, Kenergy charged the following rates: Two-Party Pole Attachment $6.20, Three-Party Pole Attachment $4.83, Two-Party Anchor Attachment $14.82, and Three-Party Anchor Attachment $9.88.[41] On June 24, 2021, Kenergy filed a tariff sheet setting the rates at the following: Two-Party Pole Attachment, $6.10, Three-Party Pole Attachment $4.76, Two-Party Anchor Attachment $16.11, and Three-Party Anchor Attachment $10.74.[42] The most recent rates were filed in January 2023 in compliance with the final Order in Case No. 2022-00106. Kenergy did not make any requests to change its pole attachment rates at the time. However, in this case, Kenergy proposed to increase the fees as follows: Two-Party Pole Attachment $6.50, Three-Party Pole Attachment $5.06, Two-Party Anchor Attachment $17.68, and Three-Party Anchor Attachment $11.78.

Having reviewed the record and the evidence presented on this issue, the Commission finds that Kenergy has not provided substantial evidence to support the proposed increase. Although the calculation contained in the draft tariff does appear to comply with Administrative Case 251,[43] the Commission has no information to verify or

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[40] In Case No. 2022-00106, Dec 28, 2022 final Order, an intervening party (AT&T Kentucky) had not met this burden. *See* Case No. 2022-00106, Dec 28, 2022 final Order at 30-31.

[41] Cancelled Tariff Sheet Third Revised Tariff Sheet No. 76 (canceled June 21, 2021).

[42] Cancelled Tariff Sheet Fourth Revised Tariff Sheet No. 76 (canceled Dec. 28, 2022) based on rates approved in Kenergy's last streamline rate case, Case No. 2021-00066.

[43] Administrative Case No. 251, *The Adoption of a Standard Methodology for Establishing Rates for CATV Pole Attachments* (Ky. PSC Sept. 17, 1982).

confirm the numbers supplied in Kenergy's tariff filing. Kenergy did not provide a pole inventory and pole height breakdown or information related to an expense increase, nor did Kenergy explain how its own use of the poles for its broadband purposes might affect the calculation the Commission approved in Administrative Case 251. Kenergy also had proposed to replace over 2000 poles as part of its 2020-2024 capital investment plan.[44] The Commission is unable to determine whether this has happened and if or how that capital investment would affect pole attachment rates.

As noted previously, 807 KAR 5:015E was amended after the General Assembly, during the 2024 General Assembly, enacted a joint resolution requiring emergency amendments to 807 KAR 5:015E[45] as well as to facilitate installation of broadband across the Commonwealth. The Commission understands that the area of pole attachments and fees are changing. However, the electrical customers of Kenergy should not be expected to bear the expenses of a for profit company, Kenect. Kenergy may file revised pole attachment rates at any time; however, the Commission will not rubber stamp an unsupported increase.

Kenergy also proposed to revise its per-pole survey fee to reflect labor costs of $16.03 per pole, a reduction from the current amount of $16.45 per pole, and per application vehicle costs of $6.55 per application, an increase from the current amount of $5.85 per application. 807 KAR 5:015E, Section 4(2)(b)(6)(a) allows a utility to require prepayment of the costs of surveys made to review a pole attachment application. If a utility's tariff requires prepayment of such costs, the tariff must include a per pole estimate

[44] Kenergy's Response to Staff's First Request, Item 6, 2020-2024 CWIP at 41.

[45] 2024 KY S.J.R. 175, 2024 Regular Session.

of costs.[46] Within a reasonable period not to exceed 120 days after a utility completes it's make ready work, the utility must provide the attacher with a detailed, itemized final invoice of the actual survey charges incurred if the final survey costs differ from any estimate previously paid for the survey work.[47] Given the *de minimus* amount of the revisions to the survey costs, and given that the fees are trued-up once the work has been completed and the final costs are known, the Commission finds that Kenergy's proposed revisions to its survey fees are reasonable and that they should be approved.

Salaries and Wages. Kenergy proposed to increase its test-year labor expenses by $311,899 to normalize test-year expenses.[48] Kenergy normalized its test-year wages based on test-year overtime and double time hours, 2,080 straight time hours, and average wages of $41.10 per hour.[49] Kenergy stated that its number of full-time employees decreased from 131 during the previous rate case to 128 employees in this rate case.[50] Kenergy stated that this reduced the overall wages by approximately $256,446 per year and benefits by approximately $140,302 per year.[51] Kenergy stated that since 2016, Kenergy has reduced the number of full-time employees from 150 to 128, which has resulted in a savings of approximately $2.9 million annually.[52] As of the end of

[46] 807 KAR 5:015E, Section 4(2)(b)(6)(b).

[47] 807 KAR 5:015E, Section 4(7)(a)(1).

[48] Wolfram Direct Testimony at 13 and Exhibit JW-2 at 2

[49] Wolfram Direct Testimony, Exhibit JW-2 at 19.

[50] Direct Testimony of Timothy Lindahl (Lindahl Direct Testimony) at 10.

[51] Lindahl Direct Testimony at 10.

[52] Lindahl Direct Testimony at 10.

the test year, Kenergy reported that it had 123 employees.[53] Kenergy stated that the five positions that had not been filled as of the end of the test year have been filled with four apprentice line technicians, and a meter/AMI technician.[54]

The Attorney General argued that given the level of full-time employees remained below the par of 128 employees for two months even beyond the end of the test year, Kenergy cannot guarantee that it will not experience at least some vacancies going forward.[55] The Attorney General recommended that the Commission reduce payroll expense to remove the amounts associated with the five vacant positions as of the end of the test year.[56] The Attorney General also recommended that the Commission reduce the related payroll overhead expenses attributable to the five employees for all benefits and payroll tax amounts allocated to expense. The Attorney General stated that this results in a $437,230 reduction of the base revenue requirement and the requested base rate increase after the gross-up for Commission assessment fees. The Attorney General stated that the total reduction is made up of a $303,684 reduction in payroll expenses, a $132,890 reduction in related overhead expenses, and a $656 reduction in Commission assessment fees.[57]

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[53] Kenergy's Response to the Attorney General's First Request for Information (Attorney General's First Request) (filed Nov. 14, 2023), Item 36, Attachment.

[54] Kenergy's Response to the Attorney General's First Request, Item 36; Kenergy Brief at 4.

[55] Attorney General Brief at 6.

[56] Futral Direct Testimony at 22.

[57] Futral Direct Testimony at 23.

Kenergy stated that it used the actual hourly rate for each of the 128 positions when calculating the pro forma average wage rate of $41.10.[58] Kenergy argued that the Attorney General's proposal to use 123 employees for ratemaking purposes instead of Kenergy's proposed 128 proposed positions would be less than Kenergy's actual year-end headcount for any year over the last 16 years, which varied between 155 and 129 between 2008 and 2023.[59] Kenergy argued that its pro forma adjustment is underestimated, not overstated.[60] Kenergy argued that filling vacant entry level positions constitutes a known and measurable change, and the fact that the position were filled supports this prediction.[61]

The Commission finds that Kenergy's adjustment is reasonable. The vacant positions were filled shortly after the end of the test year, and Kenergy included the actual wage rates for the vacant positions in the average wage rate. Turnover of entry level positions is a normal occurrence, and those positions are necessary for Kenergy to provide safe and adequate service.

Credit Card Fees. Kenergy stated that the total amount of credit card fees incurred during the test period was $308,551.[62] Kenergy did not propose an adjustment to credit card fees. Kenergy stated that it accepts cash, credit cards, checks, and bank drafts with no service fees.[63] Specifically, Kenergy stated that it does not require a convenience fee

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[58] Kenergy's Response to Staff's Fourth Request, Item 4.

[59] Wolfram Rebuttal Testimony at 6.

[60] Kenergy's Brief (filed Mar. 6, 2024) at 4.

[61] Kenergy's Brief at 5.

[62] Kenergy's Response to the Attorney General's First Request, Item 66.

[63] Kenergy's Response to the Attorney General's First Request, Item 67.

for credit card transactions and does not accept credit card transactions above $2,000.[64] Kenergy stated that if it were to charge its members a convenience fee, the total credit card fees would increase approximately by $171,000 per year.[65] Kenergy stated that it had 19,792 credit card transaction in September of 2023.[66] Kenergy also stated that it currently pays an average of $1.33 per credit card transaction which on a percentage basis equates to 0.62 percent of the total amount collected from credit cards.[67] Kenergy stated that it may charge a 20 cent transaction fee per bank draft transaction.[68] Kenergy stated that it does not incur bank fees for cash or check transactions, but it does have employees dedicated to processing those types of payments.[69]

The Attorney General cited the Federal Reserve stating that, while the vast majority of households making over $50,000 per year have access to credit cards, it was less common for households making less than that amount of have a credit card.[70] The Attorney General argued that credit card holders receive distinct advantages in their credit card use, and that those costs should not be socialized to all customers.[71] The Attorney General cited precedent stating that the Commission has previously denied socialized recovery of such expenses in a 2019 base rate case for Duke Energy Kentucky, Inc.

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[64] Kenergy's Response to the Attorney General's First Request, Item 68.

[65] Kenergy's Response to the Attorney General's Second Request, Item 6.

[66] Kenergy's Response to the Attorney General's Second Request, Item 6.

[67] Kenergy's Response to the Attorney General's Second Request, Item 6.

[68] Kenergy's Response to the Attorney General's Second Request, Item 6.

[69] Kenergy's Response to the Attorney General's Second Request, Item 6.

[70] Futral Direct Testimony at 24 citing https://www.federalreserve.gov/publications/2023-economic-well-being-of-us-households-in-2022-executive-summary.htm.

[71] Futral Direct Testimony at 24-25.

(Duke Kentucky) because the expenses were not previously included in base rates and the per transaction cost of credit card transactions were significantly higher than other payment types.[72] The Attorney General acknowledged that the Commission recently affirmed the recovery of credit card processing fees in base rates, but stated that there was no definition of the cost per transaction differences in that Order similar to the Duke Kentucky Order.[73]

The Attorney General recommended removing credit card processing fees as an expense in the revenue requirement.[74] The Attorney General stated that all customers should not be charged for the much higher expense incurred to the benefit a subset of customers that are relieved from paying the transaction-specific fees.[75] The Attorney General stated that it did not recommend the implementation of convenience fees charged at the time of each transaction due to the potential increased VISA transaction costs of doing so as described by Kenergy.[76] The Attorney General instead recommended that Kenergy track all such payment transactions in order to charge those specific customers in arrears a predetermined fee on their next bill.[77] The Attorney General stated that this would result in a $308,551 reduction in credit card fee processing

[72] Futral Direct Testimony at 26 *citing* Case No. 2019-00271, *Electronic Application of Duke Energy Kentucky, Inc. for 1) An Adjustment of the Electric Rates; 2) Approval of New Tariffs; 3) Approval of Accounting Practices to Establish Regulatory Assets; and 4) All Other Required Approvals and Relief* (Ky. PSC Apr. 27, 2020), Order at 19-21.

[73] Futral Direct Testimony at 26 *citing* Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Oct. 3, 2023), Order at 12.

[74] Futral Direct Testimony at 27.

[75] Futral Direct Testimony at 27.

[76] Futral Direct Testimony at 27.

[77] Futral Direct Testimony at 28.

expense and a $309,014 reduction in the base revenue requirement and requested base rate increase after the gross-up for Commission assessment fees.[78]

Kenergy responded that as a larger share of the cooperative members are now using credit cards to pay their electric bills, it is an expense that is appropriate to spread to all members and not pass on to the individual member.[79] Kenergy argued that the costs associated with other forms of payments, like cash, check, or money order, are shared by all members and not assigned to an individual member.[80] Kenergy stated the Commission had recently found that credit card processing fees should not be removed for similar reasons.[81] Kenergy also argued that credit card payments also assist the cooperative in collecting payments on time.[82]

Kenergy stated that it forwarded the Attorney General's recommendations to its payment processor, and was informed that Kenergy could not circumvent payment card industry convenience fee rules by charging a fee after the fact.[83] Kenergy stated that if it did so, Kenergy would lose its VISA utility interchange rate, which would increase Kenergy's credit card processing fees significantly.[84] Kenergy argued that the Attorney

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[78] Futral Direct Testimony at 28.

[79] Wolfram Rebuttal Testimony at 7.

[80] Wolfram Rebuttal Testimony at 7.

[81] Wolfram Rebuttal Testimony at 7.

[82] Wolfram Rebuttal Testimony at 8.

[83] Wolfram Rebuttal Testimony at 8.

[84] Wolfram Rebuttal Testimony at 8.

General's recommendation would increase the overall cost to Kenergy's members, and would not achieve the goal of assigning the cost to the member that caused it.[85]

The Commission finds that the Attorney General's proposed adjustment is unreasonable in these circumstances because creating a separate convenience fee would significantly increase the total expense to customers and after-the-fact billing of the credit card fees would only be possible in certain instances, create customer confusion, and conflict with Kenergy's agreements with credit card processors. The Commission notes that determination is consistent with Commission precedent that previously rejected adjustments to remove credit card fees from base rates.[86]

Rate Case Expense. Kenergy proposed to increase its test-year expenses by $26,333[87] based on a three-year amortization of estimated rate case expenses of $79,000.[88] Kenergy was directed to file monthly updates to its rate case expense,[89] with the last update of $35,629 filed on December 20, 2023, for expenses through November 2023.[90] Kenergy also estimated remaining expenses for the remainder of the case of $10,000 for legal and consulting.[91] At that time, Kenergy also projected total rate case

[85] Wolfram Rebuttal Testimony at 8.

[86] Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established in Case No. 2018-00407* (Ky. PSC Oct. 3, 2023), Order at 12.

[87] Wolfram Direct Testimony, Exhibit JW-2 at 2.

[88] Wolfram Direct Testimony, Exhibit JW-2 at 9.

[89] *See* Staff's First Request, Item 38(c).

[90] Kenergy's Second Supplemental Response to Staff's First Request (filed Dec. 20, 2023), Item 38(c).

[91] Kenergy's Second Supplemental Response to Staff's First Request, Item 38(c).

expenses totaling $48,129, which included $2,500 of projected expenses for attending the formal hearing.[92]

The Commission finds that based on the summaries last provided to the Commission and throughout the pendency of this case, that the appropriate rate case expenses are $45,629, which excludes estimates for a hearing which was not held, and the appropriate amortization period is three years. This results in a teat-year expense of $15,210, which is $11,124 lower than the amount proposed in Kenergy's application.

Assessment Fees. Kenergy proposed an adjustment to increase test-year expenses by $21,271 to account for increases in the Commission's assessment fee based on normalized revenues and the proposed revenue increase.[93] The Commission finds that the portion related to normalized test-year revenues, $13,968, is reasonable and should be approved, but that the portion related to the revenue increase should be adjusted to account for the adjustments found reasonable herein. This will reduce the adjustment by $551.

Times Interest Earned Ratio (TIER) and Operating Times Interest Earned Ratio (OTIER) Calculations. In Kenergy's application, it calculated target margins at a 2.00 Times Interest Earned Ratio (TIER) and a 1.83 Operating Times Interest Earned Ratio (OTIER).[94] Kenergy's proposed increase was based on a 2.00 TIER.[95] In Kenergy's last base rate case, Kenergy's adjusted test year after the approved revenue increase had a

[92] Kenergy's Second Supplemental Response to Staff's First Request, Item 38(c).

[93] Wolfram Direct Testimony, Exhibit JW-2 at 2.

[94] Wolfram Direct Testimony, Exhibit JW-2 at 1.

[95] Application, Exhibit 15.

TIER of 1.98 and an OTIER of 1.85.[96] For the unadjusted test year in this proceeding, Kenergy achieved a TIER of 0.86 and an OTIER of 0.69.[97] Kenergy's adjusted test year at present rates achieved a TIER of 0.77 and an OTIER of 0.59.[98] Kenergy argued that these are unreasonably low.[99] Kenergy stated that it calculated target margins at a TIER of 2.00 because the Commission has authorized rates based on this TIER in numerous other distribution cooperative rate filings over the last fifteen years, including Kenergy's last full rate case.[100] The Attorney General did not contest a TIER of 2.00. The Commission finds that Kenergy's calculation of TIER and OTIER are reasonable and should be approved. A TIER of 2.00 will provide sufficient margins for Kenergy to meet its debt covenants and includes non-utility income to the benefit of Kenergy's customers.

Revenue Requirement Summary. The pro forma adjustments are found in Appendix A. The effects of the adjustments on Kenergy's net income results in utility operating margins of $2,999,868 based upon total revenues of $568,503,440, a total cost of electric service of $565,503,572 and resulting net margins of $3,946,568. The resulting credit metrics are a 2.0 TIER, a 1.83 OTIER, and a debt service coverage ratio of 2.12, all of which will give Kenergy a reasonable margin to achieve its debt covenants.

[96] Case No. 2021-00066, June 24, 2021 Order, Appendix A.

[97] Wolfram Direct Testimony at 8.

[98] Wolfram Direct Testimony at 8.

[99] Wolfram Direct Testimony at 8.

[100] Wolfram Direct Testimony at 8.

RATE DESIGN

Cost-Of-Service Study (COSS)

Kenergy filed a fully allocated COSS based upon the 12 Coincident Peak (12CP) methodology in order to determine the cost to serve each customer class.[101] With the 12CP methodology, Kenergy explained that demand-related costs are allocated on the basis of the demand for each rate class at the time of the wholesale system peak for each of the twelve months and customer-related costs are allocated on the basis of the average number of customers served in each rate class during the test year.[102] For the distribution customer components, the zero intercept was used for the overhead conductors, underground conductors, and transformers.[103]

The Commission accepts Kenergy's proposal to use the 12CP method as a guide to determine revenue allocation. Kenergy's proposed COSS determined its overall rate of return (ROR) on rate base and the relative ROR from each rate class and was used as a guide in the proposed rate design.[104] Having reviewed Kenergy's COSS, the Commission finds it to be acceptable for use as a guide in allocating the revenue increase granted herein.

Revenue Allocation and Rate Design

Based on the results of the COSS, there is indication that the current rates illustrate a high degree of subsidization between the rate classes, and, at current rates, Kenergy

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[101] Wolfram Direct Testimony at 18-19.

[102] Wolfram Direct Testimony, at 18-19.

[103] Wolfram Direct Testimony at 17.

[104] Wolfram Direct Testimony at 20-21.

stated that there is an imbalance to the current rate structure.[105] Kenergy explained that the Residential class, specifically, is providing less than the cost to serve.[106] Kenergy explained that the need to increase rates is limited to only the percent across the gap between current rates and cost-based rates.[107] Additionally, Kenergy proposed to increase the energy charge from $0.107543 per kWh to $0.111511 per kWh.[108] Kenergy illustrated that an average residential customer using 1,199 kWh represents an increase of 4.9 percent.[109] Kenergy explained that the proposed rates move Kenergy's rate structures in the direction of cost-based rates but the elimination of subsidization will not be achieved.[110] Kenergy argued that its proposal is consistent with the ratemaking principle of gradualism and will allow the avoidance of rate shock while still making some movement to improve the price signal to its customers with how Kenergy actually incurs costs.[111] The proposed revenue allocation with the ROR after the rate revision is illustrated below:[112]

[105] Wolfram Direct Testimony at 21.

[106] Wolfram Direct Testimony at 21.

[107] Wolfram Direct Testimony at 23 and Exhibit JW-3 at 2.

[108] Wolfram Direct Testimony at 23.

[109] Wolfram Direct Testimony at 24.

[110] Wolfram Direct Testimony at 24.

[111] Wolfram Direct Testimony at 24-25.

[112] Wolfram Direct Testimony at 22 and PSC1_Request54_COS_FEB2023_FILED.xlsx, Tab Summary of Returns.

Rate	Revenue Increase	ROR After Rate Revision	Unitized ROR After Rate Revision
Residential (Single and Three Phase)	$4,869,997	1.84%	0.53
Commercial & All Other Single Phase	-	1.82%	0.52
Commercial Three Phase (< 1000 kW)	-	16.38%	4.67
Commercial Three Phase (1001 kW +)	-	11.62%	3.32
Unmetered Lighting	-	16.85%	4.81
Total	$4,869,997	3.5%	1.00

The Commission gives substantial weight to the evidence from the COSS that indicates other classes are earning considerably more than the residential class relative to their cost of service. The Commission acknowledges, specifically, the Commercial Three Phases and Unmetered Lighting have relatively high ROR's while the Residential class currently has a negative ROR. Therefore, the Commission finds that the majority of the increase should be applied to the Residential class considering it has a negative ROR. The Commission also finds that in order to better separate the rate classes, the Commission will also slightly increase the customer charge for the Commercial & All Other Single Phase so that there is a larger difference in customer charges between rate classes.

Therefore, based upon the Commission-approved revenue requirement and increase of $4,536,916, the Commission finds the allocation of proposed revenue increase to the classes of service is reasonable. The Commission notes that it has consistently been in favor of raising the customer charge in utility rate cases to reflect the fixed costs inherent in providing utility service. Therefore, in regard to the residential customer charge, the Commission finds that Kenergy's residential customer charge should increase from $18.20 to $22.00 which is an approximately 20 percent increase for the customer charge and also moves it towards the COSS rate. The Commission also finds that the Commercial & All Other Single Phase customer charge should increase from $22.10 to $24.50.

TARIFF CHANGES

Rural Economic Reserve Adjustment (RERA) Rider. Kenergy proposed to remove the Rural Economic Reserve Adjustment (RERA) Rider from its tariff. The Rural Economic Reserve Fund (RER Fund) was established in Case No. 2007-00455 as a result of the termination of a 1998 lease under which generating plants owned or controlled by BREC were being operated by West Kentucky Energy Corp., which was going to result in exorbitant rate increases for Rural Customers.[113] The funding for the RER Fund was $60.9 million.[114] The RER Fund was only to be used as a credit against the rates of the rural customers upon exhaustion of the Non-Smelter Economic Reserve.[115] In Case No. 2013-00199, the Commission found that $46.89 million of the RER Fund should be used for the benefit of the Rural Residential, School, Church, and Farm customers with the remaining balance being used for the benefit of the remaining

[113] Case No. 2007-00455, *The Applications of Big Rivers Electric Corporation for: (1) Approval of Wholesale Tariff Additions for Big Rivers Electric Corporation, (2) Approval of Transactions, (3) Approval to Issue Evidences of Indebtedness, and (4) Approval of Amendments to Contracts; and of E.On U.S., LLC, Western Kentucky Energy Corp. and LG&E Energy Marketing, Inc. for Approval of Transactions* (Ky. PSC Mar. 6, 2009).

[114] Case No. 2007-00455, March 6, 2009 Order at 45.

[115] Case No. 2007-00455, March 6, 2009 Order, Appendix A at 5.

rural customers and Large Industrial customers.[116] Kenergy stated that the RER Fund was exhausted in 2016 and that it had not received any credits under the tariff from Big Rivers Electric Corporation since late 2016.[117] Therefore, there is no longer a need for the tariff. As the RER Fund has served its purpose, the Commission finds that the deletion of the RERA Rider from the tariff is reasonable and should be approved.

Budget Billing Plan. Kenergy proposed to replace it Budget Billing Plan with a Levelized Budget Billing Payment Plan.[118] Under Kenergy's current Budget Billing Plan, a customer's monthly bill is based on one-eleventh of the estimated annual usage.[119] At the end of the budget year, which is September, a customer's total payments will be compared to the payments the customer would have made, if not on the Budget Billing Plan, and the customer will either be refunded the difference if they overpaid for the budget year or be billed the difference if they underpaid during the budget year.[120] Under the proposed Levelized Budget Billing Payment Plan, the proposed tariff stated that a customer's bill will be based on the past 11 months kWh usage with the current month kWh usage added to provide a moving average based on twelve months kWh usage. In addition, the tariff stated that a series of levelized adjustments will be calculated and added to the average amount, with the monthly adjustment being one-twelfth (1/12) of the

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[116] Case No. 2013-00199, *Application of Big Rivers Electric Corporation for a General Adjustment in Rates Supported by Fully Forecasted Test Period* (Ky. PSC Apr. 25, 2014).

[117] Kenergy's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Dec. 14, 2023), Item 7.

[118] Application, Exhibit 4 at 29–30 and 34.

[119] Application, Exhibit 4 at 34.

[120] Application, Exhibit 4 at 34.

unpaid balance.[121] The proposed Levelized Budget Billing Payment Plan would not have a catch-up month.[122] Kenergy later clarified that a customer's bill under the Levelized Budget Billing Payment Plan would be based on the last 12 month's bills, including the current month, instead of calculating an average kWh usage amount and then applying the currently effective rates to that average usage.[123] Kenergy also requested to clarify that the Levelized Budget Billing Payment Plan would be available to single-phase accounts and requested to remove a sentence from the proposed tariff stating that no adjustment would be calculated for a credit balance.[124]

Kenergy stated that under the current Budget Billing Plan, customers can experience large annual adjustments when Kenergy experiences large swings in adjustment factors such as the Fuel Adjustment Clause and that some customers struggle to pay the annual adjustment in those cases.[125] Kenergy argued that under the proposed Levelized Budget Billing Payment Plan, customers would see smaller monthly incremental changes rather than one large annual adjustment.[126]

During the settlement month for the 2021-2022 budget year, Kenergy reported having received 88 complaints from members with an average true-up amount of $558.16, with ten of those members owing more than $1,000.[127] Ten of the members

[121] Application, Exhibit 4 at 29.

[122] Application, Exhibit 4 at 29.

[123] Kenergy's Response to Commission Staff's Fourth Request, Item 1.

[124] Kenergy's Response to Commission Staff's Second Request for Information (Staff's Second Request) (filed Nov. 14, 2023), Item 4(d).

[125] Kenergy's Response to Staff's Second Request, Item 3.

[126] Kenergy's Response to Staff's Second Request, Item 3.

[127] Kenergy's Response to Staff's Third Request, Item 8.

requested and received payment arrangements while 30 members requested to be removed from budget billing.[128] For comparison purposes, Kenergy reported receiving 21 complaints from members during the settlement month for the 2020-2021 budget year and 12 complaints from members during the settlement month for the 2022-2023 budget year.[129]

For the reasons discussed below, the Commission finds that the removal of the Budget Billing Plan should be rejected, but that the addition of the Levelized Budget Billing Payment Plan, including the request to clarify that the plan would be available to single-phase accounts and the request to remove the sentence stating that no adjustment would be calculated for a credit balance, should be approved as modified below. Kenergy appears to have made the decision to replace the current Budget Billing Plan with the Levelized Budget Billing Payment plan based on the number of complaints and amount of true-ups for the 2021-2022 budget year. However, when compared to the previous and subsequent budget years, the 2021-2022 budget year appears to be an outlier. Energy prices reached elevated levels in 2022 which greatly affected Kenergy's fuel adjustment clause. Basing a decision to remove a program based on the results of one year when energy prices were at elevated levels seems shortsighted.

The Commission finds that the Levelized Budget Billing Payment Plan should be revised to more accurately reflect that a customer's monthly bill will be based on a moving monthly average. This average is calculated using the amount of the last 12 month's bills based on the kWh usage and approved rates for each month, including the current month.

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[128] Kenergy's Response to Staff's Third Request, Item 8.

[129] Kenergy's Response to Staff's Fourth Request, Item 6(a).

Doing so will make it clear to customers how the monthly bill will be calculated. The current proposed language could cause confusion to some customers.

Offering both the Budget Billing Plan and Levelized Budget Billing Payment Plan to customers will allow them to choose which plan to participate in. Some customers may be more comfortable with the Budget Billing Plan where their monthly bill will not change during the budget year while others may feel more comfortable having their monthly bills adjusted throughout the budget year so that they don't end up owing a large amount or getting a large credit at the end of the budget year.

Deposit Policy. Kenergy proposed the following revisions to its deposit tariff: (1) Removal of the option for customers to pay one-half of their deposit prior to providing service and making installments for the remaining half over a period not to exceed the first two normal billing periods; (2) Clarified that residential deposits may be waived at the time service is requested; and (3) Increased the residential deposit amount from $315 to $366.[130]

Regarding the removal of the option for customers to pay one-half of their deposit prior to providing service and making installment payments for the remaining half, Kenergy stated that it now offers prepay service at no cost for any member that cannot pay the full deposit upfront.[131] Kenergy argued that it would have one-month of exposure if a customer only paid one-half of the deposit upfront and did not make another payment

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[130] Application, Exhibit 4 at 32.

[131] Kenergy's Response to Staff's Third Request, Item 1.

and if it occurs during a time of high usage or when temperatures remain below freezing, Kenergy would have more than one-month's exposure.[132]

The Commission finds that the removal of this provision from the tariff is unreasonable and that it should be rejected. Kenergy did not present sufficient evidence in this proceeding indicating that it was having issues with customers taking advantage of this provision paying their remaining installments. Customers who cannot afford to pay the full deposit amount upfront should not be forced to participate in the Prepay Service in order to get service.

Regarding the clarification that residential deposits may be waived at the time service is requested, the Commission finds that the clarification is reasonable and that it should be approved. While the current tariff already states this information, the Commission agrees that the edits provide clarity.

Regarding the increase in the deposit amount, Kenergy based the revised amount of $366 on the proposed annual total rate revenue from residential customers of $103,597,490 divided by the number of annual residential customer bills of 565,896 with the result multiplied by two.[133] Commission regulation 807 KAR 5:006 Section 8(1)(d)(2)(b) states that customer deposit amounts shall not exceed 2/12 of the average annual bill of customers in the same class, if bills are rendered monthly.[134] The Commission approved rates that would yield annual total rate revenues of $102,830,340 from residential customers. Adjusting for the Commission approved annual total rate

[132] Kenergy's Response to Staff's Third Request, Item 1.

[133] Kenergy's Response to Staff's Third Request, Item 2.

[134] 807 KAR 5:006, Section 8(1)(d)(2)(b).

revenues would result in a deposit amount of $364. Given the *de minimus* difference in the proposed and Commission calculated deposit amount, the Commission finds that Kenergy's proposed deposit amount of $366 should be approved.

Partial Payment Plan. Kenergy proposed revisions to its Partial Payment Plan tariff to account for remote reconnections and allow for verbal agreements to be recorded by Kenergy.[135] Under Kenergy's current tariff, residential customers unable to pay their bills in accordance with the regular payment schedule may make arrangements for a partial payment plan and retention of service as long as the arrangements are made before the arrival at the service location of Kenergy field collection personnel to terminate service.[136] With the onset of being able to remotely disconnect customers, Kenergy has proposed to revise this provision to state that the arrangements must be made before the scheduled disconnect date printed on the late notice and before the arrival at the service location of Kenergy field collection personnel if the meter is not able to be disconnected remotely.[137] The Commission finds this revision to be reasonable and that it should be approved.

Kenergy's current tariff requires that partial payment agreement be in writing and signed by the customer.[138] The proposed tariff allows for such agreements to be verbally agreed upon between the customer and Kenergy.[139] Kenergy indicated that it records all calls made to and from its Member Service Representatives (MSR) and that such calls

[135] Application, Exhibit 4 at 35.

[136] Application, Exhibit 4 at 35.

[137] Application, Exhibit 4 at 35.

[138] Application, Exhibit 4 at 35.

[139] Application, Exhibit 4 at 35.

are archived back to 2012.[140] Under the proposal, if a customer calls an MSR to negotiate a partial payment agreement, the MSR will outline the requirements the customer must meet to avoid disconnection and will detail the amount due and the date/time the payment must be received to avoid disconnection.[141] Kenergy indicated that the recording can later be reviewed if there is a dispute between the customer and Kenergy.[142] Commission regulation 807 KAR 5:006 Section 14(2) requires that partial payment plans that extend beyond a thirty-day period be in writing or electronically recorded. As the proposal complies with 807 KAR 5:006 Section 14(2), the Commission finds that the proposed revision to allow a partial payment agreement to be verbally agreed upon is reasonable and should be accepted.

Miscellaneous Tariff Revisions. Kenergy also proposed various minor text changes to its tariff. Unless otherwise stated in this Order, the Commission finds that the proposed changes are reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Kenergy are denied.

2. The rates and charges, as set forth in Appendix B to this Order, are approved as fair, just and reasonable rates for Kenergy, and these rates and charges are approved for service rendered on and after the date of entry of this Order.

3. Kenergy's proposal to remove the Rural Economic Reserve Adjustment Rider from its tariff is approved.

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[140] Kenergy's Response to Staff's Second Request, Item 6.

[141] Kenergy's Response to Staff's Second Request, Item 6.

[142] Kenergy's Response to Staff's Second Request, Item 6.

4. Kenergy’s proposal to implement a Levelized Budget Billing Payment Plan, as revised herein, is approved.

5. Kenergy’s proposal to terminate the current Budget Billing Plan is denied.

6. Kenergy’s proposal to remove from its tariff the option for customers to pay one-half of their deposit prior to providing service and making installments for the remaining half over a period not to exceed the first two normal billing periods is denied.

7. Kenergy’s proposal to clarify that residential deposits may be waived at the time service is requested is approved.

8. Kenergy’s proposal to increase the residential deposit amount to $366 is approved.

9. Kenergy’s proposed revisions to the Partial Payment Plan section of its tariff is approved.

10. Within 20 days of the date of service of this Order, Kenergy shall file with the Commission, using the Commission’s electronic Tariff Filing System, its revised tariffs, setting out the rates, charges, and modifications approved or as required herein and reflecting that they were authorized pursuant to this Order.

11. This case is closed and removed from the Commission’s docket.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Mary Pat Regan

Commissioner

ENTERED

JUL 31 2024

rcs

KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00276 DATED JUL 31 2024

Item (1)	Revenue (2)	Expense (3)	Non-Operating Income (4)	Net Margin (5)
Fuel Adjustment Clause	(21,167,624)	(21,167,624)		-
Environmental Surcharge	(5,648,911)	(5,648,911)		-
Member Rate Stability Mechanism	6,788,175	6,788,175		-
Non-Smelter Non-FAC PPA	(4,644,272)	(4,644,272)		-
Rate Case Expenses		15,210		(15,210)
Year-End Customer Normalization	260,452	173,480		86,972
Depreciation Expense Normalization		245,790		(245,790)
Disallowed Expenses		(399,863)		399,863
Remove Broadband		(237,070)	(5,153)	231,917
Interest on LTD		397,778		(397,778)
Other Interest Expense		180,205		(180,205)
Non-Operating Margins - Interest			85,918	85,918
Labor Expenses		311,009	(890)	(311,899)
Labor Overhead Expenses		(22,152)	(68)	22,085
Miscellaneous Revenues	(5,410)			(5,410)
Non-Recurring Expenses		(54,950)		54,950
PSC Assessment		13,968		(13,968)
ROW Maintenance Expense		(199,503)		199,503
Total	(24,417,591)	(24,248,733)	79,807	(89,051)

Description (1)	Actual Total Test Year (2)	Direct Served (3)	Non-Direct Served - Actual Test Year (4)	Pro Forma Adjustments (5)	Pro Forma Total Test Yr (6)	Pro Forma Direct Served (7)	Pro Forma Non-Direct Served (8)	Total Rates (9)	Non-Direct Served Rates (10)
Operating Revenues									
Total Sales of Electric Energy	586,502,536	437,509,319	148,993,217	(24,412,181)	562,090,355	437,509,319	124,581,036	566,627,271	129,111,199
Other Electric Revenue	1,881,579	-	1,881,579	(5,410)	1,876,169	-	1,876,169	1,876,169	1,876,169
Total Operating Revenue	588,384,115	437,509,319	150,874,795	(24,417,591)	563,966,524	437,509,319	126,457,205	568,503,440	130,987,368
Operating Expenses:									
Purchased Power	545,393,611	435,734,433	109,659,178	(24,499,153)	520,894,458	435,734,433	85,160,025	520,894,458	85,160,025
Distribution Operations	4,785,142	-	4,785,142	43,822	4,828,964	962	4,828,003	4,828,964	4,828,003
Distribution Maintenance	13,503,891	76,468	13,427,423	(210,369)	13,293,522	76,468	13,217,055	13,293,522	13,217,055
Customer Accounts	2,696,145	31,591	2,664,554	28,620	2,724,765	31,591	2,693,174	2,724,765	2,693,174
Customer Service	157,061	219	156,842	1,963	159,024	219	158,805	159,024	158,805
Sales Expense	-	-	-	-	-	-	-	-	-
A&G	4,412,847	116,000	4,296,847	(340,023)	4,072,824	116,218	3,956,606	4,072,824	3,956,606
Total O&M Expense	570,948,697	435,958,711	134,989,986	(24,975,140)	545,973,557	435,959,890	110,013,667	545,973,557	110,013,667
							-		
Depreciation	14,515,355	61,479	14,453,876	197,002	14,712,357	61,479	14,650,878	14,712,357	14,650,878
Taxes - Other	629,552	451,396	178,156	13,968	643,520	459,194	184,326	650,272	184,326
Interest on LTD	3,548,790	40,678	3,508,112	397,778	3,946,568	42,456	3,904,112	3,946,568	3,904,112
Interest - Other	40,613	9,568	31,045	180,205	220,818	51,080	169,738	220,818	169,738
Other Deductions	62,546	-	62,546	(62,546)	(0)	-	(0)	(0)	(0)
		-							
Total Cost of Electric Service	589,745,553	436,521,831	153,223,722	(24,248,734)	565,496,819	436,574,099	128,922,721	565,503,572	128,922,721
Utility Operating Margins	(1,361,438)	987,488	(2,348,926)	(168,857)	(1,530,295)	935,221	(2,465,516)	2,999,868	2,064,647
							-		
Non-Operating Margins - Interest	354,287	-	354,287	85,918	440,205	-	440,205	440,205	440,205
Income(Loss) from Equity Investments	-	-	-	-	-	-	-	-	-
Non-Operating Margins - Other	158,678	-	158,678	(6,135)	152,543	-	152,543	152,543	152,543
G&T Capital Credits	-	-	-	-	-	-	-	-	-
Other Capital Credits	353,952	-	353,952	-	353,952	-	353,952	353,952	353,952
Net Margins	(494,521)	987,488	(1,482,009)	(89,074)	(583,596)	935,221	(1,518,816)	3,946,568	3,011,347
Cash Receipts from Lenders	263,773		263,773		263,773		263,773	263,773	
OTIER	0.69	25.28	0.41		0.68	23.03	0.44	1.83	
TIER	0.86	25.28	0.58		0.85	23.03	0.61	2.00	
TIER excluding GTCC	0.86	25.28	0.58		0.85	23.03	0.61	2.00	
Target TIER	2.00				2.00			2.00	
Margins at Target TIER	3,548,790				3,946,568			3,946,568	
Revenue Requirement at Target TIER	593,294,343				569,443,387			569,450,140	
Revenue Deficiency at Target TIER	4,043,311				**4,530,163**			-	
Variance from Target TIER	(1.14)				(1.15)			-	
Increase $					$ 4,530,163			$ 4,536,916	$ 4,536,916
Increase %					0.77%			0.77%	3.05%

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2023-00276 DATED JUL 31 2024

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

Schedule 1 – Residential Service (Single Phase & Three Phase)

Customer Charge per Month	$	22.00
Energy Charge per kWh	$	0.110529

Schedule 3 – All Non-Residential Single Phase

Customer Charge per Month	$	24.50

Schedule 76 – Pole Attachment Tariff

Per Pole Survey Cost (Labor)	$	16.03
Per Application Vehicle Cost	$	6.55

Schedule 139 – Extensions to Permanent Underground Service

Underground Cost per foot	$	18.32
Overhead Cost per foot	$	25.21
Differential (customer installed trench and conduit) Cost per Foot		None
Differential Cost per foot for trenching by Contractor (plus conduit at actual Kenergy cost)	$	6.00
Differential Cost per foot for trenching by Kenergy (plus conduit at actual Kenergy cost)	$	15.04

Non-Recurring Charges

Turn on Service Charge – Regular	$	6.50
Turn on Service Charge – After Hours	$	156.00
Reconnect Charge – Regular	$	6.50
Reconnect Charge – After Hours	$	156.00
Termination or Field Collection Service Charge – Regular	$	6.50
Termination or Field Collection Service Charge – After Hours	$	156.00
Meter Test Charge	$	74.00
Trip by service tech – Regular	$	6.50
Trip by service tech – After Hours	$	156.00
Residential Customer Deposit	$	366.00
Seasonal/Temporary Disconnect or Reconnect	$	6.50

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