



Ernie Fletcher
Governor

Teresa J. Hill, Secretary
Environmental and Public
Protection Cabinet

Timothy J. LeDonne
Commissioner
Department of Public Protection

Commonwealth of Kentucky
Public Service Commission
211 Sower Blvd.
P.O. Box 615
Frankfort, Kentucky 40602-0615
Telephone: (502) 564-3940
Fax: (502) 564-3460
psc.ky.gov

Mark David Goss
Chairman

John W. Clay
Commissioner

January 16, 2007

PARTIES OF RECORD:

RE: Case No. 2006-00369
APPLICATION OF KENERY CORP. FOR AN ADJUSTMENT IN EXISTING
RATES.

Enclosed please find a memorandum that has been filed in the record of the above-referenced case. Any comments regarding this memorandum's content should be submitted to the Commission within five days of receipt of this letter. Questions regarding this memorandum should be directed to Tim Blakley as (502) 564-3940, extension 442.

Sincerely,

A large, stylized handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell
Executive Director

Attachment

Lawrence W. Cook
Assistant Attorney General
Office of the Attorney General
Utility & Rate Intervention Division
1024 Capital Center Drive
Suite 200
Frankfort, KY 40601-8204

Honorable Frank N. King, Jr.
Attorney at Law
Dorsey, King, Gray,
Norment & Hopgood
318 Second Street
Henderson, KY 42420

Honorable Michael L. Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
2110 CBLD Building
Cincinnati, OH 45202

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File – Case No. 2006-00369

FROM: Tim Blakley, Team Leader
TNB

DATE: January 16, 2007

SUBJECT: January 5, 2007 Informal Conference

Pursuant to the Commission's December 22, 2006 Order, an informal conference was held on January 5, 2007. The purpose of the conference was to discuss the possible resolution of all issues in this case. A copy of the attendance sheet is attached hereto.

Kenergy reviewed how previous Commission decisions in Case Nos. 2003-00165 and 2004-00446 impacted the current rate application. Kenergy stated that it had reached a settlement in principle with the parties in the case, and provided an overview of the settlement points. Kenergy hopes that a signed settlement agreement can be finalized and submitted in the case record by January 12, 2007. Kenergy indicated that it planned to include draft tariffs and testimony in support of the settlement agreement. The Staff requested that Kenergy also include a proof of revenues, which it agreed to do.

The informal conference then adjourned.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KENERGY)
CORP. FOR AN ADJUSTMENT IN)
EXISTING RATES)

CASE NO. 2006-00369

=====
January 5, 2007 Informal Conference
=====

Please sign in:

NAME

REPRESENTING

Mike Kurtz	KIUC
Steve Thompson	Kenergy
Mark Bailey	Kenergy
Doug Hoyt	KENERGY
Frank King	Kenergy
L. Cook	OAG/OPF
Dennis Howard	OAG
Betsy Blackford	OAG
Daryl Newsby	PSC
LEE RUSSELL	PSC
Jorge Valladares	PSC
Tiffany Bowman	PSC
Juan Lopez	PSC
Tom Blakley	PSC
David Sanford	PSC

DORSEY, KING, GRAY, NORMENT & HOPGOOD

ATTORNEYS-AT-LAW

318 SECOND STREET

HENDERSON, KENTUCKY 42420

JOHN DORSEY (1920-1986)
FRANK N. KING, JR.
STEPHEN D. GRAY
WILLIAM B. NORMENT, JR.
J. CHRISTOPHER HOPGOOD
S. MADISON GRAY

TELEPHONE
(270) 826-9965
TELEFAX
(270) 826-6672
www.dkgnlaw.com

January 12, 2007

FEDEX and
FAX NO. 502 - 564-3460 (Filings Division)

RECEIVED

Ms. Elizabeth O'Donnell
Executive Director
Public Service Commission of Kentucky
211 Sower Boulevard
Frankfort, Kentucky 40601

JAN 12 2007

PUBLIC SERVICE
COMMISSION

Re: Kenergy Corp.
Case No. 2006-00369

Dear Ms. O'Donnell:

Enclosed for filing please find the original and eight (8) copies of the Settlement Agreement in this case. The signatures of Mark A. Bailey are a fax version and originally signed pages will be provided later to be substituted for the pages with the faxed signatures.

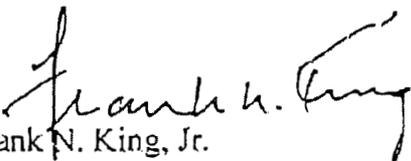
Kenergy is republishing a public notice stating that the hearing will be held on January 23. Proofs of publication will be provided to the Commission prior to the hearing, when available.

Your assistance in this matter is appreciated.

Very truly yours,

DORSEY, KING, GRAY, NORMENT & HOPGOOD

By


Frank N. King, Jr.

FNK.Jr/cds

Page 2
January 12, 2007

Encls.

Copy/w/encls.: Mr. Lawrence W. Cook, Assistant Attorney General
Utility Intervention and Rate Division

Michael L. Kurtz, Esq.

Mr. Mark A. Bailey
Mr. Steve Thompson
Kenergy Corp.

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

In the Matter of:)
)
THE APPLICATION OF KENERGY CORP.) CASE No. 2006-00369
FOR AN ADJUSTMENT IN EXISTING)
RATES)

SETTLEMENT AGREEMENT

THIS SETTLEMENT AGREEMENT is made and entered into as of the 11th day of January, 2007, by and among **KENERGY CORP.** (“Kenergy”), **ATTORNEY GENERAL OF THE COMMONWEALTH OF KENTUCKY,** **BY AND THROUGH HIS OFFICE OF RATE INTERVENTION (“AG”)** and **KENTUCKY INDUSTRIAL UTILITIES CUSTOMERS, INC. (“KIUC”);**

WHEREAS:

(1) On September 1, 2006, Kenergy filed with the Kentucky Public Service Commission (“Commission”) its application in the captioned case;

(2) AG and KIUC were granted the right to intervene by orders of the Commission and are the only intervenors in this case;

(3) Kenergy and AG have reached agreement with respect to Schedule 1 of Kenergy’s tariff in which the proposed customer charge will be reduced and the proposed energy charge will be increased a sufficient amount so that the projected revenue to be received by Kenergy from Schedule 1 customers

will be the same amount as set forth in the application, and the AG otherwise has no objections to the adjustments being sought by Kenergy herein;

(4) KIUC has no objections to the adjustments in rates being sought herein, including the aforementioned modifications of Schedule 1; and

(5) Kenergy, AG and KIUC desire to set forth in writing the terms and conditions of their agreement;

NOW, therefore, in consideration of the mutual promises and covenants of the parties hereto, **IT IS AGREED** as follows:

1. Schedule 1 as set forth in the application shall be modified to include a monthly customer charge of \$9.91 and an energy charge of \$0.059956. Attached as "Exhibit A" is a spreadsheet with calculations confirming that these charges produce the same average monthly bills for Schedule 1 customers as are set forth in Kenergy's application. Attached as "Exhibit B" is revised page 2 of "Exhibit 10" to the application which provides proof that these charges do not change the annual revenues Kenergy will receive from Schedule 1 customers.

2. Attached as "Exhibit C" is a revised Schedule 1 that Kenergy will issue and submit for filing upon approval of this settlement agreement by the Commission. The remaining tariff schedules that Kenergy proposes to file herein as set forth in the application (Schedule 2, Schedule 4 and Schedule 146) also will be issued upon approval of this settlement by the Commission. All tariff schedules shall show actual date of issue and effective date of March 1, 2007. The applicable rates will become effective in accordance with the terms of this agreement for service rendered on and after March 1, 2007.

3. The parties agree that this settlement represents a mutually satisfactory and reasonable resolution of all issues in this case, but it is understood by all parties that this settlement does not represent agreement on any specific theory supporting the appropriateness of any recommended adjustment to Kenergy's rates. Further, settlement of this case is in the best interest of the parties hereto as it will allow the parties to promptly resolve their dispute without expending further time and incurring additional expense in the pending case. Kenergy offers the testimony of its President and CEO Mark A. Bailey in support of the reasonableness of the rates resulting from this settlement, being attached as "Exhibit D."

4. This Settlement Agreement is conditioned upon and subject to express approval of the Commission. The terms and conditions of this Settlement Agreement are inseparable from one another and accordingly are not severable by the Commission. In the event the Commission fails to approve this Settlement Agreement in its entirety, then Kenergy, AG or KIUC may withdraw from this settlement by notifying the other parties and the Commission within 10 days of the Commission's action of such withdrawal and requesting the Commission to reinstate a procedural order and schedule a hearing in the subject case. In the event of such withdrawal this Settlement Agreement shall be deemed to be null and void and of no legal effect or consequence and the parties hereto shall be restored to status quo existing immediately prior to the execution of this

Settlement Agreement; moreover, none of the terms herein shall be binding upon any of the parties nor shall the Settlement Agreement, or any of its terms, be admissible in any judicial or administrative proceeding.

5. This Settlement Agreement constitutes the complete agreement and understanding by and among the parties hereto and any and all oral statements, representations or agreements made prior hereto or contemporaneously herewith shall be deemed to have been merged into this Settlement Agreement.

6. This settlement agreement may be signed in counterparts.

IN TESTIMONY WHEREOF, witness the hands of the parties hereto this day and date first above written.

KENERGY CORP.

By Mark A. Bailey

Mark A. Bailey
(printed name)

President and CEO
(title)

**KENTUCKY INDUSTRIAL UTILITIES
CUSTOMERS, INC.**

By _____

(printed name)

(title)

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6. This settlement agreement may be signed in counterparts.

IN TESTIMONY WHEREOF, witness the hands of the parties hereto this day and date first above written.

KENERGY CORP.

By _____

Mark A. Bailey
(printed name)

President and CEO
(title)

KENTUCKY INDUSTRIAL UTILITIES CUSTOMERS, INC.

By *Michael C. Kurtz*

Michael C. Kurtz
(printed name)

Lawyer
(title)

**ATTORNEY GENERAL OF THE
COMMONWEALTH OF KENTUCKY,
BY AND THROUGH HIS OFFICE
OF RATE INTERVENTION**

By 

Lawrence W. Cook

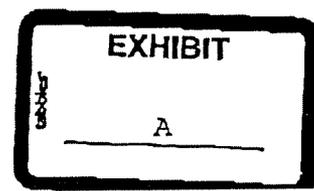
(printed name)

Assistant Attorney General

(title)

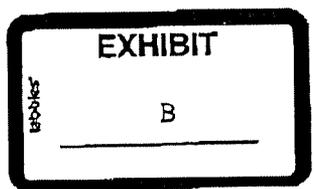
KENERGY CORP.
Case No. 2006-00369

	<u>kWh</u>	<u>Normalized Present Revenue</u>	<u>Proposed Revenue</u>	<u>Settlement</u>
1 Residential kWh and Revenues From Summary of Revenue	720,600,499	\$ 44,193,771	\$ 47,549,715	\$ 47,549,715
2				
3 Number of Customers	44,205	44,205	44,205	44,205
4				
5 Test Year Averages per Month	1,358,44456	\$ 83.31	\$ 89.64	\$ 89.64
6				
7 Present, Proposed & Settlement Rates				
8				
9 Facilities Charge		7.91	12	9.91
10 Energy Charge		\$ 0.056769	\$ 0.058417	\$ 0.059956
11 MDA		\$ (0.001235)	\$ (0.001235)	\$ (0.001235)
12				
13 Rate Calculations @ Average Consumption	1,358,44456			
14				
15 Facilities Charge		\$ 7.91	\$ 12.00	\$ 9.91
16 Energy Charge		\$ 77.12	\$ 79.36	\$ 81.45
17 MDA		\$ (1.68)	\$ (1.68)	\$ (1.68)
18 Total		\$ 83.35	\$ 89.68	\$ 89.68
19 Correction Factor From Consumption Analysis		x (0.0004557)	(0.0004557)	(0.0004557)
20 Correction Factor Adjustment		(0.04)	(0.04)	(0.04)
21				
22 Adjusted Average Monthly Bill		\$ 83.31	\$ 89.64	\$ 89.64



KENERGY CORP.
Case No. 2006-00369
RESIDENTIAL
CONSUMPTION ANALYSIS

(a)	(b)	(c)	(d)	(e)	(f)	(g)	(h)	(i)
		Present	Present	Normalized	Normalized	Normalized	Settlement Rates	Settlement
		(c)	(d)	(e)	(f)	(g)	(h)	(i)
1	Number of Bills							
2	Less YDL Only							
3	Customer Charge	\$ 7.91	\$ -	530,460	\$ 7.91	\$ -	\$ 7.91	\$ -
4	Three Phase Farm	\$ 7.91	\$ 4,253,579	0 x	\$ 7.91	\$ 4,195,939	\$ 7.91	\$ 5,256,859
5	Customer Charge	\$ 7.91	\$ 4,253,579	530,460 x	\$ 7.91	\$ 4,195,939	\$ 7.91	\$ 5,256,859
6								
7								
8								
9	KWH Charge	\$ 0.056073	19,580,270					
10	KWH Charge	\$ 0.056400 (1)	3,217,842					
11	KWH Charge	\$ 0.056769	17,809,715	720,600,499 x	\$ 0.056769	40,907,770	\$ 0.059956	43,204,324
12								
13			\$ 40,607,828			\$ 45,103,708		\$ 48,461,182
14								
15	Wholesale Discount Adjustment:							
16			\$ (611,940)			\$ (689,792)	\$ (0.001235)	\$ (889,792)
17								
18								
19			\$ 44,249,467			\$ 44,213,917		\$ 47,571,390
20			(0.00045565)			(0.00045565)		(0.00045565)
21	Times Correction Factor		(20,162)			(20,146)		(21,676)
22								
23	Per Books		\$ 44,229,305			\$ 44,193,771		\$ 47,549,715
24							As filed	
25							Delta	
26								\$ 343
27								



FOR ALL TERRITORY SERVED

Community, Town or City

PSC NO. _____

Third Revised SHEET NO. 1

CANCELLING PSC NO. _____

Second Revised SHEET NO. 1



Henderson, Kentucky

CLASSIFICATION OF SERVICE
Schedule 1 – Residential Service (Single Phase & Three-Phase)

APPLICABLE

To entire territory served.

AVAILABLE

To all residential (single and three-phase) service.

TYPE OF SERVICE – Single or three-phase with secondary voltages available in the vicinity or agreed to by Kenergy.

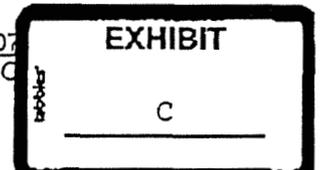
MONTHLY RATE

- (I) Residential Customer Charge per delivery point... \$9.91
- (I) Energy Charge per KWH... .059956

TAXES AND FEES

School Taxes added if applicable.
Kentucky Sales Taxes to be added to bill if applicable.

DATE OF ISSUE _____ DATE EFFECTIVE March 1, 2007
 ISSUED BY _____ TITLE - President and CEO
 Signature of officer
 ISSUED BY AUTHORITY OF PSC ORDER 2006-00369



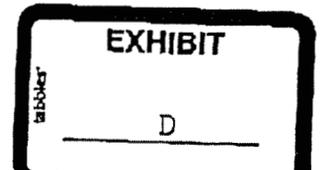
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:)
)
THE APPLICATION OF KENERGY CORP.) CASE No. 2006-00369
FOR AN ADJUSTMENT IN EXISTING)
RATES)

TESTIMONY OF MARK A. BAILEY
IN SUPPORT OF SETTLEMENT

- Q1. Please state your name, business address and position with Kenergy.
- A. Mark A. Bailey, 6402 Old Corydon Road, Henderson, Kentucky 42420. I am President and CEO of Kenergy.
- Q2. Was your direct testimony filed in support of Kenergy's application in this case?
- A. Yes.
- Q3. In that testimony did you support Kenergy's proposed rates and give your opinion that such rates were fair, just, reasonable and nondiscriminatory?
- A. Yes.
- Q4. Has Kenergy entered into a settlement with the Attorney General and Kentucky Industrial Utilities Customers, Inc. in this case?
- A. Yes.
- Q5. What are the terms of the settlement?
- A. The Attorney General is requiring that in Schedule 1 Kenergy's proposed customer charge be reduced but is agreeing that the energy charge for Schedule 1 customers may be increased so that the revenue to be realized from the Schedule 1 customers will be the same as proposed in the



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application. Other than these changes, the adjustments being sought by Kenergy in its application remain the same.

Q6. With these changes to Schedule 1 do you believe that Kenergy still will have rates that are fair, just, reasonable and nondiscriminatory?

A. Yes, I do. The reason Kenergy requested a \$12.00 customer charge for Schedule 1 customers is that the cost of service study showed that the actual cost for this item was in the \$18.00 to \$20.00 range, and the proposed increase was a step in getting the customer charge more in line with actual cost. The agreed upon increase from \$7.91 to \$9.91 is just a smaller step, but since the Schedule 1 customers as a class will continue to pay the same amount of revenues to Kenergy, I continue to believe that Kenergy will have rates that are fair, just, reasonable and nondiscriminatory.

Q7. Does this conclude your testimony at this time?

A. Yes.


Mack A. Bailey