

**BOEHM, KURTZ & LOWRY**

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**VIA OVERNIGHT MAIL**

RECEIVED

JAN 24 2005

January 21, 2005

PUBLIC SERVICE  
COMMISSION

Beth A. O'Donnell, Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40602

**Re: Case No. 2004-00446**

Dear Ms. O'Donnell:

Please find enclosed the original and twelve copies of the Initial Date Request of Kentucky Industrial Utility Customers, Inc., filed in the above-referenced matter.

By copy of this letter, all parties listed on the attached Certificate of Service been served. Please place these documents of file.

Very Truly Yours,



Michael L. Kurtz, Esq.  
**BOEHM, KURTZ & LOWRY**

MLKkew  
Attachment

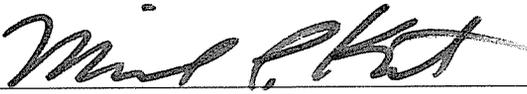
cc: Certificate of Service  
Richard Raff, Esq.

**CERTIFICATE OF SERVICE**

I hereby certify that a copy of the foregoing was served by mailing a true and correct copy, by regular U.S. mail (unless otherwise noted) to all parties on the 21 day of January, 2005.

Honorable Frank N. King, Jr.  
Dorsey, King, Gray, Norment & Hopgood  
318 Second Street  
Henderson, KY 42420  
[fking@dkgnlaw.com](mailto:fking@dkgnlaw.com)

Honorable Elizabeth E. Blackford  
Office of the Attorney General  
Utility & Rate Intervention Division  
1024 Capital Center Drive, Suite 200  
Frankfort, KY 40601-8204  
[betsy.blackford@law.state.ky.us](mailto:betsy.blackford@law.state.ky.us)

  
\_\_\_\_\_  
Michael L. Kurtz, Esq.

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JAN 24 2005

PUBLIC SERVICE  
COMMISSION

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

In The Matter Of: The Application of Kenergy Corp. : Case No. 2004-00446  
Adjustment of Existing Rates :

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**INITIAL DATA REQUESTS OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS, INC.**

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**Dated: January 21, 2005**

## DEFINITIONS

1. "Document" means the original and all copies (regardless of origin and whether or not including additional writing thereon or attached thereto) of memoranda, reports, books, manuals, instructions, directives, records, forms, notes, letters, notices, confirmations, telegrams, pamphlets, notations of any sort concerning conversations, telephone calls, meetings or other communications, bulletins, transcripts, diaries, analyses, summaries, correspondence investigations, questionnaires, surveys, worksheets, and all drafts, preliminary versions, alterations, modifications, revisions, changes, amendments and written comments concerning the foregoing, in whatever form, stored or contained in or on whatever medium, including computerized memory or magnetic media.
2. "Study" means any written, recorded, transcribed, taped, filmed, or graphic matter, however produced or reproduced, either formally or informally, a particular issue or situation, in whatever detail, whether or not the consideration of the issue or situation is in a preliminary stage, and whether or not the consideration was discontinued prior to completion.
3. "Person" means any natural person, corporation, professional corporation, partnership, association, joint venture, proprietorship, firm, or the other business enterprise or legal entity.
4. A request to identify a natural person means to state his or her full name and residence address, his or her present last known position and business affiliation at the time in question.
5. A request to identify a document means to state the date or dates, author or originator, subject matter, all addressees and recipients, type of document (e.g., letter, memorandum, telegram, chart, etc.), number of code number thereof or other means of identifying it, and its present location and custodian. If any such document was, but is no longer in the Company's possession or subject to its control, state what disposition was made of it.
6. A request to identify a person other than a natural person means to state its full name, the address of its principal office, and the type of entity.
7. "And" and "or" should be considered to be both conjunctive and disjunctive, unless specifically stated otherwise.
8. "Each" and "any" should be considered to be both singular and plural, unless specifically stated otherwise.
9. Words in the past tense should be considered to include the present, and words in the present tense include the past, unless specifically stated otherwise.
10. "You" or "your" means the person whose filed testimony is the subject of these interrogatories and, to the extent relevant and necessary to provide full and complete answers to any request, "you" or "your" may be deemed to include any person with information relevant to any interrogatory who is or was employed by or otherwise associated with the witness or who assisted, in any way, in the preparation of the witness' testimony.
11. "Kenergy" means Kenergy Corp and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
12. "BREC" means Big Rivers Electric Corporation and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

13. GREC means Green River Electric Corporation and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.
14. HUEC means Henderson Union Electric Cooperative Corporation and/or any of their officers, directors, employees, or agents who may have knowledge of the particular matter addressed.

### **INSTRUCTIONS**

1. If any matter is evidenced by, referenced to, reflected by, represented by, or recorded in any document, please identify and produce for discovery and inspection each such document.
2. These interrogatories are continuing in nature, and information which the responding party later becomes aware of, or has access to, and which is responsive to any request is to be made available to Kentucky Industrial Utility Customers. Any studies, documents, or other subject matter not yet completed that will be relied upon during the course of this case should be so identified and provided as soon as they are completed. The Respondent is obliged to change, supplement and correct all answers to interrogatories to conform to available information, including such information as it first becomes available to the Respondent after the answers hereto are served.
3. Unless otherwise expressly provided, each interrogatory should be construed independently and not with reference to any other interrogatory herein for purpose of limitation.
4. The answers provided should first restate the question asked and also identify the person(s) supplying the information.
5. Please answer each designated part of each information request separately. If you do not have complete information with respect to any interrogatory, so state and give as much information as you do have with respect to the matter inquired about, and identify each person whom you believe may have additional information with respect thereto.
6. In the case of multiple witnesses, each interrogatory should be considered to apply to each witness who will testify to the information requested. Where copies of testimony, transcripts or depositions are requested, each witness should respond individually to the information request.
7. The interrogatories are to be answered under oath by the witness(es) responsible for the answer.
8. Responses to requests for revenue, expense and rate base data should provide data on the basis of Total company as well as Intrastate data, unless otherwise requested.

**INITIAL DATA REQUESTS OF  
KENTUCKY INDUSTRIAL UTILITY CUSTOMERS. INC.  
CASE NO. 2004-00446**

1. Please provide a copy of the RUS Form 7 of Kenergy Corp. ("Kenergy") for the year ended December 31, 2004. If the final RUS Form 7 for the year 2004 is not available at the time of Kenergy's response to this data request, Kenergy may provide a copy of the preliminary Form 7 as filed with the RUS, to be followed by the final Form 7 when such document is filed with the RUS.
2. Please provide a copy of Kenergy's audited financial statements as of and for the period ended December 31, 2004. If such audited financial statements are not available at the time of Kenergy's response to this data request, Kenergy may provide a copy as soon as the audit is concluded.
3. On Kenergy's Exhibit 5, page 8, Kenergy explains a proposed reduction to test year revenues in the amount of \$300,000. With respect to such proposed reduction:
  - a. Provide all assumptions and supporting calculations for, and all memoranda or other writings with respect to, the unbilled revenue amount of approximately \$1,600,000, as of July 1, 1999.
  - b. Provide a schedule by date of all adjustments that have been made to such amount since July 1, 1999, including all assumptions and supporting calculations for each such adjustment.
  - c. Provide a complete explanation, including all supporting calculations and any memoranda discussing the proposed adjustment, for the proposed test year revenue reduction of \$300,000.
  - d. Provide a full and complete explanation as to the reasons that the proposed test year revenue reduction of \$300,000 does not constitute retroactive ratemaking that is precluded by applicable Kentucky law.
4. At page 4 of Kenergy Exhibit 6, Mr. Bailey testifies that the rates adjustments proposed in the instant proceeding adhere to the concepts of revenue stability, rate continuity, and gradualism that previously have been acknowledged by the Commission. With respect to such concepts:
  - a. Explain in detail how revenue stability would be adversely impacted if Kenergy received the same aggregate revenues as sought in this proceeding, but the allocation of such revenues among customer classes was determined strictly on the basis of the cost of service study submitted by Kenergy in this proceeding.
  - b. Explain in detail how rate continuity would be adversely impacted if Kenergy's electric rates were to be adjusted in a manner that brings all customer classes closer to rate parity than would occur under the rate adjustments proposed by Kenergy in this proceeding.

- c. With respect to gradualism, what does Kenergy deem to be the appropriate period to time over which rates should be gradually adjusted in order to achieve rate parity for all customer classes?
  - d. Discuss any long term strategic plan that Kenergy may have to achieve rate parity for all customer classes. If Kenergy has no such plan, would Kenergy object to a Commission directive for Kenergy to develop and submit in this proceeding a long term strategic plan to achieve rate parity for all customer classes?
5. Under its proposed rate adjustments to Schedule 2, Kenergy seeks to apply a different rate to certain “grandfathered” customers that to other customers. Please explain Kenergy’s intention in making this rate proposal.
  6. Kenergy’s Response to Item 1 of the Commission’s First Data Requests shows that distribution maintenance expenses increase from \$5,302,089 for the year ended 5-31-03 to \$7,008,443 for the year ended 5-31-04. Kenergy’s Exhibit 5, page 1, reflects a further pro forma increase to distribution maintenance expense of \$400,493. This is a test year increase in distribution maintenance expense of \$2,106,847, or a 39.7% increase. Please provide a schedule showing all elements of this increase, accompanied by an explanation for the substantial increase in distribution maintenance expense when compared to the prior twelve month period.
  7. Kenergy’s Response to Item 1 of the Commission’s First Data Requests shows that A&G expense increases from \$1,738,167 for the year ended 5-31-03 to \$2,579,162 for the year ended 5-31-04. Kenergy’s Exhibit 5, page 1, reflects a pro forma decrease to A&G expense of \$533,069. This results in a test year net increase in A&G expense of \$307,926, or a 17.7% increase. Please provide a schedule showing all elements of this net increase, accompanied by an explanation for the substantial net increase in A&G expense when compared to the prior twelve month period.