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October 15, 2013

Mr. Jeff Derouen
Executive Director
Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40602

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COMMISS

Re: Shelby Energy Cooperative PSC Case No. 2012-00503

Dear Mr. Derouen:

Please find enclosed for filing with the Commission in the above-referenced case an original and ten copies of Shelby Energy Cooperative, Inc.'s Response to Grayson Rural Electric Cooperative Corporation's Motion to Amend and Notice of Amendment and Motion to Dismiss a Portion of Grayson's Complaint as Moot.

Thank you for your attention to this matter.

Very truly yours,

MATHIS, RIGGS & PRATHER, P.S.C.

By: Donald T. Prather
Donald T. Prather

By Paula McElwain

DTP/pm
Enclosures

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PETITION AND COMPLAINT OF GRAYSON
RURAL ELECTRIC COOPERATIVE
CORPORATION FOR AN ORDER
AUTHORIZING PURCHASE OF ELECTRIC
POWER AT THE RATE OF SIX CENTS PER
KILOWATT OF POWER VS A RATE IN
EXCESS OF SEVEN CENTS PER KILOWATT
HOUR PURCHASED FROM EAST KENTUCKY
POWER COOPERATIVE UNDER A WHOLESALE
CONTRACT AS AMENDED BETWEEN GRAYSON
RURAL ELECTRIC COOPERATIVE
CORPORATION AND EAST KENTUCKY POWER
COOPERATIVE, INC.

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CASE NO. 2012-00503

SHELBY ENERGY COOPERATIVE, INC.'S
RESPONSE TO GRAYSON RURAL ELECTRIC COOPERATIVE CORPORATION'S
MOTION TO AMEND AND NOTICE OF AMENDMENT AND MOTION TO
DISMISS A PORTION OF GRAYSON'S COMPLAINT AS MOOT

Comes Shelby Energy Cooperative, Inc. ("Shelby Energy"), by counsel, (1) to oppose the Motion of Grayson Rural Electric Cooperative Corporation ("Grayson") to Amend its Complaint to substitute its Duke Energy Commercial Asset Management, Inc. ("Duke Energy") non-binding letter of intent for its Magnum Drilling of Ohio, Inc. ("Magnum") contract; (2) to oppose Grayson's Notice of Amendment attempting to accomplish the same objective; and (3) to move the Commission to issue an Order narrowing the scope of this case to solely a review of the issues presented by Amendment 3 and dismiss all aspects of the case

relating to Grayson's now-abandoned contract with Magnum and its attempted contract with Duke Energy.

When Grayson filed its Complaint and Petition with the Commission on November 19, 2012, it sought approval for a then-existing contract between Grayson and Magnum. The Commission issued its Order on July 17, 2013 wherein it determined it would investigate whether Grayson's contract with Magnum is reasonable and whether Grayson's advance notice for the Magnum contract was proper under Amendment 3. Those two issues no longer exist in this case. The only issue that continues to exist is the Commission's investigation as to whether there is an actual ambiguity under Amendment 3 and, whether ambiguous or not, the Commission should impose an allocation sharing requirement.

Once the Commission opened its investigation of Amendment 3 any request by any distribution cooperative, including Grayson, for approval under Amendment 3 cannot be analyzed or granted until the Commission has issued its ruling regarding Amendment 3 in this case and thereby set the rules under which any such contract and notice thereof must be analyzed. Grayson's request for the Commission to consider its alleged contract with Duke Energy should be denied for that reason. Once the Commission has issued its ruling in this case on the Amendment 3 issues Grayson can file a separate proceeding for Commission review of a contract with Duke Energy, one in which the other distribution cooperatives need not be entangled.

Additionally, the Amendment 3 analysis by the Commission will be extremely complicated especially since East Kentucky Power Cooperative ("EKPC") is now a part of PJM (see Exhibit 2 of EKPC's Response in Opposition to Petitioner's Motion to Amend and Objection to Petitioner's Notice of Filing of Additional Proof of Notice filed in this action.) Allowing Grayson to amend its Petition in this case, and especially allowing it to relate back to the original filing of the Complaint, will needlessly complicate the Commission's investigation of Amendment 3. The other distribution cooperatives affected by Amendment 3 do not need the Commission's ruling in this case regarding its interpretation of Amendment 3 to be influenced by the bitterness, hostility, and what appears to be personal vendetta(s) that are obviously presently poisoning the Grayson and EKPC relationship.

WHEREFORE, Shelby Energy Cooperative, Inc. respectfully requests the Commission to deny Grayson's Motion to amend, to refuse to accept its Notice of Amendment, and to issue an Order narrowing the scope of this case to solely a review of the issues presented by Amendment 3 and dismissing all aspects of the case relating to Grayson's now-abandoned contract with Magnum and its attempted contract with Duke Energy.

Dated at Shelbyville, Kentucky this 15th day of October, 2013.

Respectfully submitted,



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CERTIFICATE OF SERVICE

I, Donald T. Prather, certify that on October 15, 2013
copies of the foregoing were mailed to:

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