




# Shelby Energy Cooperative

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PUBLIC SERVICE  
COMMISSION

July 10, 2014

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Blvd  
P O Box 615  
Frankfort, KY 40602-0615

RE: Case No. 2014-00051

Dear Mr. Derouen:

Enclosed are an original and seven (7) copies of Shelby Energy Cooperative Inc.'s response to the commission staff's second request for information. The information has been provided by email to all parties of record.

Should you have any questions or need further information, please let me know.

Sincerely,



Mary Federle  
Manager, Billing and Customer Service

Enclosures



**VERIFICATION**

The undersigned, Debra J. Martin, President and CEO of Shelby Energy Cooperative, Inc. certifies that the response contained in this document are true and accurate to the best of her knowledge, information and belief formed after a reasonable inquiry.

Debra J. Martin  
Debra J. Martin

COMMONWEALTH OF KENTUCKY

COUNTY OF SHELBY

Subscribed and sworn to before me by Debra J. Martin, President and CEO of Shelby Energy Cooperative, Inc., to be her free act and deed this 7<sup>th</sup> day of July, 2014.

(SEAL)

Nanette H McCooly  
Notary Public

My Commission Expires:

4-18-16

ID: 464181



COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of

AN EXAMINATION BY THE PUBLIC SERVICE	)	
COMMISSION OF THE ENVIRONMENTAL	)	
SURCHARGE MECHANISM OF EAST KENTUCKY	)	
POWER COOPERATIVE, INC. FOR THE SIX-	)	CASE NO.
MONTH BILLING PERIOD ENDING DECEMBER	)	2014-00051
31, 2013 AND THE PASS THROUGH MECHANISM	)	
FOR ITS SIXTEEN MEMBER DISTRIBUTION	)	
COOPERATIVES	)	

RESPONSE OF SHELBY ENERGY COOPERATIVE, INC. TO COMMISSION  
STAFF'S SECOND REQUEST FOR INFORMATION TO EAST KENTUCKY  
POWER COOPERATIVE, INC.'S SIXTEENMEMBER COOPERATIVES

DATED: JULY 10, 2014

**Shelby Energy Cooperative, Inc.**  
**Commission Staff's Second Request for Information**  
**Case No. 2014-00051**

**Question:**

1. This question is addressed to each of the member distribution cooperatives. To further Staff's understanding of how environmental surcharge expenses and revenues impact a cooperative's financial position, explain how the transactions are recorded on your books and provide representative journal entries showing account numbers and descriptions.

**Response:**

1. Shelby Energy Cooperative ("Shelby") records the transactions for environmental surcharge expenses in the month in which the power bill is issued by EKPC to Shelby. The environmental revenue is recorded in the corresponding revenue month as billed by Shelby to its members.

Using July 2013 as an example, Exhibit A, Page 1, provides representative journal entries recording environmental surcharge revenue. As shown in Exhibit A, Page 1, lines 22-26, the environmental surcharge is not posted to Shelby's books as a separate amount each month but included in the total revenue for the associated revenue class. Refer to Exhibit A, Page 2, which is an excerpt of Shelby's monthly work papers that provides details in Columns B, J and M reflecting the general ledger account numbers, the applicable environment surcharge for each revenue class and total revenue that correlates to the amounts marked in Exhibit A, Page 1.

For representative journal entries recording environmental surcharge expenses for July 2013, refer to Exhibit A, Page 3. As with the environmental

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**Commission Staff's Second Request for Information**  
**Case No. 2014-00051**

surcharge revenues, environmental surcharge expenses are not posted to Shelby's books as a separate amount each month. Refer to Exhibit A, Page 4, which is an excerpt of the power bill issued by EKPC to Shelby for July 2013 which provides detailed charges totaling the amount as reflected in Exhibit A, Page 3.

**Question:**

2. This question is addressed to each of the member distribution cooperatives. Refer to the responses to the Commission Staff's First Request for Information, Item 2.a. for your cooperative.

a. Using the month of July 2013 as an example, for the amount shown in the column titled "EKPC Invoice Month Recorded on Member's Books," for your cooperative, provide the month in which the expenses are incurred by EKPC and when this amount was billed to the member cooperative.

b. Using the month of July 2013 as an example, for the amount shown in the column titled "Billed to Retail Consumer & recorded on Member's Books," for your cooperative, provide the pass-through factor and the revenue amount to which it was applied to arrive at the amount shown.

**Response:**

2a. A copy of the response to the Commission Staff's First Request for Information, Item 2.a., concerning Shelby, is included as reference and attached as Exhibit B. In addition, based on a schedule of information provided to the member cooperatives by EKPC, the expenses for the environmental surcharge that apply to Shelby's power bill for July 2013 were incurred by EKPC in June 2013. This schedule

**Shelby Energy Cooperative, Inc.**  
**Commission Staff's Second Request for Information**  
**Case No. 2014-00051**

is included as Exhibit C. The amount of \$407,660 referenced in the response to the Commission Staff's First Request for Information, Item 2.a. as "EKPC Invoice Month recorded Member's Books", was billed to Shelby in July 2013 as shown in an excerpt of EKPC's power bill and attached as Exhibit D.

2b. For the amount of \$450,714, referenced in the response to the Commission Staff's First Request for Information, Item 2.a. as "Billed to Retail Consumer & recorded on Member's Books", refer to Exhibit E which provides Shelby's bill dates for the July revenue month, the pass-through factor for each bill date and July revenue amounts to which the factor was applied to arrive at the amount of \$450,714.

As reflected in Exhibit B, the variance between the amount paid to EKPC and what was billed to the members of Shelby for any one month or for the cumulative 6-months total was not an amount that made a significant difference for Shelby's members as far as what is applied to a monthly bill. However; depending on the timing of the over/under recovery when more significant amounts are posted to a cooperative's books, it could make a negative impact to year-end performance in regards to required financial ratios. We expect the suggestion to exclude past recoveries from the calculation of the over/under recovery for the current period should help address this concern along with allowing those cooperatives with more significant amounts to use a 12-month recovery period rather than a 6-month recovery period.

Witness: Debra J. Martin





	A	B	C	D	E
1	JE - 100				
2	<b>MONTHLY MISCELLANEOUS JOURNAL ENTRIES</b>				
3					
4				<b>JULY, 2013</b>	
5	<b>ACCT</b>	<b>DETAIL OF ENTRIES</b>	<b>CODE</b>	<b>DEBIT</b>	<b>CREDIT</b>
6	<b>NO.</b>				
7		JE-100			
8	142.00	Accounts Receivable - Electric Consumer	CASH 40	4,067,581.16	
9	236.50	Accrued State Sales Tax - Consumer	CASH 40		94,661.26
10	236.61	Shelby County School Tax	CASH 40		71,073.15
11	236.62	Henry County Schools	CASH 40		20,087.55
12	236.63	Trimble County School Tax	CASH 40		14,359.66
13	236.64	Carroll County School Tax	CASH 40		3,074.90
14	236.66	Spencer County School Tax	CASH 40		276.25
15	236.67	Anderson County Tax	CASH 40		54.08
16	236.68	Franklin County School Tax	CASH 40		27.08
17	236.65	Eminence School Tax	CASH 40		0.00
18	236.69	Simp Franchise Tax	CASH 40		972.55
19	236.71	Franchise Tax - Shelbyville Res & Small Comm	CASH 40		2,705.74
20	236.72	Franchise Tax - Shelbyville Large Power	CASH 40		6,351.76
21	236.73	Franchise Tax - Campbellsburg	CASH 40		960.99
22	440.10	Residential Sales	CASH 40		2,239,367.70
23	440.20	Residential Sales - Seasonal	CASH 40		6,431.20
24	442.10	Commercial & Industrial - Small (=<500 KW)	CASH 40		545,665.23
25	442.20	Commercial & Industrial - Large (>500 KW)	CASH 40		1,021,833.58
26	444.00	Public Street & Highway Lighting	CASH 40		4,149.95
27	450.00	Forfeited Discounts	CASH 40		35,275.04
28	456.00	Other Revenue (Reoccurring From Monthly Sales)	CASH 40		253.49
29					
30					
31					
32					
33					
34					
35					
36					
37					
38					
39				4,067,581.16	4,067,581.16

	A	B	C	D	E	F	G	H	I	J	M	N	O
1	MONTHLY REVENUE CLASSES - GRAND TOTALS												
2													
3	MONTH - July 2013												
4													
5													
6	Revenue Class	Acct #	Bills	Minimum Bills	Grand Total Energy	DSM Credits	Bill Contracts	Interest Paid	Envirowatts Amount 1	Surcharge Amount 3	Total Revenue	Cumulative Total	KWH Sold
7													
8	1	440.10	14,952	511	\$1,970,763.81	\$1,396.81	-\$77.94	\$9.22	\$374.00	\$266,901.80	\$2,239,367.70	\$2,239,367.70	19,542,077
9	2	440.20	151	7	5,680.49	0.00	0.00	0.10	0.00	750.61	6,431.20	2,245,798.90	44,009
10	5	442.10	355	16	485,392.01	0.00	-3,681.99	0.55	0.00	63,954.66	545,665.23	2,791,464.13	5,746,494
11	6	442.20	8	0	905,195.19	0.00	-1,968.41	0.00	0.00	118,606.80	1,021,833.58	3,813,297.71	13,592,273
12	7	444.00	31	1	3,649.72	0.00	0.00	0.00	0.00	500.23	4,149.95	\$3,817,447.66	15,710
13													
14			15,497	535	\$3,370,681.22	\$1,396.81	-\$5,728.34	\$9.87	\$374.00	\$450,714.10	\$3,817,447.66		38,940,563
15			X	X	X	X	X	X	X	X			X
16													
17													
18					\$3,370,681.22								
19					-5,728.34	Billing Contracts							
20					9.87	Interest Paid							
21					<u>1,396.81</u>	DSM Credits							
22					\$3,366,359.56	Revenue Base for Environmental Surcharge Calculation							

JE - 2800

**MONTHLY MISCELLANEOUS JOURNAL ENTRIES**

ACCT NO.	DETAIL OF ENTRIES	CODE	JULY, 2013	
			DEBIT	CREDIT
	<i>JE-2800</i>			
555.00	Purchased Power	CASH39	2,793,348.00	
232.12	Accounts Payable	CASH39		2,793,348.00
	(To set up current-month power bill payable)			
			2,793,348.00	2,793,348.00

SHELBY ENERGY COOP  
 620 OLD FINCHVILLE ROAD  
 SHELBYVILLE KY 40066

EAST KENTUCKY POWER COOPERATIVE INC.  
 P.O. Box 707 Winchester, Kentucky 40391  
 Wholesale Power Invoice  
 Substation Detail Charges  
 July 2013

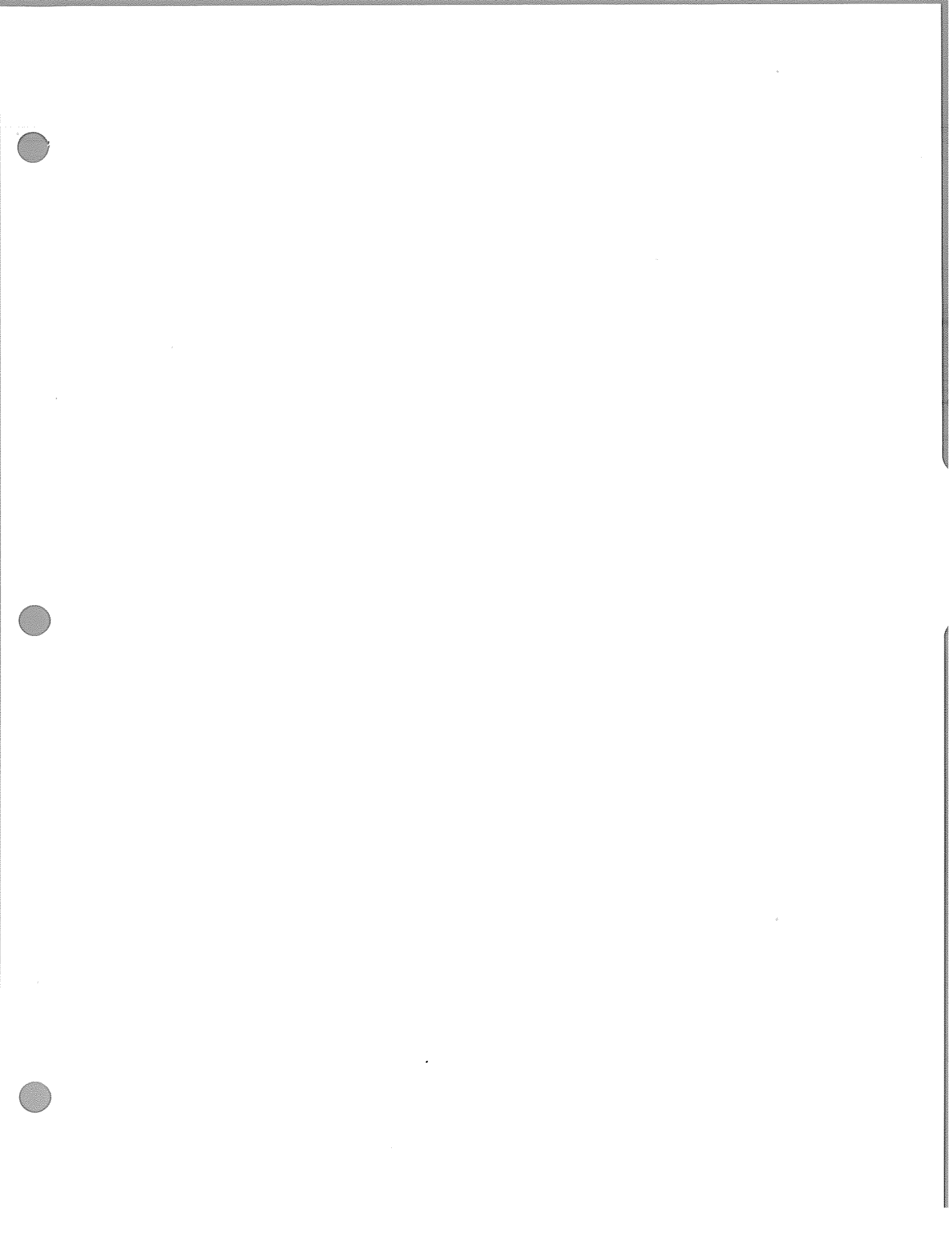
Invoice Date 08/01/13

Substation	Rate Sch	Billing Notes	Billing Demand	KWH	Demand Charge	Energy Charge	Metering Point	Sub/Wheeling Charge	Fuel Adj	DLC	Sur charge	Total Charges
CO-OP Totals			84,383	39,792,281	542,815	1,881,866	1,584	39,693	-79,981		407,764	2,793,741
Direct Load										-610	-104	-714
Green Power				13,500								321
				0	0	0			0		0	0

CO-OP Amount Due \$2,793,348

\* Consumer billed from a contract minimum

Normally due in usable funds by the 21st of the month, subject to the provisions in EKPC Board Policy No. 204, related to weekends and holidays.



PSC Request 2a  
Page 16 of 18

**Shelby Energy Coop - Calculation of (Over)/Under**

	EKPC Invoice Month recorded Member's Books	Billed to Retail Consumer & recorded on Member's Books	Monthly (Over) or Under	Cumulative (Over) or Under
Mo/Yr	(1)	(2)	(3)	(4)
Jul-13	\$ 407,660	\$ 450,714	\$ (43,054)	\$ (43,054)
Aug-13	\$ 387,875	\$ 384,038	\$ 3,837	\$ (39,218)
Sep-13	\$ 335,874	\$ 316,359	\$ 19,515	\$ (19,703)
Oct-13	\$ 302,599	\$ 300,133	\$ 2,466	\$ (17,237)
Nov-13	\$ 397,201	\$ 374,304	\$ 22,897	\$ 5,661
Dec-13	\$ 487,131	\$ 457,802	\$ 29,329	\$ 34,990
Jan-14	\$ 489,209	\$ 483,642	\$ 5,567	\$ 40,557
Feb-14	\$ 326,107	\$ -	\$ 326,107	\$ 366,664

Cumulative 6-months (Over)/Under Recovery	\$ 34,990
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Monthly Recovery (per month for six months)	\$ 5,832
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Original Request Item 2a – Amount shown for July 2013 Reflects		
Member	Month Expense incurred by EKPC	Billed to Member (Service Month & Bill Date)
Big Sandy	June 2013	July – bill dated 8/1/2013
Blue Grass	June 2013	July – bill dated 8/1/2013
Clark	May 2013	June – bill dated 7/2/2013
Cumberland Valley	June 2013	July – bill dated 8/1/2013
Farmers	June 2013	July – bill dated 8/1/2013
Fleming-Mason	June 2013	July – bill dated 8/1/2013
Grayson	June 2013	July – bill dated 8/1/2013
Inter-County	May 2013	June – bill dated 7/2/2013
Jackson	June 2013	July – bill dated 8/1/2013
Licking Valley	June 2013	July – bill dated 8/1/2013
Nolin	June 2013	July – bill dated 8/1/2013
Owen	June 2013	July – bill dated 8/1/2013
Salt River	June 2013	July – bill dated 8/1/2013
<b>Shelby</b>	<b>June 2013</b>	<b>July – bill dated 8/1/2013</b>
South Kentucky	June 2013	July – bill dated 8/1/2013
Taylor County	May 2013	June – bill dated 7/2/2013



SHELBY ENERGY COOP  
 620 OLD FINCHVILLE ROAD  
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EAST KENTUCKY POWER COOPERATIVE INC.  
 P.O. Box 707 Winchester, Kentucky 40391  
 Wholesale Power Invoice  
 Substation Detail Charges  
 July 2013

Invoice Date 08/01/13

Substation	Rate Sch	Billing Notes	Billing Demand	KWH	Demand Charge	Energy Charge	Metering Point	Sub/Wheeling Charge	Fuel Adj	DLC	Sur charge	Total Charges
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Direct Load										-610	-104	-714
Green Power				13,500								321
				0	0	0			0		0	0

**CO-OP Amount Due \$2,793,348**

\* Consumer billed from a contract minimum

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Shelby Energy Cooperative  
 Case No. 2014-00051

Exhibit D  
 Page 1 of 1



**Shelby Energy Cooperative**  
**July Revenue Billing Data and Applicable Environmental Surcharge**

	A	B	C	D
	July Revenue and Applicable Bill Date	July Revenue Environmental Surcharge Rate	July Revenue Base for Environmental Surcharge (Energy, Fuel, Lights)	Environmental Surcharge Amount Billed to Shelby Member
1				
2				
3	07/25/13	13.84%	614,300.81	85,019.96
4	07/30/13	13.84%	612,103.28	84,714.57
5	08/02/13	13.13%	1,220,024.85	160,202.39
6	08/09/13	13.13%	404,305.35	53,085.02
7	08/15/13	13.13%	514,839.62	67,602.43
8	<b>Billing Adjustments Applied for Revenue Month</b>		<u>785.65</u>	<u>89.73</u>
9	<b>TOTALS</b>		<b>\$3,366,359.56</b>	<b>\$450,714.10</b>
10				
11	<b>Revenue Report Totals</b>	Energy	3,212,636.33	
12	<b>for Bill MOYR 07/13</b>	Fuel	110,140.30	
13		Lights	<u>43,582.93</u>	
14			<b>\$3,366,359.56</b>	