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PUBLIC SERVICE
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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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|---------------------------------|---|---------------------|
| BRUCE WILLIAM STANSBURY |) | |
| |) | |
| COMPLAINANT |) | |
| |) | |
| V. |) | CASE NO. 2008-00277 |
| |) | |
| SHELBY ENERGY COOPERATIVE, INC. |) | |
| 620 Old Finchville Rd. |) | |
| Shelbyville, Kentucky 40065 |) | |
| |) | |
| DEFENDANT |) | |
| |) | |

RESPONSE TO SHELBY ENERGY COOPERATIVE'S ANSWER

Comes now Complainant Bruce William Stansbury ("Stansbury"), by counsel, and for his Response to Shelby Energy Cooperative, Inc. ("Shelby Energy")'s Answer to Stansbury's Amended Complaint, states as follows:

1. Stansbury states generally that there are numerous material issues of fact requiring investigation by the Public Service Commission that make Shelby Energy's request to dismiss Stansbury's Amended Complaint inappropriate. Shelby Energy's Answer essentially asks the PSC to take Shelby Energy's word for it that it has done nothing improper. Shelby Energy further conflates unrelated portions of Stansbury's Amended Complaint and makes contradictory statements that warrant investigation. Finally, Shelby Energy's

history of failing to fully and truthfully comply with PSC investigations taints any blanket denials by Shelby Energy.

2. Stansbury also specifically responds to certain statements by Shelby Energy in its Answer that make dismissal completely improper.

3. In response to Stansbury's allegation that the fuel adjustment cost charged to consumers in July 2007 was intentionally miscalculated, Shelby Energy Answers that the fuel adjustment charge was correctly calculated based on how much East Kentucky Power charged Shelby Energy in May 2007. If that is the case, then each of the sixteen other power cooperatives supplied power by East Kentucky Power should have had the same fuel adjustment costs for July 2007. However, upon information and belief, bills from another energy provider who is a member of East Kentucky Power (Salt River) showed a different fuel cost adjustment for the same month. The PSC must investigate to determine if the fuel adjustment charge by Shelby Energy in July 2007 was the same or substantially the same as other East Kentucky Power cooperatives.

4. Shelby Energy admits that it failed to pass-through charges from August to December 2007. Shelby Energy also states that it has maintained its TIER standing. However, documents provided by Stansbury with his Amended Complaint show that Shelby Energy was not profitable until July 2007, when the fuel adjustment charge as described in Paragraph 3 above was passed onto consumers. The PSC must investigate further to determine whether Shelby Energy's TIER status was threatened at any point during 2007, either from

mismanagement and/or failure to pass through charges from August to December 2007.

5. Stansbury alleges that Shelby Energy improperly accounted for under-billed adjustment. Shelby Energy Answer indicates that it treated the revenue appropriately but does not produce any documents supporting this, nor does it cite what federal law would have been violated had it not accounted for the revenue in the way it alleges it did. Further investigation is warranted into the accounting practices to determine whether Shelby Energy properly accounted for the under-billed adjustments.

6. Stansbury alleges that Shelby Energy collected more from customers than the amount it had under-billed from August to December, 2007. Shelby Energy denies this despite admitting only paragraphs earlier that “[t]he only additional revenue recorded in 2008 was \$79,720.62, which was the receivable.” Shelby Energy also states that it tested the proper billing amount which resulted in “a variance of one or two cents based on rounding”, which further undercuts Shelby Energy’s blanket denial that it collected more from customers than it should have. This double-talk and attempt to obfuscate the truth is another reason to proceed with an investigation of Shelby Energy as it is consistent with questionable veracity during a PSC investigation into improper use of company resources for personal benefits.

7. Stansbury alleged that Shelby Energy did not communicate the under-billing to customers and then actively took steps to conceal complaints from the PSC, attaching an email in support of that allegation. Shelby Energy

included a copy of an insert it claims it sent to its customers to explain the under-billing. Whether or not that insert was effective is an issue that requires further investigation, especially in light of Shelby Energy's response to the allegation of concealment. Shelby Energy admits in an understated way that "the level of communication had deteriorated on behalf of the [Shelby Energy] representatives and she overheard members being told 'the PSC approved the correction and if you have any questions, you should contact PSC directly.'" Further investigation is needed into whether Shelby Energy's failure to properly communicate the under-billing issue to its customers lead to an increase in complaints and how Shelby Energy handled those complaints. Further, investigation is needed to determine whether customers were told not to communicate to the PSC or whether any other affirmative steps were taken. Stansbury further states that the email attached to his Amended Complaint speaks for itself and warrants investigation.

8. Stansbury alleged that general mismanagement has damaged Shelby Energy and harmed consumers. Shelby Energy appeared profitable in 2007 only because of the July 2007 fuel adjustment charges and was operating at a loss until that month. If the PSC investigation determines that the July 2007 fuel adjustment cost was miscalculated, further investigation is needed into whether the miscalculation was intentional.

9. Stansbury alleged that turnover and improper training has created safety problems for Shelby Energy employees. Four employees or subcontractors has been killed in the previous few years, a much higher number

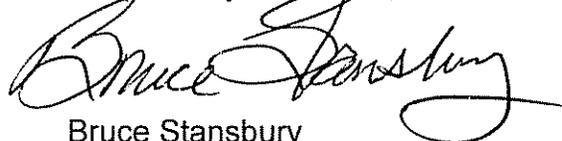
than energy suppliers of a similar size. Further investigation is needed into the training and education of Shelby Energy employees. At the very least, if Shelby Energy has an effective training and education program and all of its employees are properly trained, this portion of the investigation would not pose any threat or worry to Shelby Energy.

10. Shelby Energy alleges that they have “agreed” to a limited management audit. Upon information and belief, Shelby Energy resisted this audit, which has yet to be scheduled or initiated.

11. In sum, the allegations contained in Stansbury’s Amended Complaint warrant investigation into Shelby Energy, and Shelby Energy’s response does more to highlight the need for investigation than satisfy the PSC that all is well at Shelby Energy.

Accordingly, Stansbury respectfully requests that the PSC immediately proceed with a full investigation of his allegations and Shelby Energy.

Respectfully submitted,



Bruce Stansbury
660 Duvall Lane
Finchville, Kentucky 40022

Prepared by:

BAHE COOK CANTLEY & JONES, PLC
Vanessa Cantley
Jasper Ward
239 S. Fifth Street
Suite 700
Louisville, Kentucky 40202