COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SHELBY ENERGY COOPERATIVE, INC. FOR AN INCREASE IN ITS RETAIL RATES	)))	CASE NO. 2016-00434

ORDER

On February 1, 2017, Shelby Energy Cooperative, Inc. ("Shelby Energy") submitted an application for an increase in electric rates of $1,997,640 based on a historical test period. The application proposed that the new rates become effective on March 6, 2017. By letter dated February 3, 2017, the Commission notified Shelby Energy that its rate application was deficient pursuant to 807 KAR 5:001, Sections 16(4)(t)(1), (2), and (3), and that the application was rejected for filing. In response to the Commission's deficiency letter, Shelby Energy filed a letter on February 7, 2017, which cured the deficiencies, and the application was deemed filed on that date. Based on a February 7, 2017 filed date, the earliest date that Shelby Energy's proposed rates could become effective was March 9, 2017. Finding that an investigation would be necessary to determine the reasonableness of Shelby Energy's proposed increase, the Commission issued an Order on February 10, 2017, suspending the effective date of the proposed rates for five months, up to and including August 8, 2017, and establishing a procedural schedule for the processing of this matter.

The procedural schedule provided for, among other things, a deadline for intervention requests, two rounds of discovery upon Shelby Energy's application, and a formal evidentiary hearing. There are no intervenors in this proceeding. Shelby Energy responded to four rounds of discovery and one post-hearing request for information from Commission Staff ("Staff"). A formal evidentiary hearing was conducted on June 15, 2017. Shelby Energy submitted a response to the post-hearing request for information on June 30, 2017. The matter now stands submitted for a decision.

BACKGROUND

Shelby Energy is a member-owned rural electric cooperative corporation, organized under KRS Chapter 279. It is engaged in the distribution and sale of electric energy to approximately 16,000 member-consumers in Anderson, Carroll, Franklin, Henry, Jefferson, Oldham, Owen, Shelby, Spencer, and Trimble counties, Kentucky.[1] Shelby Energy does not own any electric generating facilities, but purchases its total power requirements from East Kentucky Power Cooperative, Inc. ("East Kentucky").[2] Shelby Energy's last general rate adjustment occurred in July 2010.[3]

TEST PERIOD

Shelby Energy proposed, and the Commission accepts, a historical 12-month period ended July 31, 2016, as the test period for determining the reasonableness of the proposed rates. In utilizing the historical test year, the Commission considers appropriate known and measurable changes.

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[1] Annual Report of Shelby Energy Rural Electric Cooperative Corporation to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2016 (filed Mar. 27, 2017), at 17 and 19.

[2] *Id.* at 16.

[3] Case No. 2009-00410, *Application of Shelby Energy Rural Cooperative, Inc. Corporation for an Adjustment in Rates* (Ky. PSC July 27, 2010).

VALUATION

Rate Base

Shelby Energy determined a net investment rate base of $71,855,405[4] based on the adjusted test-year-end value of plant in service and construction work in progress ("CWIP"), the 13-month average balances for materials and supplies and prepayments, plus a cash working capital allowance, minus the adjusted accumulated depreciation and the test-year-end level of customer advances for construction ("Customer Advances").

The Commission concurs with Shelby Energy's proposed rate base with the exception that working capital has been adjusted to reflect the pro forma adjustments to operation and maintenance expenses. With this adjustment, Shelby Energy's net investment rate base for ratemaking purposes is as follows:

Utility Plant in Service	$ 88,069,787
CWIP	773,290
Total Utility Plant	88,843,077
Add:	
Materials & Supplies	567,913
Prepayments	164,245
Cash Working Capital	499,760
Total Additions	1,231,918
Deduct:	
Accumulated Depreciation	(18,235,841)
Customer Advances	(366,438)
Total Deductions:	(18,602,279)
Net Investment Rate Base	$ 71,472,716

[4] Application, Exhibit K at 2.

Capitalization and Capital Structure

The Commission finds that Shelby Energy's capital structure at test-year-end was, for ratemaking purposes, $71,660,858.[5] This capital structure consisted of $20,603,743 in equity and $51,057,115 in long-term debt.[6] The Commission excluded generation and transmission capital credits ("GTCCs") in the amount of $19,862,502.[7] Using this capital structure, Shelby Energy's year-end ratio of equity to total capitalization was 29 percent.[8]

REVENUE AND EXPENSES

Sixteen adjustments were proposed by Shelby Energy to normalize its test year operating revenues and expenses based upon Commission practice and precedent. The Commission finds the following adjustments proposed by Shelby Energy are reasonable and should be accepted without change. Those adjustments are shown in the following table:

Normalize Base Rates	($ 40)
Normalize Purchased Power	($ 2,427,842)
Remove FAC & ESR Revenue	($ 2,763,519)
Property Tax Expense	$ 32,909
Vegetation Management Expenses	($ 495,798)
GTCCs	($ 1,810,069)
End of Test Yr. Customer Adj.	$ 2,909
Donations	($ 6,868)
Professional Fees	($ 31,332)
Directors Fees	($ 73,181)
Misc. Expenses	($ 17,562)
Rate Case Expense	$ 25,000

5 Application, Exhibit K at 1.

6 *Id*. at 7.

7 *Id*.

8 $20,603,743 ÷ $71,660,858 = 29 percent.

The Commission finds that the remaining proposed adjustments should be modified as discussed in more detail below.

Revenue

In its response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 17, Shelby Energy stated that the Envirowatts rate in the application was incorrect. As a result of the correction, operating revenue was decreased by $99.

Payroll and Payroll Taxes

Shelby Energy proposed an adjustment in its application to decrease payroll by $31,486 based on its projected wages.[9] The Commission finds that the actual percentage increase for 2017 should be utilized for the payroll adjustment as it is known and measurable. The percentage increase for non-union employees in 2017 is 2.04 percent and for union employees it is 2.93 percent.[10] Based on this, payroll cost is decreased by $41,848. Shelby Energy's operating expenses were decreased by $24,978 to reflect the adjustment of the uncapitalized portion of payroll and the corresponding adjustment to payroll taxes of $3,014.

Shelby Energy provided salary and benefit information that was used to determine employee salaries, but the study was limited in scope. The Commission has begun placing more emphasis on evaluating how salary and benefits provided by the electric cooperatives are determined, and their competitiveness in a broad marketplace, as opposed to wage and salary studies limited exclusively to electric cooperatives,

[9] Application, Exhibit 1.

[10] Shelby Energy's response to Commission Staff's Post-Hearing Request for Information ("Staff's Post-Hearing Request"), Item 2.

electric utilities, or other regulated utility companies.[11] Future applications filed by Shelby Energy should include a formal study that provides local wage and benefit information for the geographic area where Shelby Energy operates and must include state data where available.

401(k)

Shelby Energy has maintained the National Rural Electric Cooperative Retirement and Security Plan ("R&S") for employees who were hired before January 1, 2010. This plan was closed to new participants on December 31, 2009, and was replaced with a Defined Contribution 401(k) plan ("401(k)") in order to reduce costs. The cooperative pays 100 percent of the cost of the R&S plan. Employees under the R&S plan may also participate in the 401(k), with Shelby Energy matching contributions up to 1 percent of the employee's base salary. For employees under the 401(k) plan only, Shelby Energy provides a 12 percent contribution of the base salary for non-union employees who make an elective contribution of 5 percent and provides a 10 percent contribution of base salary for union employees who make an elective contribution of 9 percent.

The Commission finds that employees under the R&S plan should not receive matching contributions from Shelby Energy under the 401(k) for ratemaking purposes, as such employees already have a generous retirement plan and such practice creates an inequity among employees in the different plans. Accordingly, the Commission denies $24,046 of the cost for the voluntary 401(k) contributions for those employees

[11] *See* Case No. 2015-00312, *Application of Kenergy Corp. for a General Adjustment in Rates* (Ky. PSC Sept. 15, 2016) at 15.

hired before January 1, 2010. The uncapitalized portion of this adjustment decreases operating expenses by $16,160.

Employee Contribution for Health Insurance

Shelby Energy's employee health insurance plan provides for Single, Family, Employee and Spouse, and Employee and Child(ren) coverage.[12] Shelby Energy requires its non-union employees to pay 8 percent of their health insurance premium and the union employees to pay 10 percent of their premiums.[13] The Commission expects Shelby Energy to increase its efforts to rein in expenses for employee benefits by establishing a policy of limiting Shelby Energy's contribution to health insurance premiums and requiring that all employees pay an increased percentage of the premium. The Commission finds that Shelby Energy should limit its contributions to its employees' health plans to percentages more in line with those of other businesses in order to reduce its expenses. Accordingly, the Commission will, for ratemaking purposes, adjust test-year health expense for all employees based on national average employee contribution rates.[14]

The Commission has reduced health insurance cost by $44,808,[15] based on a 32 percent employee contribution rate for family, employee and spouse and employee and child(ren) coverage and 21 percent employee contribution rate for single coverage. The uncapitalized portion of this adjustment decreases operating expenses by $26,679.

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[12] Shelby Energy's response to Staff's Second Request, Item 33.

[13] *Id.*, Item 30.

[14] Bureau of Labor Statistics, Healthcare Benefits, March 2016, Table 10, private industry workers. (https://www.bls.gov/ncs/ebs/benefits/2016/ownership/private/table10a.pdf)

[15] Shelby Energy's response to Staff's Post-Hearing Request, Item 4.

Depreciation Expense

Pursuant to ordering paragraph 4 in Case No. 2009-00410, Shelby Energy was required to perform a depreciation study within five years from the date of the Order, or with the filing of its next base rate case, whichever was earlier. Shelby Energy submitted the depreciation study in conjunction with its application in this case and requested a depreciation deduction of $3,040,004, a $422,492 increase over the actual test-year depreciation expense. This included a proposed change to normalize the test-year depreciation and to reflect the revised depreciation rates developed in the depreciation study.

In its application, Shelby Energy had differing amounts for its proposed increase in depreciation expense, exclusive of transportation equipment. Exhibit S, page 3, listed an increase in depreciation expense of $422,492, whereas, Exhibit 3 listed the increase at $418,340. The Commission finds that the increase in depreciation expense is $418,340.[16]

Shelby Energy's allocation of depreciation on its transportation equipment did not match the depreciation study filed in this proceeding. After making a correction to the allocation percentages, the depreciation expense for transportation equipment was reduced by $692 and was allocated based on the corrected percentages provided in the response to the request for information.[17]

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[16] Shelby Energy's response to Commission Staff's Third Request for Information, Item 3.

[17] *Id.*

Shelby Energy has a request for a change in its depreciation rates pending with the Rural Utilities Service ("RUS").[18] Shelby Energy should keep the Commission apprised of this situation and provide copies of any correspondence with RUS related to this matter, and should also notify the Commission when RUS makes a decision on its proposed change to its depreciation rates.

The Commission finds the depreciation rates requested are reasonable and hereby approves the requested changes.

Interest Expense

Shelby Energy proposed an increase of $70,976 for interest expense on long-term debt in its application to arrive at the total annualized interest of $1,542,944.[19] In response to Staff's Post-Hearing Request, Item 1, Shelby Energy provided an update to the annualized cost of its long-term debt, increasing the amount to $1,621,667. Given that Commission precedent requires that actual rates be utilized in computing the annualized cost of debt, it finds that Shelby Energy's interest expense on long-term debt should be further increased by $78,723 to reflect the current costs of its debt, making the total amount for the test year $1,621,667.

The proposed adjustment to short-term interest is accepted as presented in the application.

Income from Equity Investments

Shelby Energy has a subsidiary holding company, Shelby Energy Services ("SES"), which owns Shelby Energy Propane Plus, an operating company that sells

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[18] *Id.*, Item 38.

[19] Application, Exhibit 5.

propane to the public. In its application, Shelby Energy included $35,101, SES's 2015 net income, in its income from equity investments related to SES for the test year.[20] For calendar years 2013–2016, SES had the following net income for each year: 2013 - $350,513; 2014 - $227,592; 2015 - $35,101; and, 2016 - $115,069.[21] The Commission finds Shelby Energy's proposed amount of net income from SES to be unreasonable, given its actual net income for 2013–2016 and that the test year for SES does not match the test year for Shelby Energy. Therefore, the Commission finds that the 2016 net income from SES should be utilized in this case as it is known and measurable and supported by audited financial statements.

Public Service Company Assessment Fee ("Fee")

After adjusting the test year by decreasing the Fee by $168 for the normalized Fee in the test year, the Commission finds that Shelby Energy shall be allowed an increase in revenue to cover the cost of the Fee, based on the increase granted herein. Accordingly, the Commission hereby grants an increase in revenue of $3,978 for this expense.

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[20] Application, Exhibit S at 1,

[21] *Id.*, Exhibit 22; *see* also Shelby Energy's response to Staff's Post-Hearing Request, Item 22.

Pro Forma Adjustments Summary

The effect of the pro forma adjustments on Shelby Energy's net income is as follows:

	Actual Test Year	Adjustments	Adjusted Test Year
Operating Revenues	$ 43,367,642	$ (2,760,709)	$ 40,606,933
Cost of Electric Service			
Operating Expenses	39,767,338	(3,061,504)	36,705,834
Depreciation	2,617,512	418,340	3,035,852
Taxes - Other	53,103	(168)	52,935
Interest on Long-Term Debt	1,471,969	149,699	1,621,668
Interest Expense - Other	15,561	(11,597)	3,964
Other Deductions	6,869	(6,868)	1
Total Cost of Electric Service	43,932,352	(2,512,098)	41,420,254
Utility Operating Margins	(564,710)	(248,611)	(813,321)
Non-operating Margins, Interest	39,459	-	39,459
Income from Equity Investments	35,101	79,968	115,069
Non-operating Margins - Other	5,493	-	5,493
G&TCCs	1,810,069	(1,810,069)	-
Patronage Capital Credits	62,300	-	62,300
NET INCOME	$ 1,387,712	$ (1,978,712)	$ (591,000)

REVENUE REQUIREMENTS

The actual rate of return earned on Shelby Energy's net investment rate base established for the test year was 1.45 percent.[22] Shelby Energy requests rates that would result in a Times Interest Earned Ratio ("TIER") excluding GTCCs of 1.88[23] and a rate of return of 3.83 percent[24] on its proposed rate base of $71,855,405. Shelby

[22] *Id.*, Exhibit K at 1.

[23] Direct Testimony of Debra J. Martin ("Martin Testimony") at 2.

[24] 2,750,830 (Requested Operating Margins before deduction of interest expense) ÷ $71,855,405 (Net Investment Rate Base) = 3.83 percent. Application, Exhibit S.

Energy proposes an increase in base electric rates of $1,997,640 to achieve a 1.88X TIER excluding GTCCs.

Shelby Energy's actual TIER excluding GTCCs for the test period was 0.71X.[25] Shelby Energy's Operating Times Interest Earned Ratio ("OTIER") for the test period was 0.66.[26] Shelby Energy requests this rate adjustment in order to properly maintain and operate its distribution system, to meet the terms of its mortgage agreement, and to maintain its financial stability and integrity.[27]

The TIER method for determining margins has been the approach utilized in the calculation of revenue requirements used by the Commission in electric distribution cooperative rate cases. Shelby Energy is requesting a 1.88X TIER because of its deteriorating financial position due to small and erratic load growth and cost increases in its vegetation management program, labor costs, construction materials, maintenance costs, property taxes, and depreciation.[28]

Shelby Energy's mortgage agreements with the RUS require the cooperative to maintain a TIER of 1.25X and OTIER of 1.1X using the best ratios for two years out of the three most recent years. Shelby Energy has been compliant with its RUS mortgage covenants, but the test-year TIER and OTIER were below the thresholds listed above. Shelby Energy also has debt with the National Rural Utilities Cooperative Finance Corporation ("CFC") which requires a modified debt service coverage ratio ("MDSC") of 1.35 based on the best ratios for two years out the three most recent years. Shelby

[25] Application, Exhibit K at 5.

[26] Application, Exhibit S at 1.

[27] Martin Testimony at 1.

[28] *Id.* at 2.

Energy is still compliant with its MDSC requirement, but the test-year as well as calendar-year 2016 ratios were below the threshold in the CFC mortgage covenant.

Based upon the pro forma adjustments found reasonable herein, the Commission has determined that an increase in Shelby Energy's revenues from base rates of $1,996,910 would result in a TIER of 1.86X. This additional revenue should produce a net income of $1,401,932. The Commission has determined that the above increase in revenues should result in an OTIER of 1.77X, which should allow Shelby Energy to meet its mortgage requirements and service its mortgage debts. Based on the net investment rate base of $71,472,716 found reasonable herein, this additional revenue should result in a rate of return on rate base of 3.92 percent.[29]

In its application, Shelby Energy proposed a three-phase increase over a two-year period, with approximately 60 percent of the increase in the first phase and 20 percent of the increase in the second and third phases.

Shelby Energy testified at the hearing that it did not believe it would meet its mortgage covenants in 2017 due to its financial condition.[30] Shelby Energy further stated that in order to comply with its mortgage covenants, it would have to implement cost-saving measures, including scaling back its vegetation management expenses.[31] Following are Shelby Energy's mortgage covenant ratios for 2014 through 2016 and the test year:

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[29] $1,179,611 (Granted Operating Margin) + $1,621,668 (Normalized Interest on Long-Term Debt) = $2,801,279 ÷ $71,472,716 (Net Investment Rate Base) = 3.92 percent.

[30] Hearing Video Transcript at 9:09:00 through 9:11:45.

[31] *Id.*

Year		TIER		OTIER		DSC
2014		1.64		1.61		1.56
2015		1.23		1.1		1.36
2016		0.61		0.52		1.11
Test Year		0.71		0.66		1.19

In addition, through April 2017, Shelby Energy's gross operating revenue is approximately $1 million below the same period in the prior year, and its operating margins have decreased approximately $450,000 million for the same timeframe. Given this situation, the Commission finds that Shelby Energy should implement the increase in one step in order to strengthen its financial condition, to be in compliance with its mortgage covenants in 2017 or as soon as possible, and to maintain its distribution system safety and reliability standards.

PRICING AND TARIFF ISSUES

Cost-of-Service

Shelby Energy filed a fully allocated cost-of-service study ("COSS") in order to determine the cost to serve each customer class and the amount of revenue to be allocated to each customer class. Shelby Energy corrected certain errors and revised its COSS in response to Staff's requests for information. Having reviewed Shelby Energy's revised COSS, the Commission finds it to be acceptable for use as a guide in allocating the revenue increase granted herein.[32]

[32] The final revised COSS was filed in response to Staff's Fourth Request, Item 5.

Revenue Allocation

Shelby Energy states that, based on the results of the COSS, only a few rate classes are providing revenue that exceeds the cost to serve, while the majority of the rate classes are providing revenues less than the cost to serve.[33] However, Shelby Energy proposes to allocate the increase to all rate classes in order to keep the overall increase to the Residential rate class at a reasonable level.

The approved base rate increase of $1,996,910 results in an overall increase of 5 percent in base rate revenue. This amount is slightly less than the $1,997,640 increase requested in the application, but $3,889 more than the $1,993,021 increase produced by Shelby Energy's Second Revised Exhibit J, Revenue Analysis shown in the following table:[34]

Rate Schedule	Proposed Increase
Rate 12, Residential Service	1,150,630.07
Off Peak Marketing Rate (ETS)	412.59
Rate 15, Prepay Service	78,585.91
Rate 11, General Service	286,988.70
Rate 2, Large Power	121,839.94
Rate B1, Large Industrial Rate	251,742.62
Rate B2, Large Industrial Rate	60,506.72
Rate 5, Outdoor and Street Lighting	42,314.29
	1,993,020.84

[33] Application, Exhibit H-2, page 3 of 7.

[34] *See* the Second Revised Exhibit J provided in response to Staff's Third Request for Information, Item 12. Shelby Energy provided a Second Revised Exhibit J in response to the Commission's Post-Hearing Request for Information, Item 12, to make changes to the Schedule B2 rates; however, in that response, Shelby Energy made its Schedule B2 changes to Exhibit J filed in the Application rather than to Second Revised Exhibit J.

The Commission has reviewed Shelby Energy's proposal to allocate the increase and finds the allocation to be acceptable. The Commission has also determined that, given the results of the COSS, the additional $3,889 increase should be allocated to the Large Power Service – Rate 2 class.

Rate Design

Shelby Energy is proposing to increase the customer charge for its non-industrial rate classes to reflect the costs to serve each class. The table below shows the current, Phase 3 proposed, and approved customer charges, along with the amounts supported by the revised COSS for those classes for which a change is proposed.

	Current	Proposed	Approved	COSS Results
Residential - Rate 12	$ 10.14	$ 15.00	$ 15.00	$ 35.20
General Service - Rate 11 - Single Phase	$ 13.03	$ 18.00	$ 18.00	$ 45.85
General Service - Rate 11 - Three Phase	$ 33.88	$ 40.00	$ 40.00	$ 45.85
Large Power Service - Rate 2	$ 52.18	$ 70.00	$ 52.18	$ 49.05

As shown in the table, Shelby Energy's proposed customer charge increases are supported by its revised COSS with the exception of the customer charge increase for the Large Power Service - Rate 2 class. Given that the revised COSS supports a customer charge of approximately $49, the Commission will not approve an increase to the current customer charge of $52.18.

Shelby Energy is proposing an increase in the Residential customer charge from $10.14 to $15.00, an increase of 48 percent. The revised COSS supports an amount of $35.20. The Commission understands that, for an electric cooperative that is strictly a distribution utility, there is merit to the argument that there is need for a means to guard against the revenue erosion that often occurs due to the decrease in sales volumes that accompanies poor regional economics, changes in weather patterns, and the implementation or expansion of demand-side management and energy-efficiency programs. For that reason, and given the results of the revised COSS, the Commission will approve an increase in the Residential customer charge to $15.00. Based on Shelby Energy's average residential usage of 1,340 kWh, the average bill for residential customers will increase $7.90 from $128.90 to $136.80, or 6.1 percent.

Shelby Energy is also proposing to increase its demand rates for its Large Industrial Rates B1 and B2 to equal those of its wholesale supplier, East Kentucky. As Shelby Energy is billed at East Kentucky's demand rates to serve customers under Industrial Rates B1 and B2, the Commission will approve the increases in the demand charges for those two rate classes. The Commission will also approve increases in demand charges for other industrial classes to match those of East Kentucky.[35]

Tariff Issue

Shelby Energy's Prepay Tariff shows both a monthly customer charge and a daily customer charge. According to Shelby Energy, Prepay customers are billed at the daily rate.[36] The Commission believes that, in order to avoid confusion for customers, the Prepay Service tariff should reflect only the daily rate. The prepay service fee is also shown in the Prepay Service tariff as both a monthly and daily charge. When filing its compliance tariff as directed in ordering paragraph 3 of this order, Shelby Energy should include only the daily rate for the customer charge and the prepay service fee.

[35] See response to Commission Staff's Fourth Request for Information, Item 1. Through discovery it was determined that there are other industrial rate schedules with no customers for which Shelby Energy would be billed at East Kentucky's demand rates if a customer were to take service under one of the tariffs. Shelby Energy provided updated proposed tariffs for the other industrial rate schedules reflecting the increases.

[36] Shelby Energy's response to Commission Staff's Second Request for Information, Item 3.

SUMMARY

The Commission, after consideration of the evidence of record and being otherwise sufficiently advised, finds that:

1. The rates proposed by Shelby Energy would produce revenues in excess of the amount found reasonable herein and should be denied.

2. The rates set forth in the Appendix to this Order are the fair, just, and reasonable rates for Shelby Energy to charge for service rendered on and after the date of this Order and should be approved.

3. The proposed changes to Shelby Energy's depreciation rates, based on its depreciation study, are reasonable and should be approved.

4. The rate of return, TIER, OTIER and MDSC granted herein will provide for Shelby Energy's financial obligations.

IT IS THEREFORE ORDERED that:

1. The rates proposed by Shelby Energy are denied.

2. The rates set forth in the Appendix to this Order are approved for services rendered by Shelby Energy on and after the date of this Order.

3. Within 20 days of the date of this Order, Shelby Energy shall file with this Commission, using the Commission's electronic Tariff Filing System, new tariff sheets setting forth the rates and charges approved herein and reflecting their effective date and that they were authorized by this Order.

4. The proposed changes to Shelby Energy's depreciation rates, based on its depreciation study, are reasonable and hereby approved.

5. Shelby Energy shall provide the Commission with copies of all correspondence with RUS relating to its proposed change in depreciation rates and notify the Commission of the results when RUS makes its decision on whether to approve its revised depreciation rates.

6. In future rate applications, Shelby Energy shall perform a formal study that provides local wage and benefit information for the geographic area in which it operates, and which shall include state data where available.

7. Shelby Energy shall file a report, within 60 days of the date of this Order, setting forth the employer and employee contribution amounts and percentages Shelby Energy will implement for health and dental insurance premiums, along with the date the revised contribution schedule will be implemented. Within 30 days of the date that the revised employer/employee health and dental insurance premium contribution schedule is implemented, Shelby Energy shall file evidence of its implementation.

By the Commission

ENTERED

JUL 31 2017

KENTUCKY PUBLIC SERVICE COMMISSION

ATTEST:

Acting Executive Director

for John S. Lyons

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2016-00434 DATED JUL 3 1 2017

The following rates and charges are prescribed for the customers in the area served by Shelby Energy Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

RATE 12
RESIDENTIAL SERVICE

Consumer Facility Charge per Month	\$ 15.00
Energy Charge per kWh	\$ .09088

RATE 9
OFF-PEAK RETAIL MARKETING (ETS)

Energy Charge per kWh	\$ .06281

RATE 15
PREPAY SERVICE

Consumer Facility Charge per Day	\$ .50
Energy Charge per kWh	\$ .09088
Prepay Service Fee per Day	\$ .10

RATE 11
GENERAL SERVICE

Consumer Facility Charge per Month:	
Single Phase	\$ 18.00
Three Phase	\$ 40.00
Energy Charge per kWh	\$ .09308

RATE 2
LARGE POWER SERVICE

Consumer Facility Charge per Month	\$ 52.18
Demand Charge per kW	\$ 6.05
Energy Charge per kWh	\$ .06414

SCHEDULE B1
LARGE INDUSTRIAL RATE

Consumer Facility Charge per Month	$ 614.28
Demand Charge per kW of Contract Demand	$ 7.17
Demand Charge per kW in Excess of Contract Demand	$ 9.98
Energy Charge per kWh	$ .05230

SCHEDULE B2
LARGE INDUSTRIAL RATE

Consumer Facility Charge per Month	$ 1,227.41
Demand Charge per kW of Contract Demand	$ 7.17
Demand Charge per kW in Excess of Contract Demand	$ 9.98
Energy Charge per kWh	$ .04600

SCHEDULE B3
LARGE INDUSTRIAL RATE

Consumer Facility Charge per Month:	
Transformer Size of 10,000 – 14,999 kVa	$ 3,421.59
Transformer Size of 15,000 kVa and Greater	$ 5,430.92
Demand Charge per kW of Contract Demand	$ 7.17
Demand Charge per kW in Excess of Contract Demand	$ 9.98
Energy Charge per kWh	$ .04540

SCHEDULE C1
LARGE INDUSTRIAL RATE

Consumer Facility Charge per Month	$ 614.28
Demand Charge per kW of Billing Demand	$ 7.17
Energy Charge per kWh	$ .05230

SCHEDULE C2
LARGE INDUSTRIAL RATE

Consumer Facility Charge per Month	$ 1,227.41
Demand Charge per kW of Billing Demand	$ 7.17
Energy Charge per kWh	$ .04600

SCHEDULE C3
LARGE INDUSTRIAL RATE

Consumer Facility Charge per Month:	
Transformer Size of 10,000 – 14,999 kVa	$ 3,421.59
Transformer Size of 15,000 kVa and above	$ 5,430.92
Demand Charge per kW	$ 7.17
Energy Charge per kWh	$ .04540

RATE 22
OPTIONAL T-O-D DEMAND

Consumer Facility Charge per Month	$ 45.92
Demand Charge per kW	$ 6.02
Energy Charge – First 100 kWh per kW Demand	$ .07322
Energy Charge – Next 100 kWh per kW Demand	$ .06682
Energy Charge – All Over 200 kWh per kW Demand	$ .06044

RATE 3
OUTDOOR AND STREET LIGHTING SERVICE

Monthly Rates:	
High Pressure Sodium:	
100 Watt Outdoor Light	$ 10.17
100 Watt Decorative Colonial Light	$ 13.69
400 Watt Directional Flood Light	$ 20.73
250 Watt Directional Flood Light	$ 14.99
150 Watt Decorative Acorn Light	$ 16.36

RATE 3L
LED OUTDOOR LIGHTING FACILITIES

Standard	$ 10.82
Decorative Colonial	$ 13.46
Cobra Head	$ 14.72
Directional Flood Light	$ 20.13

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