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SHELBYVILLE, KENTUCKY 40065

RECEIVED

AUG 8 2005

PUBLIC SERVICE  
COMMISSION

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C. LEWIS MATHIS, JR.  
T. SHERMAN RIGGS  
DONALD T. PRATHER  
NATHAN T. RIGGS

E-MAIL: [mrp@iglou.com](mailto:mrp@iglou.com)

August 3, 2005

Beth O'Donnell, Executive Director  
Public Service Commission  
211 Sower Blvd  
P.O. Box 615  
Frankfort, KY 40602

Re: Shelby Energy Cooperative, Inc. – Application for  
Certificate of Convenience and Necessity  
PSC Case No. 2005-00306

Dear Ms. O'Donnell:

Enclosed please find one original and ten (10) copies, plus an extra first page only, of Shelby Energy Cooperative, Inc.'s Supplement to Application. Please file the original and ten copies with the Commission and return to me the file-stamped first page copy. For your convenience I have enclosed a self-addressed stamped envelope.

Yours truly,

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

BY:   
Donald T. Prather

DTP/pm  
Enclosures  
Cc: Dudley Bottom, Jr.  
Don/sec/stewart/PSC filing

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AUG 8 2005

PUBLIC SERVICE  
COMMISSION

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

IN THE MATTER OF:

THE APPLICATION OF SHELBY ENERGY )  
COOPERATIVE, INC. FOR A CERTIFICATE )  
OF CONVENIENCE AND NECESSITY )

CASE NO. 2005-00306

**Supplement to Application**

Comes Shelby Energy Cooperative, Inc. (hereinafter "SEC"), by counsel, and respectfully submits the additional information pursuant to the Commission's July 26, 2005 deficiency letter:

1. Enclosed is the original copy of the June 20, 1997 Articles of Amendment to the Articles of Incorporation of Shelby Rural Electric Cooperative Corporation, now known as Shelby Energy Cooperative, Inc. The original Articles of Incorporation and all other amendments thereto are on file with the Commission as part of Case No. 97-231.

2. Copies of the franchises with the City of Shelbyville (PSC Case No. 97-231) and the City of Cambellsburg (PSC Case No. 2001-237) were previously filed with the Commission. Those franchises are not involved in the proposed new construction that is the subject of this proceeding.

3. SEC will finance the new construction using internally generated funds. In the event those funds are not adequate, SEC has in place a six million dollar line of credit with Cooperative Finance Corporation to use as a backup financing method. This is considered unlikely since the line of credit was last used prior to 2001.

4. The estimated cost of operation after the proposed facilities are completed is shown on the enclosed RUS Form 325K – Determination of Operating Expenses.

Respectfully Submitted,

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

By: 

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Donald T. Prather  
500 Main Street, Suite 5  
Shelbyville, Kentucky 40065  
Phone (502) 633-5220  
Fax (502) 633-0667

ARTICLES OF AMENDMENT  
TO THE  
ARTICLES OF INCORPORATION  
OF  
SHELBY RURAL ELECTRIC COOPERATIVE  
CORPORATION

RECEIVED & FILED  
*C. G. R.*  
JUN 20 11 06 AM '97  
JOHN Y. BROWN III  
SECRETARY OF STATE  
COMMONWEALTH OF KENTUCKY  
BY *Shelby R. Brown*

Shelby Rural Electric Cooperative Corporation adopts the following amended articles to its Articles of Incorporation:

ARTICLE I

The name of the Corporation shall be "Shelby Energy Cooperative, Inc.", (hereinafter referred to as the "Corporation").

ARTICLE II

The purpose or purposes for which the Corporation is formed are to promote and encourage the fullest possible use of electric and other energy in the Commonwealth of Kentucky by making electric, gas, and other energy available by production, transmission or distribution, or both, to or by otherwise securing the same for the inhabitants of and persons in rural areas of the Commonwealth of Kentucky at the lowest cost consistent with sound business methods and prudent management of the business of the Corporation and also by making available to the said inhabitants as aforesaid electric and other energy devices, equipment, wiring, appliances, fixtures and supplies and all kinds of tools, equipment and machinery (including any fixtures or property or both which may by its use be conducive to a more complete use of electricity, gas, or other energy sources) operated by electric, gas, or other energy and, without limiting the generality of the foregoing:

a) To generate, manufacture, purchase, acquire and accumulate electric, gas, or other energy for its members and non-members to the extent permitted by the Act under which the Corporation is formed and to transmit, distribute, furnish, sell and dispose of such electric, gas, or other energy to its members and non-members to the extent permitted by the Act under which the Corporation is formed, and to construct, erect, purchase, lease as lessee and in any manner acquire, own, hold, maintain, operate, sell, dispose of, lease as lessor, exchange and mortgage plants, buildings, works, machinery, supplies, apparatus, equipment, and electric, gas, or other energy transmission and distribution lines or systems necessary, convenient or useful for carrying out and accomplishing any or all of the foregoing purposes;

b) To acquire, own, hold, use, exercise and, to the extent permitted by law, to sell, mortgage, pledge, hypothecate and in any manner dispose of franchises, rights, privileges, licenses, rights of way and easements necessary, useful or appropriate to accomplish any or all of the purposes of the Corporation;

c) To purchase, receive, lease as lessee, or in any other manner acquire, own, hold, maintain, use, convey, sell, lease as lessor, exchange, mortgage, pledge or otherwise dispose of any and all real and personal property or any interest therein necessary, useful or appropriate to enable the Corporation to accomplish any or all of its purposes;

d) To assist its members to wire their premises and install therein electrical, gas, and other energy and plumbing appliances,

fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and, in connection therewith and for such purposes, to purchase, acquire, lease, sell, distribute, install and repair electrical, gas, or other energy and plumbing appliances, fixtures, machinery, supplies, apparatus and equipment of any and all kinds and character (including, without limiting the generality of the foregoing, such as are applicable to water supply and sewage disposal) and to receive, acquire, endorse, pledge, guarantee, hypothecate, transfer or otherwise dispose of notes and other evidences of indebtedness and all security therefor;

e) To borrow money, to make and issue bonds, notes and other evidences of indebtedness, secured or unsecured, for moneys borrowed or in payment for property acquired, or for any of the other objects or purposes of the Corporation; to secure the payment of such bonds, notes or other evidences of indebtedness by mortgage or mortgages, or deed or deeds of trust upon, or by the pledge of or other lien upon, any or all of the property, rights, privileges or permits of the Corporation, wheresoever situated, acquired or to be acquired; and

f) To do and perform, either for itself or its members, any and all acts and things, and to have and exercise any and all powers, as may be necessary or convenient to accomplish any or all of the foregoing purposes or as may be permitted by the Act under which the Corporation is formed, and to exercise any of its powers anywhere.

ARTICLE VIII

**Section 1.** The Corporation shall have no capital stock, and the property rights and interests of each member shall be equal.

**Section 2.** Any person, firm, association, corporation or body politic or subdivision thereof will become a member of the Corporation upon receipt of electric service from the Corporation, provided that he or it has first:

- a) Made a written application for membership therein;
- b) Agreed to purchase from the Corporation electric energy;
- c) Agreed to comply with and be bound by these Articles of Incorporation and the Bylaws of the Corporation and any rules and regulations adopted by the Board of Directors, and
- d) Paid the membership fee, if any, specified in the Bylaws of the Corporation.

**Section 3.** Each member shall, as soon as electric energy shall be available, purchase from the Corporation all electric energy used on the premises specified in his application for membership, and shall pay therefor monthly at rates which shall from time to time be fixed by the Board of Directors; provided, however, that the Board of Directors may limit the amount of electric energy which the Corporation shall be required to furnish to any one member. It is expressly understood that amounts paid for electric energy in excess of the cost of service are furnished

by members as capital and each member shall be credited with the capital so furnished as provided in the Bylaws. Each member shall pay to the Corporation such minimum amount per month regardless of the amount of electric energy consumed, as shall be fixed by the Board of Directors from time to time. Each member shall also pay all amounts owed by him to the Corporation as and when the same shall become due and payable.

**Section 4.** The Board of Directors may, by the affirmative vote of not less than two-thirds (2/3) of the members thereof, expel any member of the Corporation who shall have violated or refused to comply with any of the provisions of the Articles of Incorporation or the Bylaws of the Corporation or any rules or regulations adopted.

**Section 5.** Any member of the Corporation may withdraw from membership upon payment in full of all of his debts and liabilities to the Corporation and upon compliance with and performance of such terms and conditions as the Board of Directors may prescribe.

**Section 6.** Membership in the Corporation and the certificate representing the same, if any, shall not be transferable, and upon the death, cessation of existence, expulsion or withdrawal of a member, the membership of such member shall thereupon terminate, and his or its certificate of membership shall be surrendered to the Corporation. Subject to the payment of all debts and liabilities of a member to the Corporation, upon any such termination of membership and the surrender of his or its membership certificate, if any, the Corporation shall pay to each



member or his personal representative, an amount equal to the membership fee, if any, paid by such member; provided, however, that any membership fee which has been paid, in whole or in part, by the application of capital credited to the account of a non-member patron as provided in the Bylaws, shall be repaid to the member only in accordance with the provisions of the Bylaws with respect to the retirement of patronage capital. Termination of membership by death; cessation of existence, expulsion or withdrawal shall not release the member from the debts or liabilities of such member to the Corporation. In case of a lost, destroyed or mutilated certificate, a new certificate may be issued therefor upon such terms and such indemnity to the Corporation as the Board of Directors may prescribe.

**Section 7.** Membership in the Corporation may be evidenced by a certificate of membership which shall be in such form and shall contain such provisions as shall be determined by the Board of Directors not contrary to or inconsistent with the Articles of Incorporation or the Bylaws of the Corporation, nor until such membership fee, if any, has been fully paid for in cash and such payment has been deposited with the Treasurer of the Corporation.

**Section 8.** No member may own more than one membership in the Corporation and each member shall be entitled to one (1) vote and no more upon each matter submitted to a vote at any meeting of the members of the Corporation.

**Section 9.** At all meetings of members, a member may vote by proxy executed in writing by the member. Such proxy shall be

filed with the Secretary of the Corporation before or at the time of the meeting. No proxy shall be valid after sixty (60) days from the date of its execution and the proxy so appointed may not vote at any meeting other than the one designated in the proxy or any adjournment or adjournments of such meeting.

#### ARTICLE X

Subject to the provisions of any mortgage given by the Corporation and within sixty (60) days after expiration of each fiscal year, the Board of Directors, after paying or providing for the payment of all operating expenses for a reasonable period, and all interest and installments on account of the principal of notes, bonds or other evidences of indebtedness of the Corporation which shall have become due and be unpaid, or which shall have accrued at the end of the fiscal year but which shall not be then due, and after paying or making provision for the payment of all taxes, insurance and all other non-operating expenses which shall have become due and be unpaid, and all taxes, insurance and all other non-operating expenses which shall have accrued at the end of the fiscal year but which shall not be then due, shall apply the revenues and receipts of the Corporation remaining thereafter for the following purposes and in the following order of priority;

1. The establishment and maintenance of a reserve for the payment of interest on and principal of all outstanding notes, bonds or other evidences of indebtedness of the Corporation in an amount which shall equal the amount of principal and interest required to be

paid in respect of such notes, bonds or other evidences of indebtedness during the ensuing fiscal year;

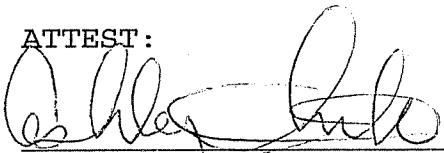
2. The establishment and maintenance of a general reserve fund for working capital, insurance, taxes, depreciation, obsolescence, and contingencies in an amount which the Board of Directors shall deem reasonable;

and all revenues and receipts not needed for the above and foregoing purposes shall be returned, paid, or abated to the members as a patronage dividend or refund on the basis and in the manner provided in the Act under which the Corporation is organized, provided, however, that in no case shall any such patronage dividend or refund be returned, paid, or abated to any member who is indebted to the Corporation until such indebtedness is paid or arrangements in respect thereof satisfactory to the Board of Directors shall have been made.

SHELBY RURAL ELECTRIC COOPERATIVE CORPORATION

  
Dudley Bottom, Jr., President

ATTEST:

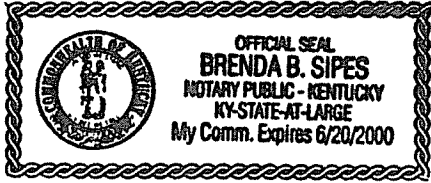
  
Ashley Chilton, Secretary

STATE OF KENTUCKY     )  
                                  ) SS  
COUNTY OF SHELBY    )

Subscribed and sworn to before me by Dudley Bottom, Jr.,

President, Shelby Rural Electric Cooperative Corporation, this the 18<sup>th</sup> day of June, 1997.

My commission expires: 6-20-2000.



Brenda B. Sipes  
NOTARY PUBLIC  
State-at-Large, Kentucky

This instrument prepared by:

Mathis, Riggs, Prather & Dean, P.S.C.  
P.O. Box 1059, 500 Main St.  
Shelbyville, KY 40066-1059  
(502) 633-5220

By: Donald T. Prather  
Donald T. Prather

2RECC\AMEN-ART.REV  
6-16-97

DOCUMENT NO: 76126  
RECORDED ON JUNE 26, 1997 03:53:11PM  
TOTAL FEES: \$21.00  
COUNTY CLERK: SUE CAROLE PERRY  
COUNTY: SHELBY COUNTY  
DEPUTY CLERK: REGENIA COX

FINANCIAL FORECAST RUS FORM 325K - DETERMINATION OF OPERATING EXPENSES

	FUTURE YEARS												
	2002	2003	2004	2005	2006	2007	2008	2009	2010	2011	2012	2013	2014
1. a. TOTAL KWH REQUIREMENTS	436,247,692	435,573,609	444,919,262	476,741,902	495,929,980	517,994,775	537,112,853	563,691,745	578,796,238	592,175,549	610,681,296	631,207,941	651,598,746
b. BASE COST PER KWH PURCHASED (PRES. RA	0.03569	0.03779	0.04153	0.04380	0.04184	0.04145	0.04269	0.04372	0.04609	0.04779	0.04780	0.04912	0.05036
c. FLOW THROUGH ADJ./KWH WHOLESAL	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000	0.00000
d. TOTAL COST PER KWH PURCHASED	0.03569	0.03779	0.04153	0.04380	0.04184	0.04145	0.04269	0.04372	0.04609	0.04779	0.04780	0.04912	0.05036
e. COST OF POWER	15,571,724	16,462,020	18,478,585	20,881,295	20,749,711	21,470,893	22,929,346	24,544,503	26,676,719	28,300,069	29,190,566	31,004,934	32,814,513
2. a. OPERATION & MAINT. EXPENSE	2,058,381	2,366,375	2,649,766	2,532,150	2,608,115	2,686,358	2,766,949	2,849,957	2,935,456	3,023,820	3,114,225	3,207,652	3,303,881
b. RATIO TO TOTAL UTILITY PLANT	4.501	4.869	5.144	4.679	4.598	4.528	4.468	4.416	4.367	4.322	4.279	4.239	4.202
3. a. ADMIN. GENERAL & OTHER DEDUCT.	711,297	686,173	693,519	708,704	729,955	751,864	774,420	797,653	821,582	846,230	871,617	897,765	924,698
b. RATIO TO TOTAL UTILITY PLANT	1.558	1.412	1.346	1.310	1.287	1.267	1.250	1.236	1.222	1.210	1.198	1.186	1.176
4. a. DEPREC. & AMORTIZATION EXPENSE	1,291,891	1,383,068	1,462,252	1,557,095	1,603,808	1,651,922	1,701,480	1,752,524	1,805,100	1,859,253	1,915,030	1,972,481	2,031,656
b. RATIO TO TOTAL UTILITY PLANT	2.829	2.846	2.839	2.877	2.827	2.784	2.747	2.716	2.686	2.658	2.631	2.607	2.584
5. a. TAX EXPENSE	27,588	28,056	27,588	31,672	32,622	33,601	34,609	35,647	36,717	37,818	38,953	40,121	41,325
b. RATIO TO TOTAL UTILITY PLANT	0.060	0.058	0.054	0.059	0.058	0.057	0.056	0.055	0.055	0.054	0.054	0.053	0.053
6. TOTAL UTILITY PLANT	45,660,713	48,600,373	51,513,651	54,117,351	56,722,162	59,327,367	61,932,229	64,535,986	67,212,856	69,962,032	72,782,684	75,673,955	78,634,964
7. a. CONSUMER ACCT. & SALES EXPENSE	774,808	807,578	868,529	886,463	913,057	940,449	968,662	997,722	1,027,654	1,058,483	1,090,238	1,122,945	1,156,633
b. COST PER CONSUMER SERVED	57,843	58,631	61,655	61,085	61,168	61,295	61,420	61,584	61,769	61,979	62,196	62,466	62,826
c. AVERAGE NUMBER OF CONSUMERS SERVED	13,395	13,727	14,087	14,512	14,927	15,343	15,771	16,201	16,637	17,078	17,529	17,971	18,410