

MATHIS, RIGGS & PRATHER, P.S.C.
ATTORNEYS AT LAW
500 MAIN STREET, SUITE 5
SHELBYVILLE, KENTUCKY 40065

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

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January 10, 2007

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

RECEIVED

JAN 11 2007

PUBLIC SERVICE
COMMISSION

Re: Shelby Energy Cooperative, Inc. - Application for
Certificate of Convenience and Necessity

Case No. 2007-00021

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 Application for Certificate of Convenience and Necessity. 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.

Thank you for your attention to this matter.

Yours truly,

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

BY:

Donald T. Prather
Donald T. Prather

By: ArMcClain

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

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 11 2007

PUBLIC SERVICE
COMMISSION

CASE NO. 2007-00071

In the Matter of:

THE APPLICATION OF SHELBY ENERGY COOPERATIVE,)
INC. FOR A CERTIFICATE OF CONVENIENCE AND)
NECESSITY ALLOWING IT TO APPLY FOR AND OBTAIN)
A FRANCHISE FROM THE CITY OF SIMPSONVILLE,)
KENTUCKY TO PROVIDE ELECTRIC UTILITY SERVICE)
WITHIN THE CITY.)

APPLICATION

The Petition of Shelby Energy Cooperative, Inc. ("Shelby Energy") respectfully shows:

1. The Applicant is engaged in the business of providing electric utility service to Shelby County, Kentucky, which includes a portion of the City of Simpsonville.

2. The address of Shelby Energy is:

620 Old Finchville Road
Shelbyville, KY 40065

3. This application is filed pursuant to KRS 278.020(3) and 807 KAR 5:001 §9(1).

4. A copy of the June 20, 1997 Articles of Amendment to the Articles of Incorporation of Shelby Energy is attached hereto as "Exhibit A". The original Articles of Incorporation and all prior amendments are a part of the record of Case No. 97-231.

5. The name of the governmental agency offering the franchise is the City of Simpsonville.

6. The type of franchise offered is for the provision of electrical utility service within the city limits, both now existing and as they may exist in the future.

7. There is a need and demand for such service because Shelby Energy is already serving approximately 83 customers within the city limits of Simpsonville, and this number will increase as development occurs on those portions of Shelby Energy's certified territory already lying within the city limits and as additional land is annexed by the City.

8. Shelby Energy has never had a franchise with the City of Simpsonville. Attached hereto as "Exhibit B" is a copy of the ordinance requiring Shelby Energy to obtain a franchise and setting forth the formula for the franchise fee which will be imposed thereunder. The proposed electric service franchise agreement will consist of Sections 1 through 10 of Exhibit B. The City of Simpsonville has advised Shelby Energy to submit a bid in the amount of the advertising expenses for the franchise ordinance, which is expected to cost Shelby Energy \$102.47.

WHEREFORE, Applicant asks that the Public Service Commission of the Commonwealth of Kentucky make its order authorizing applicant to apply for and obtain a franchise to render electrical utility service within the City of Simpsonville upon the terms and conditions set forth in the exhibits attached to this application, and that Shelby Energy be permitted to execute the electric service franchise attached hereto as Exhibit C.

RECEIVED & FILED

Ce 4/28

JUN 20 11 06 AM '97

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

JOHN Y. BROWN III
SECRETARY OF STATE
COMM. OF KENTUCKY
BY *Andrew King*

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:

EXHIBIT Angeloff

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.
Dudley Bottom, Jr., President

ATTEST:

Ashley Chilton
Ashley Chilton, Secretary

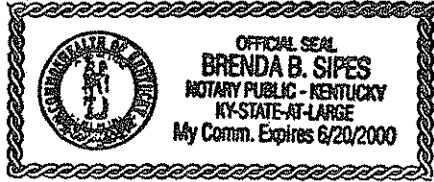
STATE OF KENTUCKY)
) SS
COUNTY OF SHELBY)

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

EXHIBIT A pg 809

President, Shelby Rural Electric Cooperative Corporation, this the 18th 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

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

CITY OF SIMPSONVILLE
 ORDINANCE NO. 2006- 013
 AN ORDINANCE OF THE CITY OF SIMPSONVILLE GRANTING A FRANCHISE
 FOR UTILITY SERVICES

BE IT ORDAINED BY THE CITY OF SIMPSONVILLE, SHELBY COUNTY, KENTUCKY:

SECTION 1: That ~~Shelby Energy Cooperative, Inc.~~ the purchaser and grantee of this franchise, or its legal representatives, successors, and assigns, hereinafter called the "purchaser," be, and is, subject to the conditions hereinafter contained, hereby authorized and empowered to acquire, purchase, construct, maintain and operate in and through this City, a system or works for the generation, transmission and distribution of electrical energy' from points either within or without the corporate limits of this City, to all areas and parts of this City and the inhabitants thereof, as its corporate limits now or hereafter exist, excepting only those areas or parts included within a franchise heretofore granted by the City to Kentucky Utilities, and from and through this City to persons, corporations and municipalities beyond the limits thereof, and for the sale of same for light, heat, power and other purpose, and for such purposes to erect and maintain poles and other structures, wires and other apparatus necessary or convenient for the operation of said system in, upon, across, under, and along each and all of the streets, alleys and public grounds within the present and future corporate limits of this City; to have and hold, as by law authorized, any and all real estate, easements, water and other rights necessary or convenient for said purpose; to use any and all such streets, alleys and public grounds while constructing or operating said electric system or works; and to cross any and all streets and streams in this City for the purpose of constructing, maintaining or extending such poles, wires and other apparatus as may be necessary or convenient for the proper distribution of electric energy in and through this City. Such right to maintain shall include the right to remove and/or trim trees in accordance with the purchaser's customary procedures. If, after any pole or other structure or facility has once been erected or placed, in exercise of the authority herein granted, the Board of Commissioners shall order the removal of said pole, structure or facility on another location, the City shall pay the cost of making such relocation, except that, if the relocation is made necessary due to widening, regrading or reconstruction of a street or highway and the pole was originally erected in public right-of-way and is in public right-of-way immediately prior to the relocation, purchaser will pay the cost of the relocation.

SECTION 2: The purchaser shall indemnify, and save harmless the City from any and all damages, judgments, decrees, costs and expenses, including a reasonable attorney's fee, which the City may legally suffer or incur or which may be legally obtained against the City for or by reason of the use and occupation of any street, alley, or public ground in the City by the purchaser, pursuant to the terms of this franchise, or

EXHIBIT Bng 10/4

legally resulting from the exercise by the purchaser of any of the privileges herein granted; and, if any claim shall be made or suit brought against the City for damages alleged to have been sustained by reason of the occupation of any street, alley, or public ground or exercise of any privileges herein granted, by the purchaser, the City shall immediately notify the purchaser in writing thereof, and the purchaser is hereby given the right and privilege to defend or assist in defending such suit, in the name of the City.

SECTION 3: The City may not impose upon or exact from this purchaser any fee, compensation or remuneration of any kind, or impose upon the purchaser any obligation for the purchaser's engaging in the City or adjoining territory in the sale and distribution of electrical energy. The payments provided for in Section 9 being in consideration of the rights and privileges herein granted including those with respect to the streets, alleys and public grounds within the City.

SECTION 4: The purchaser shall extend its electric light or power lines and install additional equipment whenever there is assured to it from additional business to be derived therefrom a reasonable return upon the investment required to install such extension.

SECTION 5: The purchaser shall have the right to make and enforce reasonable rules and regulations necessary to the proper conduct of its business and protection of its property.

SECTION 6: The purchaser shall have the right to charge for electrical energy supplied within the City, rates that are reasonable and that are subject to regulation by the Kentucky Public Service Commission.

SECTION 7: This franchise and all rights and privileges granted hereunder shall be in full force and effect for a period of twenty (20) years from and after the date when this franchise is granted to the purchaser.

SECTION 8: This franchise may be transferred by the purchaser and the word "purchaser" whenever used in this franchise shall include and be taken to mean and apply so to all the successors and assigns of the purchaser.

SECTION 9: As additional consideration for the grant of this franchise, the purchaser will pay to the City a sum equal to 3% of the gross revenue received by the purchaser, on and after the date when the grant of this franchise becomes effective, from electric service rendered within the corporate limits of the City to customers supplied under residential and commercial revenue classification, as now defined in the purchaser's system of accounts and reported to the Kentucky Public Service Commission. The amount payable to the City for each full calendar year during which this franchise is in effect shall be computed on the basis of revenues received between January 1st and

EXHIBIT Bpg 2 of 4

December 31st of such year, and payment shall be made on or prior to March 1st next following such December 31st; the amount which may be payable to the City for a portion of a calendar year at the commencement or termination of the term of this franchise shall be computed on the basis of revenues received during such portion of a calendar year, and shall be payable not more than 60 days after the termination of the calendar year which includes the period for which payment is made. If any amount paid pursuant to the provisions of this Section 9 is stated by purchaser, at time of such payment, to be based in whole or in part on revenues which are subject to refund by purchaser, and if any part of such revenues thereafter is required to be refunded by purchaser, the City shall repay to purchaser that part of the payment made hereunder based upon such revenues required to be refunded, such repayment to be made, at purchaser's option, either on demand or by credit against the payment or payments otherwise next becoming due hereunder. Should any license tax, occupational tax or any other tax, charge or fee except ad valorem taxes be now or hereafter imposed, the amount payable under this section shall be payable only to the extent that it exceeds the sum of all such taxes, charges or fees. The Public Service Commission of Kentucky has directed that payments such as those to the City above provided for are to be recovered as charges to customers served within the involved franchise area, and that such charges are to be listed as separate items on such customers' bills. The City recognizes that the purchaser is subject to the provision of statutes heretofore hereafter enacted by the General Assembly of the Commonwealth of Kentucky including statutes prescribing the regulatory jurisdiction of the Kentucky Public Service Commission, and to such Commission's exercise of such jurisdiction, and could become subject to regulatory jurisdiction of other governmental agencies relative, among other subjects, to the making of the said payments and to their rate or other treatment. If the charging, payment or collection of the sums specified in this Section 9 to be payable to the City should be made unlawful, prohibited by law or regulation, the provisions of this Section 9 shall be deemed separable from the remainder of the provisions of this Ordinance and of the franchise created hereby; and such remaining provisions of the franchise shall continue to be of full force and effect if the making of the said payments shall not be so made unlawful or prohibited, but if the purchaser at any time shall not be permitted to fully recover in its charges to its customers the purchaser's said payments to The City, provided for in this Section 9. The purchaser shall have an option to terminate this franchise, effective upon the effective date of the law, regulation or regulatory order denying such permission.

SECTION 10: If the purchaser of this franchise is the holder of a franchise previously granted by the City of Simpsonville then, unless the purchaser, as a part of its bid for this franchise expressly reserves its rights under such prior franchise, such prior franchise shall be deemed terminated effective upon the effectiveness of this franchise.

SECTION 11: It shall be the duty of the City Clerk, as soon as practicable after the introduction of this ordinance, to sell at public auction, to the highest and best bidder, within franchise at the City Hall on some day to be fixed by The City Clerk after advertising the proposed ordinance and the time and place of sale thereof at least once on a date not less than 7 nor more than 21 days before the date of sale in the following named newspaper: The Sentinel News, and in making said sale City Clerk shall receive no bid for less amount than the total expense connected with the making of said sale including the cost of advertising, and shall report these actions hereunder at a subsequent meeting of this Commission. This Commission reserves the right to reject any and all bids.

This ordinance shall be effective upon adoption by the Simpsonville City Commission and publication in accordance with Chapter 424 of the Kentucky Revised Statutes.

FIRST READING: December 5, 2006
 SECOND READING: December 20, 2006

APPROVED:


STEVE EDEN, MAYOR

ATTEST:


DEBBIE BATLINER, CITY CLERK

EXHIBIT Bpg 4 of 4

SHELBY ENERGY COOPERATIVE, INC. UTILITY FRANCHISE
AGREEMENT FOR SIMPSONVILLE, KENTUCKY

SECTION 1: Shelby Energy Cooperative Inc., the purchaser and grantee of this franchise, or its legal representatives, successors, and assigns, hereinafter called the "purchaser," be, and is, subject to the conditions hereinafter contained, is hereby authorized and empowered to acquire, purchase, construct, maintain and operate in and through this City, a system or works for the generation, transmission and distribution of electrical energy' from points either within or without the corporate limits of this City, to all areas and parts of this City and the inhabitants thereof, as its corporate limits now or hereafter exist, excepting only those areas or parts included within a franchise heretofore granted by the City to Kentucky Utilities, and from and through this City to persons, corporations and municipalities beyond the limits thereof, and for the sale of same for light, heat, power and other purpose, and for such purposes to erect and maintain poles and other structures, wires and other apparatus necessary or convenient for the operation of said system in, upon, across, under, and along each and all of the streets, alleys and public grounds within the present and future corporate limits of this City; to have and hold, as by law authorized, any and all real estate, easements, water and other rights necessary or convenient for said purpose; to use any and all such streets, alleys and public grounds while constructing or operating said electric system or works; and to cross any and all streets and streams in this City for the purpose of constructing, maintaining or extending such poles, wires and other apparatus as may be necessary or convenient for the proper distribution of electric energy in and through this City. Such right to maintain shall include the right to remove and/or trim trees In accordance with the purchaser's customary procedures. If, after any pole or other structure or facility has once been erected or placed, in exercise of the authority herein granted, the Board of Commissioners shall order the removal of said pole, structure or facility on another location, the City shall pay the cost of making such relocation, except that, if the relocation is made necessary due to widening, regrading or reconstruction of a street or highway and the pole was originally erected in public right-of-way and is in public right-of-way immediately prior to the relocation, purchaser will pay the cost of the relocation.

SECTION 2: The purchaser shall indemnify, and save harmless the City from any and all damages, judgments, decrees, costs and expenses, including a reasonable attorney's fee, which the City may legally suffer or incur or which may be legally obtained against the City for or by reason of the use and occupation of any street, alley, or public ground in the City by the purchaser, pursuant to the terms of this franchise, or legally resulting from the exercise by the purchaser of any of the privileges herein granted; and, if any claim shall be made or suit brought against the City for damages alleged to have been sustained by reason of the occupation of any street, alley, or public ground or exercise of any privileges herein granted, by the purchaser, the City shall

immediately notify the purchaser in writing thereof, and the purchaser is hereby given the right and privilege to defend or assist in defending such suit, in the name of the City.

SECTION 3: The City may not impose upon or exact from this purchaser any fee, compensation or remuneration of any kind, or impose upon the purchaser any obligation for the purchaser's engaging in the City or adjoining territory in the sale and distribution of electrical energy. The payments provided for in Section 9 being in consideration of the rights and privileges herein granted including those with respect to the streets, alleys and public grounds within the City.

SECTION 4: The purchaser shall extend its electric light or power lines and install additional equipment whenever there is assured to it from additional business to be derived therefrom a reasonable return upon the investment required to install such extension.

SECTION 5: The purchaser shall have the right to make and enforce reasonable rules and regulations necessary to the proper conduct of its business and protection of its property.

SECTION 6: The purchaser shall have the right to charge for electrical energy supplied within the City, rates that are reasonable and that are subject to regulation by the Kentucky Public Service Commission.

SECTION 7: This franchise and all rights and privileges granted hereunder shall be in full force and effect for a period of twenty (20) years from and after the date when this franchise is granted to the purchaser.

SECTION 8: This franchise may be transferred by the purchaser and the word "purchaser" whenever used in this franchise shall include and be taken to mean and apply so to all the successors and assigns of the purchaser.

SECTION 9: As additional consideration for the grant of this franchise, the purchaser will pay to the City a sum equal to 3% of the gross revenue received by the purchaser, on and after the date when the grant of this franchise becomes effective, from electric service rendered within the corporate limits of the City to customers supplied under residential and commercial revenue classification, as now defined in the purchaser's system of accounts and reported to the Kentucky Public Service Commission. The amount payable to the City for each full calendar year during which this franchise is in effect shall be computed on the basis of revenues received between January 1st and December 31st of such year, and payment shall be made on or prior to March 1st next following such December 31st; the amount which may be payable to the City for a portion of a calendar year at the commencement or termination of the term of this franchise shall be computed on the basis of revenues received during such portion of a

calendar year, and shall be payable not more than 60 days after the termination of the calendar year which includes the period for which payment is made. If any amount paid pursuant to the provisions of this Section 9 is stated by purchaser, at time of such payment, to be based in whole or in part on revenues which are subject to refund by purchaser, and if any part of such revenues thereafter is required to be refunded by purchaser, the City shall repay to purchaser that part of the payment made hereunder based upon such revenues required to be refunded, such repayment to be made, at purchaser's option, either on demand or by credit against the payment or payments otherwise next becoming due hereunder. Should any license tax, occupational tax or any other tax, charge or fee except ad valorem taxes be now or hereafter imposed, the amount payable under this section shall be payable only to the extent that it exceeds the sum of all such taxes, charges or fees. The Public Service Commission of Kentucky has directed that payments such as those to the City above provided for are to be recovered as charges to customers served within the involved franchise area, and that such charges are to be listed as separate items on such customers' bills. The City recognizes that the purchaser is subject to the provision of statutes heretofore hereafter enacted by the General Assembly of the Commonwealth of Kentucky including statutes prescribing the regulatory jurisdiction of the Kentucky Public Service Commission, and to such Commission's exercise of such jurisdiction, and could become subject to regulatory jurisdiction of other governmental agencies relative, among other subjects, to the making of the said payments and to their rate or other treatment. If the charging, payment or collection of the sums specified in this Section 9 to be payable to the City should be made unlawful, prohibited by law or regulation, the provisions of this Section 9 shall be deemed separable from the remainder of the provisions of this Ordinance and of the franchise created hereby; and such remaining provisions of the franchise shall continue to be of full force and effect if the making of the said payments shall not be so made unlawful or prohibited, but if the purchaser at any time shall not be permitted to fully recover in its charges to its customers the purchaser's said payments to The City, provided for in this Section 9. The purchaser shall have an option to terminate this franchise, effective upon the effective date of the law, regulation or regulatory order denying such permission.

SECTION 10: If the purchaser of this franchise is the holder of a franchise previously granted by the City of Simpsonville then, unless the purchaser, as a part of its bid for this franchise expressly reserves its rights under such prior franchise, such prior franchise shall be deemed terminated effective upon the effectiveness of this franchise.

SIMPSONVILLE, KENTUCKY

By: _____
Steve Eden

Its: Mayor _____

ATTEST:

DEBBIE BATLINER, CITY CLERK

SHELBY ENERGY COOPERATIVE, INC.

By: Debra Martin

Title: President and CEO

MATHIS, RIGGS & PRATHER, P.S.C.
ATTORNEYS AT LAW
300 MAIN STREET • SUITE 5
SHELBYVILLE, KENTUCKY 40065-1147



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

RECEIVED
JAN 11 2007
PUBLIC SERVICE
COMMISSION

U.S. POSTAGE
PAID
SHELBYVILLE, KY
JAN 10 - 07
006597-14
40062

AMOUNT \$5.00

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