


# Shelby Energy Cooperative

® Your Touchstone Energy™ Partner 

**RECEIVED**

**MAR 19 2012**

**PUBLIC SERVICE  
COMMISSION**

March 19, 2012

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

Dear Mr. Derouen:

Please find enclosed a copy of the letter of approval from the Rural Utilities Service (“RUS”) to implement the Shelby Energy Cooperative (“SEC”)’s proposed plan for amortizing the write-off of the mechanical meters associated with the Automated Meter Infrastructure (“AMI”) project in the amount of \$443,562.75. As provided within the letter from RUS, the authorization is contingent upon the approval of the Kentucky Public Service Commission (“KPSC”).

SEC’s request for the amortization was made to the RUS on February 16, 2012 and this information was provided to the KPSC for review at that time. A copy of the request is enclosed with this letter for your reference.

Based on the decision of RUS, SEC respectfully requests an expedited approval from the KPSC to establish a regulatory asset in the amount of \$443,562.75 and amortize the amount over a period of five (5) years. A timely decision by the KPSC will permit Shelby Energy to finalize the closing of the 2011 financial statements and file the necessary annual reports with RUS and KPSC by March 31, 2012.

Sincerely,



Debra J. Martin  
President & CEO

Enclosures



United States Department of Agriculture  
Rural Development

MAR 18 2012

Ms. Debra J. Martin  
President & CEO  
Shelby Energy Cooperative  
620 Old Finchville Road  
Shelbyville, Kentucky 40065-1714

Dear Ms. Martin:

In response to your letter dated February 16, 2012, we have reviewed the information submitted regarding Shelby Energy Cooperative's (Shelby) expense deferral plan. Shelby plans to establish a regulatory asset in the amount of \$443,562.75 for the write-off of its current meters which are being replaced by Automated Meter Information (AMI) meters. This amount is to be recovered over a five year period.

All of the required information was submitted in the letter; therefore, the Rural Utilities Service's approval to implement the plan is given. It should be noted, however, that our approval is based upon the understanding that the deferral and amortization of these costs are being specifically addressed in Shelby's rate filing with the Kentucky Public Service Commission (Commission) and that the Commission authorizes the deferral and subsequent recovery of these costs. If the Commission does not allow the recovery of these costs, any remaining deferred amount must be written off, in its entirety.

Please contact the Technical Accounting and Auditing Staff at (202) 720-5227 if you have any questions or if we can be of any further assistance.

Sincerely,

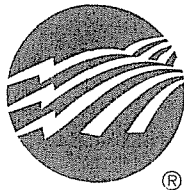
A handwritten signature in black ink, appearing to read "Joseph S. Badin". The signature is fluid and cursive.

JOSEPH S. BADIN  
Director  
Northern Regional Division  
Electric Programs


1400 Independence Ave, S.W. · Washington DC 20250-0700  
Web: <http://www.rurdev.usda.gov>

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# Shelby Energy Cooperative

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MAR 19 2012

PUBLIC SERVICE COMMISSION

February 16, 2012

Dianna Alger, Chief  
Technical Accounting and Auditing Staff  
Stop 1566  
Independence Avenue, S.W.  
Washington, DC 20250-1566

Dear Ms. Alger:

Shelby Energy Cooperative has implemented an Automated Meter Information (“AMI”) project where all of its current mechanical meters are being replaced with AMI meters. In conjunction with the meter replacement project, Shelby Energy is proposing to write-off its mechanical meters and the associated accumulated depreciation. This will result in a large adjustment that Shelby Energy is proposing to amortize since this resulted from a premature retirement of the existing meters. It is our opinion that a one-time amount should not be expensed in one (1) year since this is the result of years of accumulating meters and then retiring all these meters in a single project.

Shelby Energy does not maintain accumulated depreciation at the individual plant level, but records all depreciation for distribution plant in Account No. 108.60, Accumulated Depreciation. To record the net adjustment, the ratio of meters retired to total distribution plant was applied to the accumulated depreciation on distribution plant total to arrive at the associated accumulated depreciation for meters retired.

The proposed adjustment to retire meters and remove the accumulated depreciation is as follows:

DR Acct. 108.60, Accumulated depreciation	\$ 97,367.43	
DR Acct. 186.50, Deferred Debit Meters		
Retired	443,562.75	
CR Acct. 370.00, Meters		\$540,930.18

Shelby Energy is proposing to amortize the Deferred Charge over a five (5) year period. Shelby Energy chose the 5 years to amortize the loss of \$443,562.75 as this will have the effect of reducing margins each year in the amount of \$88,712.55. It is Shelby Energy’s opinion that an amortization period less than 5 years would result in too dramatic of an effect on margins. A 3 year amortization period would have the effect of reducing margins

Dianna Alger, Chief  
Technical Accounting and Auditing Staff  
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\$147,854.25 annually. An amortization period greater than 5 years would have substantially the same effect as recording depreciation on the new meters and recording amortization on the old meters for approximately the same period. Shelby Energy does not desire to have this doubling of expenses for an extended period of time. This is the reason for selecting the 5 year amortization period.

The annual amortization over a 5 year period would be as follows:

DR Acct. 407.00, Amortization of property losses	\$88,712.55	
CR Acct. 186.50, Deferred meter retirement		\$88,712.55

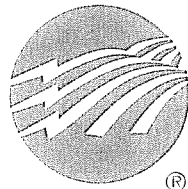
Should you have any question, or need additional information, please do not hesitate to contact us.

Respectfully submitted,




Debra J. Martin  
President & CEO

C: Kentucky Public Service Commission



# Shelby Energy Cooperative

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## BOARD RESOLUTION

WHEREAS, Shelby Energy Cooperative has implemented an Automated Metering Information ("AMI") system where all of the current mechanical meters are being replaced with AMI meters. In conjunction with the meter replacement project, Shelby Energy is proposing to write-off its meters and the associated accumulated depreciation. This will result in a large adjustment which Shelby Energy proposes to amortize the cost over a period of five (5) years.

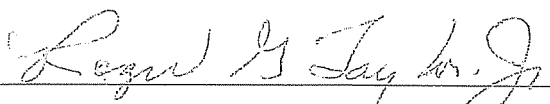
WHEREAS, the proposed adjustment would be:

Debit Acct. 108.60	Accumulated Depreciation	\$ 97,367.43
Debit Acct. 186.50	Deferred Debit Meters	\$443,562.75
Credit Acct. 370.00	Meters	\$540,930.18

WHEREAS, the annual amortization over a five (5) year period would be as follows:

Debit Acct. 407.00	Amortization of property losses	\$ 88,712.55
Credit Acct. 186.50	Deferred Meter Retirement	\$ 88,712.55

NOW, THEREFORE BE IT RESOLVED, the proposal to defer the accumulated depreciation and retire the meters is approved.

  
\_\_\_\_\_  
Roger G. Taylor, Jr., Secretary/Treasurer