

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

COMMISSION STAFF'S THIRD REQUEST FOR INFORMATION TO
SHELBY ENERGY COOPERATIVE, INC.

Shelby Energy Cooperative, Inc. ("Shelby Energy"), pursuant to 807 KAR 5:001, is to file with the Commission the original and ten copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 21, 2017. Responses to requests for information shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry. Shelby Energy shall make timely amendment to any prior response if it obtains information which indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any

request to which Shelby Energy fails or refuses to furnish all or part of the requested information, Shelby Energy shall provide a written explanation of the specific grounds for its failure to completely and precisely respond. Careful attention should be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When applicable, the requested information shall be separately provided for total company operations and jurisdictional operations. When filing a paper containing personal information, Shelby Energy shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to the application, Exhibit 1, page 1 of 10.
 - a. Provide the basis for determining the wage and salary increases for union and non-union employees from 2012–2016.
 - b. Explain how the annual increases comply with Shelby Energy's Wage and Salary Plan.
 - c. Provide the Payroll Adjustment for the test year if the non-union wage and salary increase were to be 2 percent.
2. Refer to the application, Exhibit 1, page 2, and Exhibit 2, page 1. Explain why the allocation factors used in these exhibits differ. Provide revised schedules as necessary.

3. Refer to the application, Exhibit 3, page 2 of 6, and to Case No. 2016-00367,¹ the application, Exhibit 3, page 2 of 6. Explain why the percentages used to allocate the proposed increase in depreciation expense are the same in both exhibits. Provide any necessary revisions to any affected exhibits.

4. Refer to the application, Exhibit 1, and Shelby Energy's response to Commission Staff's Second Request for Information ("Staff's Second Request"), Item 31. Shelby Energy calculates its "projected wages based on a 2,080-hour work year." Provide a revised schedule that calculates the "Projected Wages" using the actual regular hours worked by each employee in the test year. Provide this schedule in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns accessible.

5. Refer to the application, Exhibit 9, page 3 of 5.

a. Provide a detailed description of each item listed in the table below and explain why the cost should be allowed for ratemaking purposes.

	<u>Vendor Name</u>	<u>Description</u>	<u>Amount</u>
a.	GDS Associates, Inc.	Consultants-Engineering	\$ 1,500
b.	GDS Associates, Inc.	Consultants-Engineering	\$ 1,500
c.	GDS Associates, Inc.	Consultants-Engineering	\$ 630
d.	GDS Associates, Inc.	Consultants-Engineering	\$ 306
e.	GDS Associates, Inc.	Consultants-Engineering	\$ 383
f.	GDS Associates, Inc.	Consultants-Engineering	\$ 480
g.	GDS Associates, Inc.	Consultants-Engineering	\$ 480
h.	GDS Associates, Inc.	Consultants-Engineering	\$ 1,096
i.	GDS Associates, Inc.	Consultants-Engineering	\$ 1,558

¹ Case No. 2016-00367, *Application of Nolin Rural Electric Cooperative Corporation for a General Rate Increase*, filed Feb. 1, 2017.

b. On May 31, 2016, there is a payment to Mathis, Riggs, Prather of \$3,427 described as "Misc Legal Svs – Refinance." Provide a detailed explanation as to why this legal fee was not recovered in the refinancing cost.

6. Refer to the Application, Exhibit 10. Provide an explanation of any items paid listed as VISA in the Meals column.

7. Refer to the Application, Exhibit 11, pages 4–6 of 7. Provide an explanation of the following miscellaneous expenses:

	<u>Amount</u>
(105) VISA - Certificate Frames	\$248.04
(110) Louisville Improvisors - Employee Functions & Recreation	\$600.00
(113) Science Hill Inn - Employee Functions & Recreation	\$3,060.00
(124) VISA - Employee Functions & Recreation	\$269.07
(130) VISA - Employee Coffee & Supplies	\$210.75
(207) Perryville Embroidery LLC - Employee Apparel - Annual Meeting	\$953.21
(209) Backyard Bounce - Miscellaneous	\$147.43
(210) Classic Printing, Inc. - 2 Sided Color Trifold	\$2,189.00
(213) VISA - Coffee Maker	\$816.88
(214) VISA - Coffee Supplies	\$221.63

8. Refer to Shelby Energy's application, Exhibit 12. Provide the amount of rate case expenses that have been incurred to date in the format listed in Exhibit 12.

9. Refer to Shelby Energy's response to Staff's Second Request, Items 4 and 21.m., and Revised Exhibit J. Explain why Shelby Energy is proposing a larger percentage rate increase for Schedule B1 than for Schedule B2 when the response to Item 21.m. shows the rate of return for Schedule B1 at current rates is four times greater than that of Schedule B2.

10. Refer to Shelby Energy's response to Staff's Second Request, Item 7.

a. Refer to Exhibit 2-7.b., page 1 of 1. Explain why vegetation management expenses increased from \$789,352 in 2012 to \$2,550,921 in 2016.

b. Refer to Exhibit 2-7.c., page 1 of 1. Explain the increases in the interruption indices from 2012 to 2016 despite the large increases in vegetation management spending.

c. Provide the amount of vegetation management expenses in the test year.

d. Provide the budget for vegetation management expenses for 2017 through 2020 in the format listed in Item 7.b.

11. Refer to Shelby Energy's response to Staff's Second Request, Item 12. State whether Shelby Energy prorates the customer charge when a customer has less than a full month of service.

12. Refer to Shelby Energy's response to Staff's Second Request, Item 13.c.(2). Provide a revised Exhibit J using a multiplier of 365 days times the daily rate rather than 360.

13. Refer to Shelby Energy's response to Staff's Second Request, Items 14–16. Provide the supporting calculation of the primary metering discount for each phase increase for Rate Schedules 11, 2, and B1.

14. Refer to Shelby Energy's response to Staff's Second Request, Item 17, and revised Exhibit J. Confirm that Shelby Energy inadvertently left the Envirowatts rate for Phase 2 at \$.02825 in revised Exhibit J when it intended to change the Envirowatts rate for all phases to \$.02750.

15. Refer to Shelby Energy's response to Staff's Second Request, Items 20.b. and 20.d. Confirm that, since idle services are included in Total Plant in Service as stated in response to 20.b., idle services are included in the plant account balances that appear in the cost-of-service study. If this cannot be confirmed, explain.

16. Refer to Shelby Energy's response to Staff's Second Request, Item 21.e. Provide the supporting calculation for the minimum size of 3.05413.

17. Refer to Shelby Energy's response to Staff's Second Request, Item 21.g.(1), and revised Exhibit R.

a. Confirm that, in revised Exhibit R, "Consume Allocations" tab, cell D45 should contain the formula "=(N45)" rather than the formula currently included in the cell. If this cannot be confirmed, explain why the current formula is correct.

b. Confirm that, in revised Exhibit R, "Consume Allocations" tab, cell D46 should contain the formula "=(N46)" rather than the formula currently included in the cell. If this cannot be confirmed, explain why the current formula is correct.

c. If a correction to the cost-of-service study is necessary, provide a second revised Exhibit R in Excel spreadsheet format with the formulas intact and unprotected.

18. Refer to Shelby Energy's response to Staff's Second Request, Item 22. Identify all changes that were made to the original Exhibit J which are reflected in revised Exhibit J.

19. Refer to Staff's Second Request, Item 29. Provide the same information in the same format for the test year ended July 31, 2016, as was provided in this

response. Provide the response in Excel spreadsheet format with the formulas intact and unprotected, and all rows and columns accessible.

20. Refer to Shelby Energy's response to Staff's Second Request, Items 30, 33, and 43.

a. For the test year and calendar year 2016, provide the health-insurance cost Shelby Energy would have incurred for non-union employees, assuming that the total cost equals the premium for each level of coverage plus the deductible (In Network), and that for single coverage the employee would pay 21 percent of the total cost and that for all other types of coverage, the employee would pay 32 percent of the total cost.

b. Does Shelby Energy pay life insurance premiums on behalf of its employees? If so, provide the number of employees with life insurance coverage of \$50,000 and the total cost of the life insurance coverage above the \$50,000 coverage for all such employees.

c. For the 401(k) plan, provide the amount that Shelby Energy paid on behalf of the employees in the NRECA R&S plan (those hired before 2009) in the test year and in calendar year 2016.

d. Explain the reasons for the differences in the amounts Shelby Energy contributes to the 401(k) plan for union and non-union employees.

21. Refer to Shelby Energy's response to Staff's Second Request, Item 40.

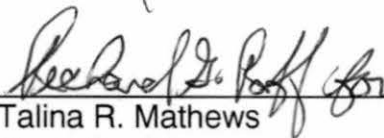
a. Describe in detail the process the Rural Utilities Service ("RUS") undertakes in reviewing and approving/disapproving changes in depreciation rates by rural electric cooperatives.

b. Has RUS approved the changes in Shelby Energy's depreciation rates? If not, provide the timeline for gaining approval of the new depreciation rates.

22. Refer to Shelby Energy's response to Staff's Second Request, Item 46. Does Shelby Energy have any employees who are related? If so, provide the names and titles of such employees.

23. Refer to Shelby Energy's response to Staff's Second Request, Item 48. State the account(s) in which Renewable Energy Program tariff revenues are recorded.

24. Refer to Staff's Second Request, Item 50. Provide the amount of Capital Credits Shelby Energy paid in 2016.


Talina R. Mathews
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED APR 05 2017

cc: Parties of Record

*Debbie Martin
Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, KY 40065

*Donald T Prather
Mathis, Riggs, Prather & Ratliff, P.S.C Attorneys at
500 Main Street, Suite 5
Shelbyville, KENTUCKY 40065

*Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, KY 40065