

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

NOTICE OF FILING

Notice is given to all parties that the following materials have been filed into the record of this proceeding:

- The digital video recording of the evidentiary hearing conducted on June 15, 2017 in this proceeding;
- Certification of the accuracy and correctness of the digital video recording;
- All exhibits introduced at the evidentiary hearing conducted on June 15, 2017 in this proceeding;
- A written log listing, *inter alia*, the date and time of where each witness' testimony begins and ends on the digital video recording of the evidentiary hearing conducted on June 15, 2017.

A copy of this Notice, the certification of the digital video record, hearing log, and exhibits have been electronically served upon all persons listed at the end of this Notice. Parties desiring to view the digital video recording of the hearing may do so at [http://www.psc.ky.gov/av\\_broadcast/2016-00434/2016-00434\\_15Jun17\\_Inter.aspx](http://www.psc.ky.gov/av_broadcast/2016-00434/2016-00434_15Jun17_Inter.aspx).

Parties wishing an annotated digital video recording may submit a written request by electronic mail to [pscfilings@ky.gov](mailto:pscfilings@ky.gov). A minimal fee will be assessed for a copy of this recording.

Done at Frankfort, Kentucky, this 19<sup>th</sup> day of June 2017.

*Talina R. Mathews*

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Talina R. Mathews  
Executive Director  
Public Service Commission of Kentucky

Debbie Martin  
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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

CERTIFICATE

I, Pamela Hughes, hereby certify that:

1. The attached DVD contains a digital recording of the Hearing conducted in the above-styled proceeding on June 15, 2017. Hearing Log, Witness List, Exhibit, and Exhibit List are included with the recording on June 15, 2017.

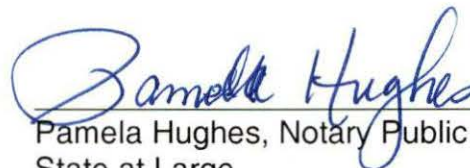
2. I am responsible for the preparation of the digital recording.

3. The digital recording accurately and correctly depicts the Hearing of June 15, 2017.

4. The "Exhibit List" attached to this Certificate correctly lists all exhibits introduced at the hearing of June 15, 2017.

5. The "Hearing Log" attached to this Certificate, accurately and correctly states the events that occurred at the Hearing of June 15, 2017, and the time at which each occurred.

Signed this 16<sup>th</sup> day of June, 2017.



Pamela Hughes, Notary Public  
State at Large

My Commission Expires: April 22, 2019



Judge: Bob Cicero; Michael Schmitt  
Witness: James R Adkins; Debra J Martin  
Clerk: Pam Hughes

Date:	Type:	Location:	Department:
6/15/2017	General Rates	Hearing Room 1	Hearing Room 1 (HR 1)

Event Time	Log Event
7:56:43 AM	Session Started
7:56:45 AM	Session Paused
9:00:25 AM	Session Resumed
9:00:27 AM	Chairman Schmitt preliminary remarks Note: Hughes, Pam Introduction of Vice Chairman Cicero
9:01:09 AM	Chairman Schmitt calls Case No. 2016-00434 Note: Hughes, Pam Application of Shelby Energy for an Increase in Retail Rates.
9:01:28 AM	Donald Prather Counsel for Shelby Energy Note: Hughes, Pam Debbie Martin and Jim Adkins will testify on behalf of Shelby Energy.
9:02:06 AM	PSC Counsel Jeb Pinney and John Park Note: Hughes, Pam Chris Whelan and Jim Livers with Financial Analysis for the PSC
9:02:23 AM	Chairman Schmitt notes publication of Hearing has been filed
9:02:41 AM	Outstanding Confidential motions will be ruled on after the hearing
9:03:15 AM	No outstanding motions or issues
9:03:31 AM	No Public comments
9:03:51 AM	Chairman asks for exhibits to be handed out.
9:04:29 AM	Atty Prather calls Debra Martin to the stand Note: Hughes, Pam Is sworn in by the Chairman Note: Hughes, Pam CEO of Shelby Energy. Adopts her testimony and responses with no changes.
9:06:05 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Exhibit 3-1c. 3rd response to Staff's DR. Exhibit 2. 28g, Staff's 2nd DR.
9:07:03 AM	Atty Prather states exhibit 3 is confidential Note: Hughes, Pam Atty Pinney states no confidential questions will be asked.
9:07:52 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Payroll adjustments 2012-16. Percentages do not match up for the years. Exhibit 3-1c is correct, disregard 28g.
9:09:01 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Staff's 2nd request, item 5. Compliance with its TIER and OTIER. Requirements to meet these TIERS. Note: Hughes, Pam Rate increase to meet financial goals
9:10:50 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Regarding opposition to a one-step increase instead of a 3 way phase in.
9:11:42 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Staff's 2nd request, item 42, regarding the annualized cost of long-term debt.
9:12:26 AM	Post Hearing Data Request Note: Hughes, Pam Updated long term debt.
9:12:43 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Referring to Application, exhibit 1; Staff's 2nd request 28; and 3rd request, items 1, 2 and 4.

9:13:57 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	2017 payroll, union and non-union increase. Difference in union and non-union payroll increases. Why the difference in the 2012 to 2017.
9:17:26 AM	Post Hearing Data Request Note: Hughes, Pam	Update payroll and payroll tax adjustments using the 2017 payroll increase for union and non-union employees of 2.93 and 2.04 percent.
9:17:49 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	Staff's 3rd request, item 8. Rate case expenses. Provide in a Post Hearing Data Request- update to rate case expenses including all documentation that is not already included into the record of this case.
9:18:30 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	Staff's 3rd request, item 10, vegetation management plan. Exhibit 10d, Page 2 of 2 explains the plan.
9:19:26 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	Staff's 3rd request, item 20. Provide in a Post Hearing Data Request- employee benefits, adjustment to the test year if using single coverage at 21% and all other types employee paid 32%.
9:20:30 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Note: Hughes, Pam	Test year life insurance paid by Shelby 401k under NRECA R&S plan
9:21:14 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	Referring to Case No. 2012-00102. retirement of old meters
9:21:47 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam Note: Hughes, Pam	Page 12 of 12. Profit and loss for 2016, no income for Shelby propane for 2016. Explain why years 2013 and 2015 shows income for propane, but none for 2016. Staff's 2nd request, item 51. Shelby Energy Service. exhibit 2-51h. Pages 2, 5 and 8.
9:24:04 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	Post Hearing Data Request - financial statement for recent 12 month period
9:24:26 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	Direct testimony, page 4. Regarding what has been done to lower or control costs.
9:26:58 AM	Atty Pinney cross exam of Witness Martin Note: Hughes, Pam	Response to 2nd request, item 3. Prepay Tariff, monthly and daily rates for customer charge.
9:28:01 AM	Vice Chairman cross exam of Witness Martin Note: Hughes, Pam Note: Hughes, Pam	Why transfer employees instead of laying them off. Savings associated with this was about 35,000 a year. Regarding the Implementation of savings by Shelby Energy that Witness Martin spoke of earlier.
9:30:17 AM	Vice Chairman cross exam of Witness Martin Note: Hughes, Pam	29 employees to now 41.
9:31:49 AM	Vice Chairman cross exam of Witness Martin Note: Hughes, Pam Note: Hughes, Pam	Regarding hiring and market rates. 3% approved by Board. Not all got the 3 %, some may have got more. 2016 - 3.1c and 28 g incorrect-1.93 should be 2.04% of increase.
9:34:52 AM	Vice Chairman cross exam of Witness Martin Note: Hughes, Pam	Confidential info about policy and salary information. Performance of employees factor and how they appraise this.

9:36:17 AM	Vice Chairman cross exam of Witness Martin	
	Note: Hughes, Pam	Performance and appraisal is all non-union employees
	Note: Hughes, Pam	Post Hearing Data Request- VP of operations and CEO performance appraisal.
9:36:58 AM	Vice Chairman cross exam of Witness Martin	
	Note: Hughes, Pam	2018 projected increase is base 3 %.
	Note: Hughes, Pam	3 year contract with union. 1st year is 2015 in current agreement, Negotiate again in Sept. 2018.
9:38:09 AM	Vice Chairman cross exam of Witness Martin	
	Note: Hughes, Pam	Regarding reaching TIER and OTIER; need to increase rates and cut in the vegetation management.
9:39:30 AM	Vice Chairman cross exam of Witness Martin	
	Note: Hughes, Pam	Regarding retirement plan and prepaying. Took effect in Jan 2010. 2 different plans for employees to contribute into and company matches.
9:41:46 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Regarding non-union pay raises on performance and market analysis. Local wages considered.
9:43:01 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Regarding larger non-union wage increase for 2012-2015 years. Difference in expense between union and non-union employee.
9:44:08 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Union raises are set in 3 year contract.
	Note: Hughes, Pam	Risk for non-union employees pay raises.
9:44:57 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Regarding the right of way vegetation management cost decreases in the future.
9:45:58 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Safety implications during previous right-of-way problems.
9:46:35 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Refers to exhibit 3-1.c., page 1 of response to 3rd DR. Wage and salary increases. Increases are incorrect. non union 2.04 union 1.93
9:47:35 AM	Shelby Exhibit 1 introduced into the record	
	Note: Hughes, Pam	Witness Martin's knowledge of the Commission's position on employers paying costs for employees.
	Note: Hughes, Pam	Table 10, Medical care benefits paid by employer and employee. March 2016. By Labor and Statistics.
9:49:50 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Any percentage more appropriate. Employer share 16 % v, 21%
9:50:22 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Increase wages or medical premiums and which is more economical to the employees.
9:51:27 AM	Atty Prather redirect to Witness Martin	
	Note: Hughes, Pam	Regarding how Coops are saving money.
9:51:59 AM	Atty Pinney redirect to Witness Martin	
	Note: Hughes, Pam	Post Hearing Data Request - adjusted payroll sheet and increases
9:52:30 AM	Post Hearing Data Request	
	Note: Hughes, Pam	Provide adjustments to test year if these percentages are given
9:53:17 AM	Vice Chairman redirect to Witness Martin	
	Note: Hughes, Pam	Regarding the benefit to employees for medical premiums instead of wages.

9:54:52 AM Vice Chairman redirect to Witness Martin  
Note: Hughes, Pam Increase in number of employees from 29 to 41. Time it was Jeopardizing the COOP. when numbers were low

9:56:11 AM Post Hearing Data Request  
Note: Hughes, Pam 1998 - 2017. number of employees by union salaried and non-union salaried.

9:58:10 AM Atty Pinney redirect to Witness Martin  
Note: Hughes, Pam Benefits and salary and tax treatments

9:58:32 AM Witness excused

9:58:48 AM Jim Adkins called to the stand  
Note: Hughes, Pam Consultant- for utility rates. Self-employed. Adopts his testimony and responses with no changes.  
Note: Hughes, Pam Sworn in by Chairman.

10:00:54 AM Atty Prather direct exam of Witness Adkins  
Note: Hughes, Pam Regarding the current filing phase in the B1 increase in 3 years,  
Note: Hughes, Pam Post Hearing Data Request - The Financial impact on Shelby Energy.

10:01:59 AM Atty Pinney cross exam of Witness Adkins  
Note: Hughes, Pam Exhibit D to the application. Rate 2 customer charge increases in phases.

10:02:54 AM Atty Pinney cross exam of Witness Adkins  
Note: Hughes, Pam Why proposal to raise customer rate charges

10:03:25 AM Atty Pinney cross exam of Witness Adkins  
Note: Hughes, Pam Refer to the Application, exhibit 1, and Staff's 2nd request, item 28, and Staff's 3rd request, item 4, 3-1.c. assumptions for the payroll adjustment in exhibit 1 and how they differ from the assumptions contained in response to item 4 of Staff's 3rd request.

10:06:49 AM Atty Pinney cross exam of Witness Adkins  
Note: Hughes, Pam Staff's 3rd request, item 4. Why using actual regular hours worked results in a larger adjustment than what was proposed in the application.

10:07:33 AM Post Hearing Data Request  
Note: Hughes, Pam Payroll adjustment to items 1 and 4 of Staff's 3rd request. Also payroll and payroll taxes.

10:08:10 AM Atty Pinney cross exam of Witness Adkins  
Note: Hughes, Pam When implemented- RUS approves proposed depreciation rates  
Note: Hughes, Pam Staff's 3rd DR, item 21 regarding depreciation. RUS procedures for changing depreciation rates based upon a depreciation study.

10:09:49 AM Post Hearing Data Request  
Note: Hughes, Pam Update to Exhibit S of the application.

10:10:14 AM Vice Chairman cross exam of Witness Adkins  
Note: Hughes, Pam Cost-of-study increase for base rates over 3 phase period.

10:10:55 AM Vice Chairman cross exam of Witness Adkins  
Note: Hughes, Pam Regarding General service increase in rate 11 opposed to residential.

10:13:48 AM Atty Prather redirect to Witness Adkins  
Note: Hughes, Pam Regarding comparison of application exhibit 1 and 2nd Data Request, item 31, Refers to percentage pay increases between non-union and union employees. Actual regular hours worked

10:15:51 AM Atty Pinney re-cross of Witness Adkins  
Note: Hughes, Pam Referring to the Large service power rate, shows higher customer charge. Justify the higher customer charge.

10:18:34 AM Witness excused



10:18:42 AM Chairman Schmitt  
Note: Hughes, Pam

Post Hearing Data Request from Staff to be completed by June 20, 2016. Atty Prather response for Shelby Energy by June 30th.

10:20:19 AM Adjourned  
10:20:26 AM Session Paused  
9:08:28 AM Session Ended



**Name:**

**Description:**

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Shelby Exhibit 01

Table 10. Medical care benefits comparison of private industry workers.

**Table 10. Medical care benefits: Share of premiums paid by employer and employee, private industry workers, March 2016**

(In percent)

Characteristics	Single coverage		Family coverage	
	Employer share	Employee share	Employer share	Employee share
All workers .....	79	21	68	32
<b>Worker characteristics</b>				
Management, professional, and related .....	80	20	69	31
Management, business, and financial .....	80	20	70	30
Professional and related .....	80	20	68	32
Service .....	80	20	64	36
Protective service .....	83	17	72	28
Sales and office .....	77	23	65	35
Sales and related .....	75	25	63	37
Office and administrative support .....	78	22	66	34
Natural resources, construction, and maintenance Construction, extraction, farming, fishing, and forestry .....	80	20	69	31
Installation, maintenance, and repair .....	81	19	68	32
Production, transportation, and material moving ... Production .....	79	21	69	31
Transportation and material moving .....	80	20	71	29
Full time .....	79	21	71	29
Part time .....	77	23	71	29
Union .....	87	13	83	17
Nonunion .....	78	22	65	35
Average wage within the following categories: <sup>1</sup>				
Lowest 25 percent .....	76	24	62	38
Lowest 10 percent .....	75	25	62	38
Second 25 percent .....	78	22	64	36
Third 25 percent .....	80	20	68	32
Highest 25 percent .....	81	19	72	28
Highest 10 percent .....	81	19	73	27
<b>Establishment characteristics</b>				
Goods-producing industries .....	80	20	72	28
Construction .....	82	18	68	32
Manufacturing .....	80	20	74	26
Service-providing industries .....	79	21	67	33
Trade, transportation, and utilities .....	78	22	66	34
Wholesale trade .....	79	21	69	31
Retail trade .....	74	26	60	40
Transportation and warehousing .....	82	18	72	28
Utilities .....	84	16	77	23

See footnotes at end of table.

*Shelby - Exhibit 1  
2 pages*

**Table 10. Medical care benefits: Share of premiums paid by employer and employee, private industry workers, March 2016—continued**

(In percent)

Characteristics	Single coverage		Family coverage	
	Employer share	Employee share	Employer share	Employee share
Information .....	81	19	77	23
Financial activities .....	79	21	69	31
Finance and insurance .....	79	21	72	28
Credit intermediation and related activities .....	79	21	70	30
Insurance carriers and related activities .....	80	20	74	26
Real estate and rental and leasing .....	76	24	60	40
Professional and business services .....	78	22	64	36
Professional and technical services .....	82	18	68	32
Administrative and waste services .....	72	28	56	44
Education and health services .....	79	21	64	36
Educational services .....	80	20	66	34
Junior colleges, colleges, and universities .....	80	20	71	29
Health care and social assistance .....	79	21	64	36
Leisure and hospitality .....	83	17	72	28
Accommodation and food services .....	80	20	70	30
Other services .....	85	15	66	34
1 to 99 workers .....	79	21	64	36
1 to 49 workers .....	80	20	64	36
50 to 99 workers .....	77	23	63	37
100 workers or more .....	79	21	71	29
100 to 499 workers .....	78	22	67	33
500 workers or more .....	80	20	75	25
<b>Geographic areas</b>				
Northeast .....	81	19	73	27
New England .....	79	21	71	29
Middle Atlantic .....	82	18	74	26
South .....	78	22	63	37
South Atlantic .....	77	23	65	35
East South Central .....	78	22	65	35
West South Central .....	78	22	60	40
Midwest .....	78	22	69	31
East North Central .....	78	22	70	30
West North Central .....	79	21	67	33
West .....	82	18	69	31
Mountain .....	80	20	68	32
Pacific .....	82	18	69	31

<sup>1</sup> Surveyed occupations are classified into wage categories based on the average wage for the occupation, which may include workers with earnings both above and below the threshold. The categories were formed using percentile estimates generated using wage data for March 2016.

Note: Because of rounding, sums of individual items may not equal totals. For definitions of major plans, key provisions, and related terms, see the "Glossary of Employee Benefit Terms" at [www.bls.gov/nce/ebs/glossary20152016.htm](http://www.bls.gov/nce/ebs/glossary20152016.htm).

Source: Bureau of Labor Statistics, National Compensation Survey.

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