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October 10, 2008

Stephanie Stumbo, Executive Director
Public Service Commission
211 Sower Blvd.
Frankfort, KY 40602

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OCT 14 2008

PUBLIC SERVICE
COMMISSION

Re: Shelby Energy Cooperative, Inc.
CASE NO. 2008-00277

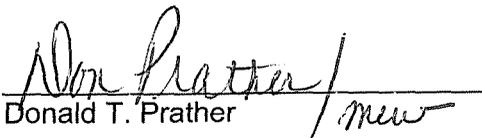
Dear Ms. Stumbo:

Enclosed please find one original and ten (10) copies, plus one additional copy of the first page of Shelby Energy Cooperative, Inc.'s Reply to Stansbury Response; Motion to Strike Response to Shelby Energy Cooperative's Answer; and Motion to Reconsider and Amend and/or Motion for Rehearing . Please file the original and ten copies with the Commission and return to me the file-stamped copies. For your convenience I have enclosed a self-addressed stamped envelope.

Please do not hesitate to call me if you have any questions or if you require additional information.

Yours truly,

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

BY: 
Donald T. Prather / mew

DTP/mew
Enclosures
Cc: Debra Martin
DTP/sec/PSC/Stansbury/psc filing letter

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BRUCE WILLIAM STANSBURY)
)
COMPLAINANT)
)
V.)
)
SHELBY ENERGY COOPERATIVE, INC.)
)
DEFENDANT)

CASE NO. 2008-00277

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REPLY TO STANSBURY RESPONSE

Comes Shelby Energy Cooperative, Inc. ("Shelby Energy"), by counsel, and in the event the Commission does not strike Bruce William Stansbury's ("Stansbury") Response, files its Reply herein:

1. Paragraph 1 of Stansbury's Response continues his pattern of general vague allegations which are unsubstantiated by any facts. To paraphrase Stansbury, his Response "essentially asks the PSC to take [Stansbury's] word for it that [Shelby Energy] has done" a whole laundry list of awful things. He is so desperate to gain revenge that he would stoop to disclosing personal and potentially embarrassing medical information and employment information about his former co-workers who are still employed at Shelby Energy. Shelby Energy is hopeful the Commission will see through the haze and see what is behind it, namely a bitter vindictive former employee.

2. Paragraph 2 of Stansbury's Response does not require any reply.

3. Once again, in paragraph 3 of Stansbury's Response, he fails to substantiate his allegations. "Information and belief" is rank hearsay and should be completely disregarded by the Commission. Stansbury could have easily obtained and

filed herein copies of the bills allegedly showing a different fuel cost adjustment for the same month. In any event, the July 2007 fuel adjustment calculation was correctly calculated and filed with the Commission for review.

4. Shelby Energy has openly admitted it would not have made TIER during 2007 had the fuel adjustment cost error not been caught and corrected, and the appropriate accounting entry made to properly allocate the resulting account receivable in 2007. Obviously no PSC investigation is necessary. Furthermore, there is no Kentucky law or PSC regulation which requires a particular TIER. While Shelby Energy's lenders, Rural Utility Services and Co-Operative Finance Corporation, do require a certain TIER, they only require that a borrower maintain the minimum TIER using a rolling 3-year average. Since Shelby Energy made TIER in the years prior to 2007, it is inconsequential whether Shelby Energy made TIER in 2007. Shelby Energy would probably have to fail to make TIER in 2007, 2008 and 2009 to violate the rolling 3-year average rule.

5. Shelby Energy in its Answer produced a detailed explanation how it acted in accordance with its CPA's professional advice, thereby appropriately accounting for the under-billed fuel adjustment cost revenue in 2007. Stansbury is not a CPA. Stansbury has not filed a CPA report nor does he even say he has consulted a CPA. As usual, Stansbury has not produced any facts in paragraph 5 of his Response supporting his speculation that Shelby Energy "improperly accounted for" the under-billed adjustment. In any event, his allegation is moot because any impropriety will be identified and addressed in the upcoming management audit voluntarily agreed to by Shelby Energy in Case No. 2008-00069.

6. Paragraph 6 of Stansbury's Response misquotes Shelby Energy in an effort to cause confusion where there is none. When the actual language on page 4 of Shelby Energy's Answer is read in its entirety, it is clear and consistent. The testing

results of which Stansbury complains are within acceptable parameters, and were acceptable to the Commission when it approved the billing correction plan.

7. Shelby Energy's insert which explains the under-billing and the process for recovering it was clear and concise, and invited its customers to contact Shelby Energy if they needed any further information. Stansbury may not like what was said, but that is irrelevant. Stansbury cites no facts showing the insert was not effective. No further investigation of this matter is necessary. Likewise, Shelby Energy provided a detailed explanation of the circumstances which gave rise to the e-mail. The explanation clearly shows that the e-mail was part of a concerted effort by Shelby Energy to apologize for its billing error, provide a detailed explanation, answer any questions, offer options for payment, and resolve any customer concerns before directing a member to the PSC. The fact that Stansbury refuses to accept Shelby Energy's detailed explanation does not mean further investigation is necessary. Throughout this proceeding Stansbury has cited no facts showing any customers were told not to communicate with PSC.

8. Stansbury's comments in paragraph 8 of his Response have already been discussed herein. The mistake was not intentional and all mistakes were corrected by subsequent billings in compliance with the plan approved by PSC. No further investigation is needed.

9. The consensual management audit in Case No. 2008-00069 will address any safety and training issues raised by Stansbury. No further action in this case is required.

10. The settlement agreement which the Commission approved in Case No. 2008-0069 speaks for itself. It was an agreed settlement. Stansbury was not present at the informal conference and has no idea what he is talking about. The Shelby Energy

representatives and Commission staff who were present know Shelby Energy did not "resist" the management audit. The audit will occur as mutually agreed.

11. Paragraph 11 of Stansbury's Answer merely states his opinion, with no supporting facts. Stansbury's opinion is irrelevant unless substantiated by facts.

In summary, Shelby Energy has sufficiently responded to all of Stansbury's allegations and this proceeding should be dismissed. The management audit to be conducted pursuant to the settlement agreement in Case No. 2008-0069 renders Stansbury's allegations moot. The audit will confirm the propriety of Shelby Energy's actions.

Respectfully submitted,
Mathis, Riggs & Prather, P.S.C.

By: 

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CERTIFICATE OF SERVICE

I, the undersigned attorney, do hereby certify that a true and correct copy of the foregoing was this 16th day of October, 2008 mailed via first class mail to the following:

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