

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SHELBY ENERGY COOPERATIVE,) CASE NO.
INC. FOR AN ADJUSTMENT OF RATES) 2009-00410

THIRD DATA REQUEST OF COMMISSION STAFF
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 seven copies of the following information, with a copy to all parties of record. The information requested herein is due on or before April 5, 2010. 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 the 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, it shall

provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall 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.

1. Refer to Shelby Energy's response to Commission Staff's Second Data Request ("Staff's Second Request"), Item 1, the attached revised tariff sheet. Shelby Energy made text changes to indicate that the ETS rate is applicable to proposed rates 11 and 12. Did Shelby Energy intend to make the ETS applicable only to proposed rate 12, the residential rate? If no, explain.

2. Refer to the response to Item 18 of Staff's Second Request. The table at the top of page 2 provides revised accounting services allocation percentages for use in the cost-of-service study. Provide what effect, if any, the changes in the allocation percentages would have on the results of the cost-of-service study.

3. Refer to the response to Item 20 of Staff's Second Request.

a. Refer to part a. of this response. The detail of Account 456, Other Electric Revenue, shows a credit of \$38,021 labeled as sales and use tax. Provide an explanation for the sales and use tax credit.

b. Refer to part b. of this response. For Account 456, Other Electric Revenue, provide a detailed breakdown for each of the five years listed similar to that provided in part a. of this response for the test-year total.

4. Refer to the response to Item 21.b. of Staff's Second Request. Shelby Energy states that, in calculating cable television attachment ("CATV") rates, it intended to use the rate of return proposed in the instant case of 6.4 percent. Provide updated proposed CATV rates using the 6.4 percent rate of return.

5. Provide the actual Times Interest Earned Ratio Shelby Energy attained for calendar year 2009 and a summary income statement supporting the calculation.

6. Refer to the response to Item 26 of Staff's Second Request.

a. Refer to part a. of this response. In its explanation for the change in Account 593, Shelby Energy stated that wind and ice storm expenses totaling \$236,537 were not reimbursed by the Federal Emergency Management Agency ("FEMA"). Given the nonrecurring nature of the storm events that led to Shelby Energy's incurring these expenses, explain why these expenses should be included for rate-making purposes. Provide a comparative schedule of Account 593 for the calendar years 2005 through 2009.

b. Refer to part d. of this response. In its explanation for the change in Account 903, Shelby Energy stated that personnel changes affected the reduction in expense from "2007 to 2009." Did Shelby Energy mean 2008 instead of 2007?

c. Refer to part h. of this response. Provide a detailed schedule of the transactions that resulted in a loss on dispositions of \$110,710.

7. Refer to the response to Item 27.b. of Staff's Second Request.

a. Does Shelby Energy have a formal written policy governing the employee performance bonus program? If so, provide a copy of the policy. If no,

explain in detail how Shelby Energy determines the amount of the potential performance bonus each year.

b. How long has Shelby Energy had a performance bonus program for employees?

c. Explain fully why Shelby Energy has chosen to include a performance-based incentive as part of its employees' compensation.

d. Provide the amount of the performance bonus paid in 2009 to each employee and in total for Shelby Energy. Also provide documentation of how the bonus was calculated.

8. Refer to the response to Item 31 of Staff's Second Request. Does the response mean that Shelby Energy agrees that the adjustment for Retirement and Security should be \$140,690 rather than \$211,554?

9. Refer to the response to Item 32 of Staff's Second Request.

a. Refer to part d. of this response. Explain fully why Shelby Energy expects recurring costs for engineering services to increase to approximately \$74,500 annually, given that its test-year engineering services expenses were only \$41,565.

b. Provide a comparative analysis of Account 923.0, Professional Services, for the calendar years 2005 through 2009. Expenses should be summarized by the major categories of expense incurred in each year.

10. Refer to the response to Item 38.d.1. of Staff's Second Request. The schedule of employee training expense provided by Shelby Energy shows that training expense for the test year totals \$55,407. Was this level of expense consistent with prior

years' employee training expenses incurred by Shelby Energy? Provide a summary schedule of training expenses incurred in calendar years 2005 through 2009.

11. Refer to the response to Item 39 of Staff's Second Request. Provide an itemized schedule of the total cost of the 2009 annual meeting, indicating those costs removed for rate-making purposes and the account number charged for each item listed.

12. Refer to the responses to Items 40 and 41 of Staff's Second Request.

a. The response to Item 40 indicates that a receivable from FEMA was established as of July 31, 2009 in the amount of \$538,763. The accompanying schedule shows FEMA payments of the same amount on July 28, 2009. Explain why a receivable was recorded if payments had been received.

b. The response to Item 41 indicates that a receivable from FEMA was established as of July 31, 2009 in the amount of \$34,756. The accompanying schedule shows a FEMA payment of the same amount on April 23, 2009. Explain why a receivable was recorded if payment had been received.

c. Exhibit Y, page 1 of the Application shows Account 143.60, Accounts Receivable -- FEMA, with a balance of \$428,603 as of 7/31/09. Provide a reconciliation of the Account 143.60 balance of \$428,603 with the receivable amounts indicated in a. and b. above.

d. Does Shelby Energy expect to receive further reimbursements from FEMA? If so, how much does Shelby Energy anticipate receiving?

13. Refer to the responses to Items 26.a, 40, and 41 of Staff's Second Request. Expenses and reimbursements associated with the wind and ice storms were

recorded in Account 593, Maintenance of Overhead Lines. The responses show that certain wind and ice storm expenses were not reimbursed by FEMA. Following is a summary of these expenses per Shelby Energy's responses. Explain the discrepancy between the amounts reported.

<u>Expenses Not Reimbursed</u>		
Item 40	Ice storm	\$433,841
Item 41	Wind storm	<u>\$141,106</u>
Total		\$574,947
Item 26.a	Both storms	\$236,537

14. According to the tariffs in its application, Shelby Energy offers its customers the Touchstone Energy Home Program and the residential and commercial direct load control programs available to the member cooperatives served by East Kentucky Power Cooperative, Inc. ("EKPC").

a. Identify any of the EKPC non-tariffed demand-side management ("DSM") programs that Shelby Energy offers its customers.

b. For the Touchstone Energy Home Program, the residential and commercial direct load control programs, and the DSM programs identified in the response to part a. of this request, provide the number of customers participating in each program as of December 31, 2009.



Jeff Derouen
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED: MAR 19 2010

cc: Parties of Record

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