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NEWS RELEASE

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SHELBY ENERGY PAYS \$15,000 FINE FOR SAFETY VIOLATIONS *Settlement with PSC covers fatal accident involving contractor*

FRANKFORT, Ky. (Sept. 29, 2008) – Shelby Energy Cooperative Inc., will pay a \$15,000 fine to settle charges stemming from a contractor’s repeated violations of safety regulations, several of which contributed to a fatal accident on Nov. 12, 2007.

In an order issued today, the Kentucky Public Service Commission (PSC) accepted the settlement, noting that the contractor no longer is doing work for Shelby Energy. The PSC announced that it will conduct a management audit of all aspects of Shelby Energy’s operations, with a special focus on its safety procedures.

Since November 1998, three contractor employees and one Shelby Energy employee have been killed while working on power line projects for the cooperative. The management audit will focus on that “relatively high number” of fatalities, the PSC said in its order.

The case stems from the PSC investigation of an accident which killed Cosby Carroll, an employee of Dobson Power Line Construction Co. of Nicholasville, which was building new distribution lines for Shelby Energy. Carroll died after falling from an aerial bucket truck.

PSC investigators determined that Carroll was not properly secured in the bucket when he was struck and pulled from the bucket by a rope which itself was improperly fastened. Shelby Energy was cited for four violations of safety regulations. Electric utilities under PSC jurisdiction are deemed responsible for safety violations committed by their contractors.

A PSC inspection conducted the day after the accident discovered two other violations of safety regulations by the same Dobson Construction crew involved in the accident.

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After settlement discussions with PSC staff, Shelby Energy agreed to pay the maximum \$2,500 fine for each of the six violations.

Today's order also includes a finding by the PSC that language in Shelby Energy's contract with Dobson Construction would permit terminating the contract for safety reasons. The contract is a standardized agreement used by many rural electric cooperatives.

The focused management audit of Shelby Energy will be conducted by an independent consultant selected by the PSC and paid for by Shelby Energy. In addition to focusing on safety, the audit will pay special attention to the cooperative's billing practices, which arose as a separate concern.

Other key provisions in the settlement agreement accepted by the PSC include:

- The hiring by Shelby Energy of an outside safety auditor to review all construction activities for the next year.
- Designation by Shelby Energy of a person who will be responsible for ensuring that all cooperative and contractor personnel receive required safety training and assume responsibility for safety audits a year from now.
- Filing by Shelby Energy of all safety audit reports with the PSC for a period of three years.
- Improvements in safety training and procedures at Shelby Energy.

Today's order and other documents in the case are available on the PSC Web site, psc.ky.gov. The case number is 2008-00069. It was consolidated with case number 2008-00147.

The PSC is an independent agency attached for administrative purposes to the Energy and Environment Cabinet. It regulates more than 1,500 gas, water, sewer, electric and telecommunication utilities operating in Kentucky and has approximately 100 employees.