

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BRUCE WILLIAM STANSBURY)	
)	
COMPLAINANT)	
)	
V.)	CASE NO. 2008-00277
)	
SHELBY ENERGY COOPERATIVE, INC.)	
)	
DEFENDANT)	

ORDER TO SATISFY OR ANSWER

Shelby Energy Cooperative, Inc. ("Shelby Energy") is hereby notified that it has been named as defendant in a formal complaint filed on August 20, 2008, a copy of which is attached hereto as Appendix A.

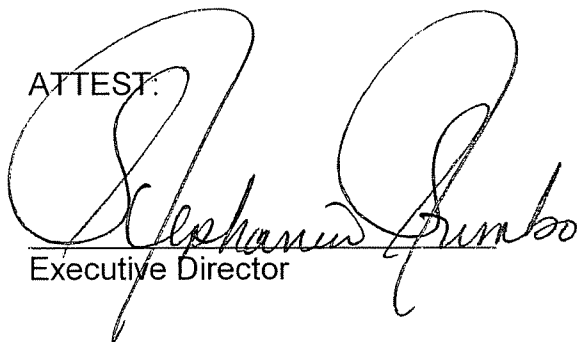
Pursuant to 807 KAR 5:001, Section 12, Shelby Energy is HEREBY ORDERED to satisfy the matters complained of or file a written answer to the complaint within 10 days from the date of service of this Order.

Should documents of any kind be filed with the Commission in the course of this proceeding, the documents shall also be served on all parties of record.

Done at Frankfort, Kentucky, this 27th day of August, 2008.

By the Commission

ATTEST:


Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2008-00277 DATED AUGUST 27, 2008

RECEIVED

AUG 20 2008

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BRUCE WILLIAM STANSBURY)	
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COMPLAINANT)	
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V.)	CASE NO. 2008-00277
)	
SHELBY ENERGY COOPERATIVE, INC)	
620 Old Finchville Rd.)	
Shelbyville, Kentucky 40065)	
)	
DEFENDANT)	
)	

AMENDED COMPLAINT

Comes now Complainant Bruce William Stansbury ("Stansbury"), by counsel, for his Complaint against Shelby Energy Cooperative, Inc. ("Shelby Energy"), states as follows:

1. Stansbury is a resident of Shelby County, Kentucky, and is a member and customer of Shelby Energy
2. Shelby Energy is a non-profit corporation licensed to do business in the state of Kentucky and doing business primarily in Shelby, Henry and Trimble County, Kentucky as an electric utility.
3. The Public Service Commission ("PSC") has jurisdiction over Shelby Energy.

4 Stansbury makes this Amended Complaint pursuant to an Order of the PSC dated July 29, 2008 and served upon Stansbury on July 31, 2008

5 Stansbury re-alleges the charges in his original Complaint, attached as Exhibit A.

6 Additionally, Stansbury alleges the following facts, acts, omissions and violations of law, regulations and procedures that harm consumers and justify and compel a complete management audit of Shelby Energy by the PSC

7 Shelby Energy, intentionally and/or negligently, miscalculated fuel adjustment costs in July 2007. See Exhibit B. This improper calculation led to a fuel adjustment cost greatly exceeding the allowable rate as defined and approved by PSC Case No. 2006-00524 and KRS 278.455(2). The fuel adjustment cost for July 2007 was much higher than any other month and resulted in extremely large and unexpected bills for Shelby Energy customers

8. Upon information and belief, the improper fuel adjustment cost pass-through was done in a manner to benefit Shelby Energy and improperly inflate Shelby Energy profits.

9. Upon information and belief, Shelby Energy passed through a higher fuel-adjustment cost than it actually paid, in violation of Kentucky law

10. Shelby Energy failed to pass through the Fuel Adjustment Cost and Basic Rate increase for the months of August 2007 through December 2007, resulting in a potential harm to the consumer by losing preferred tier profitability status from the United States Department of Agriculture's Rural Utilities Service loan program, among other benefits of a profitable energy company.

11. Shelby Energy, pursuant to permission by the PSC, adjusted customers bills for the February 2008 – June 2008 billing cycles

12. Shelby Energy *improperly and retroactively* accounted for the under-billed adjustment in its November and December 2007 accounting period. See Exhibit C

13. Upon information and belief, Shelby Energy counted under-billed proceeds as they accrued, effectively double-counting income and overstating profits.

14. Upon information and belief, Shelby Energy collected more from under-billed fuel adjustment costs from February 2008 through June 2008 than Shelby Energy lost from August 2007 to December 2007

15. Shelby Energy refused to communicate with its customers to clearly explain the *purpose and legality* of the under-billed adjustment and took affirmative steps to prevent customers from exercising their legal rights under KRS 278.260 to communicate with or complain to the PSC regarding rates. See Exhibit D.

16. The mismanagement demonstrated by Shelby Energy has financially damaged consumers through higher utility costs than legally allowed, eliminating predictability and increasing variance in monthly energy bills through numerous adjustments, impairing Shelby Energy's credit rating and ability to borrow money through improper filings with and misrepresentations to the Rural Utilities Service, and other financial damages that can only be discovered through a management audit.

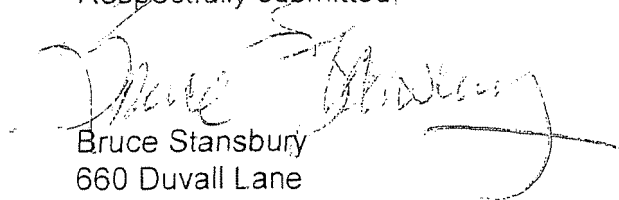
17 A large turn-over in Shelby Energy employees has created billing errors and improperly read meters that have put a tremendous burden on businesses to pay upon discovery of those errors, including higher costs for all members for overlooked billing errors

18 A large turn-over in employees has increased the cost in training, operation and restoration of service of the utility, increasing potential harm to employees and members due to lack of training and experience.

19 Stansbury reserves the right to supplement or amend this Complaint as additional information is gathered.

Wherefore Stansbury requests a management audit of Shelby Energy's practices, policies, billing and payments and a review of all hiring and termination of Shelby Energy employees for the last 7 years to determine if hiring practices have irrevocably impaired the ability of Shelby Energy to remain a profitable company benefiting Kentucky consumers

Respectfully submitted,



Bruce Stansbury
660 Duvall Lane
Finchville, Kentucky 40022

Prepared by:

BAHE COOK CANTLEY & JONES, PLC
Vanessa Cantley
Jasper Ward
239 S. Fifth Street
Suite 700
Louisville, Kentucky 40202

EXHIBIT A

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the matter of:

BRUCE WILLIAM STANSBURY)
(Your Full Name))
COMPLAINANT)
VS.)
SHELBY ENERGY COOP.)
(Name of Utility))
DEFENDANT)

COMPLAINT

The complaint of BRUCE WILLIAM STANSBURY respectfully shows:
(Your Full Name)

(a) BRUCE WILLIAM STANSBURY
(Your Full Name)

1616 DUVALL LANE FINCHVILLE KY 40022
(Your Address)

(b) SHELBY ENERGY COOP
(Name of Utility)

1620 OLD FINCHVILLE KY SHELBYVILLE KY 40065
(Address of Utility)

(c) That: GROSS MISMANAGEMENT OF "BASE
(Describe here, attaching additional sheets if necessary,

RATE CORRECTION" CHARGES AND OF THE
the specific act, fully and clearly, or facts that are the reason

FUEL ADJUSTMENT CHARGES. FORMER
and basis for the complaint)

CEO DUDLEY BOTTOM CONTINUES TO
BE PAID - WHY?

Continued on Next Page

Formal Complaint

BRUCE W STANBURY vs. SHELBY ENERGY

Page 2 of 2

- ① INCOMPENT PEOPLE IN MANAGEMENT
POSITIONS
- ② REQUEST AN AUDIT OF ALL PRACTICES

Wherefore, complainant asks ① AUDIT OF ALL PRACTICES,
(Specifically state the relief desired.)

- POLICIES, BILLING AND PAYMENTS
- ② HIRING ; TERMINATION OF PERSONAL
OVER THE LAST 7 YEARS

Dated at FINCHVILLE, Kentucky, this 7TH day
(Your City)

of JULY, 2008
(Month)

Bruce W Stanbury
(Your Signature)

(Name and address of attorney, if any)

EXHIBIT B

• Rate Change

Jan-01	0.00064	SVL	Jan-04	0.00063	SVL	Jan-07	0.00179	SVL	Jan-10	SVL
Feb-01	0.00217		Feb-04	0.00350		Feb-07	0.00302		Feb-10	
Mar-01	0.00748		Mar-04	0.00354		Mar-07	0.00656		Mar-10	
Apr-01	0.00332		Apr-04	0.00652		Apr-07	0.00729		Apr-10	
May-01	0.00216		May-04	0.00477		May-07	0.01634		May-10	
Jun-01	0.00072		Jun-04	0.00624		Jun-07	0.01020		Jun-10	
Jul-01	0.00143		Jul-04	0.00445		Jul-07	0.02065		Jul-10	
Aug-01	0.00002		Aug-04	0.00255		Aug-07	0.00410		Aug-10	
Sep-01	0.00153		Sep-04	0.00514		Sep-07	0.00712		Sep-10	
Oct-01	0.00255		Oct-04	0.00504		Oct-07	-0.00075		Oct-10	
Nov-01	0.00458		Nov-04	0.00737		Nov-07	0.01000		Nov-10	
Dec-01	0.00462		Dec-04	0.00630		Dec-07	0.00197		Dec-10	
Jan-02	-0.00138		Jan-05	0.00546		Jan-08	0.00308		Jan-11	
Feb-02	0.00210		Feb-05	0.00763		Feb-08	0.00040		Feb-11	
Mar-02	0.00202		Mar-05	0.01164		Mar-08	0.00607		Mar-11	
Apr-02	0.00177		Apr-05	0.01332		Apr-08	0.00613		Apr-11	
May-02	0.00176		May-05	0.00951		May-08	0.00673		May-11	
Jun-02	0.00220		Jun-05	0.00875	.	Jun-08			Jun-11	
Jul-02	0.00187		Jul-05	0.00947		Jul-08			Jul-11	
Aug-02	0.00075		Aug-05	0.00079		Aug-08			Aug-11	
Sep-02	0.00092		Sep-05	0.00353		Sep-08			Sep-11	
Oct-02	0.00184		Oct-05	0.00561		Oct-08			Oct-11	
Nov-02	0.00210		Nov-05	0.01192		Nov-08			Nov-11	
Dec-02	0.00282		Dec-05	0.01028		Dec-08			Dec-11	
Jan-03	0.00173		Jan-06	0.01005	***	Jan-09			Jan-12	
Feb-03	0.00086		Feb-06	0.00340		Feb-09			Feb-12	
Mar-03	0.00087		Mar-06	0.01171		Mar-09			Mar-12	
Apr-03	0.00652		Apr-06	0.00844		Apr-09			Apr-12	
May-03	0.00480	*	May-06	0.00774		May-09			May-12	
Jun-03	0.00403		Jun-06	0.00742		Jun-09			Jun-12	
Jul-03	0.00219		Jul-06	0.00726		Jul-09			Jul-12	
Aug-03	0.00025		Aug-06	0.00558		Aug-09			Aug-12	
Sep-03	-0.00200		Sep-06	0.00382		Sep-09			Sep-12	
Oct-03	0.00120		Oct-06	0.00519		Oct-09			Oct-12	
Nov-03	-0.00058		Nov-06	0.00874		Nov-09			Nov-12	
Dec-03	0.00305		Dec-06	0.00885		Dec-09			Dec-12	

*** STARTING JAN, 2006 FUEL COST CHANGES WITH CYCLE 2

EXHIBIT C

STATEMENT OF OPERATIONS

MONTH	MARGINS 2006	TIER 2006	MARGINS 2007	TIER 2007
JANUARY	\$175,854.25	2.724	(\$67,275.84)	0.540
FEBRUARY	\$70,194.82	1.348	(\$17,703.38)	0.938
MARCH	\$183,081.31	1.420	(\$214,827.39)	0.503
APRIL	\$492,567.25	1.870	(\$231,238.01)	0.601
MAY	\$401,750.06	1.553	(\$446,642.57)	0.379
JUNE	\$202,941.44	1.235	(\$248,498.63)	0.707
JULY	\$153,076.67	1.153	\$352,588.38	1.355
AUGUST	\$229,809.56	1.199	\$359,743.83	1.318
SEPTEMBER	\$318,653.24	1.243	\$225,368.73	1.177
OCTOBER	\$132,062.16	1.091	(\$150,585.25)	0.894
NOVEMBER	\$445,504.02	1.279	841,07.52	1.542
DECEMBER	\$982,838.12	1.563	\$100,642.46	1.645

DUE COLLECTED, BUT ADDED TO
 TO \$ 918,751
 BUT BOOKS
 ASSETS DEC-
 142. DD
 EVER

EXHIBIT D



From: farrah
Sent: Monday, March 24, 2008 4:58 PM
To: candi; shelley; Pam; Becky; nancy; Nan
Subject: Base Rate Corrections

We do not want to offer or give out PSC's phone number. If they insist on getting the number Becky or I will give them the number.

Thanks,
Farrah



COMMONWEALTH OF KENTUCKY
FRANKLIN CIRCUIT COURT
DIVISION II

CIVIL ACTION NO. 08-CI-01043

FILED
AUG 19 2008
FRANKLIN CIRCUIT COURT
SALLY JUMP, CLERK

GEOFFREY M. YOUNG

PLAINTIFF

vs.

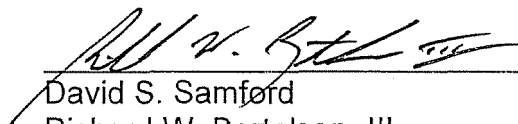
ERRATA TO DEFENDANT'S RESPONSE TO
PLAINTIFF'S MOTION TO STRIKE

KENTUCKY PUBLIC SERVICE COMMISSION

DEFENDANT

The Kentucky Public Service Commission ("Commission") hereby files this errata to the document filed by the Commission previously today, August 19, 2008, entitled "Defendant's Reply to Plaintiff's Response to Motion to Dismiss." The title of that document should be "Defendant's Response to Plaintiff's Motion to Strike."

Respectfully submitted,



David S. Samfjord
Richard W. Bertelson, III
Kentucky Public Service Commission
Post Office Box 615
211 Sower Boulevard
Frankfort, Kentucky 40602-0615

Counsel for Kentucky Public Service Commission

CERTIFICATE OF SERVICE

I hereby certify that the foregoing Errata was served upon the parties herein by mailing a true copy hereof, by United States mail, postage prepaid, to Geoffrey M. Young, 454 Kimberly Place, Lexington, KY 40503, this 19th day of August 2008.


Richard W. Bertelson, III