COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SHELBY ENERGY COOPERATIVE, INC. FOR A GENERAL ADJUSTMENT OF RATES	)))	CASE NO. 2024-00351

O R D E R

On December 10, 2024, Shelby Energy Cooperative, Inc. (Shelby Energy) filed its application for a general adjustment of rates based on a historical test year pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001, Section 16.[1] By Order entered on January 6, 2025, the Commission suspended the proposed rates up to and including June 9, 2025.[2] The Attorney General of the Commonwealth of Kentucky, by and through the Office of Rate Intervention (Attorney General), is the only intervenor in this matter.

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[1] Shelby Energy tendered its application on December 5, 2024, and it was deemed deficient by letter dated December 10, 2024. Shelby Energy tendered subsequent documents, and the application was deemed filed on December 10, 2024.

[2] Order (Ky PSC Jan. 6, 2025).

PROCEDURAL HISTORY

Shelby Energy responded to multiple rounds of discovery,[3] and the Attorney General filed notice that intervenor testimony would not be filed in this matter.[4] On March 13, 2025, the procedural schedule was amended to remove all dates related to intervenor testimony and subsequent requests for information. The March 13, 2025 Order also established a deadline by which Shelby Energy or the Attorney General could request a hearing or that the case be submitted for a decision on the record, and a deadline for Shelby Energy to file responses to Staff's Fourth Request for Information.[5] On March 21, 2025, Shelby Energy and the Attorney General filed a joint motion to waive a hearing and requested an opportunity to brief the matter.[6] On April 7, 2025, the procedural schedule was amended again to allow for a briefing schedule.[7] On May 2, 2025, Shelby Energy and the Attorney General submitted their initial briefs,[8] and Shelby Energy filed a reply

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[3] Shelby Energy's Response to Commission Staff's First Request for Information (Staff's First Request) (filed Dec. 19, 2024); Shelby Energy's Response to Commission Staff's Second Request (Staff's Second Request) (filed Jan. 30, 2025); Shelby Energy's Response to the Attorney General's First Request for Information (Attorney General's First Request) (filed Jan 30, 2025); Shelby Energy's Response to the Attorney General's Second Request for Information (Attorney General's Second Request) (filed Feb. 27, 2025); Shelby Energy's Response to Commission Staff's Third Request for Information (Staff's Third Request) (filed Feb. 27, 2025); Shelby Energy's Response to Commission Staff's Fourth Request (Staff's Fourth Request) (filed Mar. 21, 2025); Shelby Energy's Response to Commission Staff's Fifth Request (Staff's Fifth Request) (filed Apr. 1, 2025).

[4] Notice (filed Feb. 28, 2025).

[5] Order (Ky. PSC Mar. 13, 2025).

[6] Joint Motion by Shelby Energy Cooperative, Inc. and the Attorney General to Brief and Submit the Case on the Record (filed Mar. 21, 2025).

[7] Order (Ky. PSC Apr. 7, 2025).

[8] Shelby Energy's Initial Brief (filed May 2, 2025); Attorney General's Initial Brief (filed May 2, 2025).

brief on May 9, 2025.[9] This matter now stands submitted to the Commission for a decision.

BACKGROUND

Shelby Energy is a not-for-profit, member-owned, rural electric distribution cooperative organized under KRS Chapter 279. Shelby Energy distributes retail electric power to approximately 14,150 members in the Kentucky counties of Anderson, Carroll, Franklin, Henry, Jefferson, Oldham, Owen, Shelby, Spencer, and Trimble.[10]

Shelby Energy's application proposed to increase base rates by $2,332,517, which represents a 4.33 percent increase.[11]

BRIEF SUMMARIES

Shelby Energy's Position. Shelby Energy's initial brief reiterated its arguments seeking Commission approval of a general adjustment in rates to increase annual revenues of $53,848,500 by $2,332,517, or approximately 4.33 percent, for a total authorized revenues of $56,181,017 based on a historic test year ending December 31, 2023.[12] Part of Shelby Energy's request included an increase of the monthly residential charge from $19 to $29.[13] Shelby Energy stated that the proposed rate adjustment[14] is driven by Shelby Energy's deteriorating financial position, which is attributed to rising labor, materials, and interest expenses, as well as declining energy sales associated with

[9] Shelby Energy's Reply Brief (filed May 9, 2025).

[10] Application at 1.

[11] Application at 2.

[12] Shelby Energy's Initial Brief at 1-2.

[13] Application at 2.

[14] Application at Exhibit 1.

milder weather conditions.[15] Shelby Energy asserted that the increase is necessary to achieve a TIER of 2.00, which is essential to maintaining compliance with lender covenants and ensuring long-term financial stability.[16]

Shelby Energy emphasized that placing more of the proposed increase on the consumer facility charge, rather than on volumetric energy charges, is consistent with cost causation principles and reduces volatility in revenues associated with weather and economic fluctuations.[17] Shelby Energy also contended that this approach benefits economically vulnerable members who may consume more energy due to inefficient housing conditions, as it minimizes increases to usage-based rates.[18]

Shelby Energy argued that the proposed pro forma adjustments in the test year are reasonable and consistent with Commission precedent, and that they appropriately exclude nonrecurring items and revenues and expenses addressed through other ratemaking mechanisms.[19] Shelby Energy further noted that it has not achieved a 2.00 TIER in recent years, citing a 1.07 TIER for 2023, and argues that authorizing a lower TIER would jeopardize its ability to maintain adequate working capital, cover unforeseen expenses, and comply with lender-imposed financial metrics.[20] Shelby Energy

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[15] Shelby Energy's Initial Brief at 1.

[16] Shelby Energy's Initial Brief at 1.

[17] Shelby Energy's Initial Brief at 5.

[18] Shelby Energy's Initial Brief at 5.

[19] Shelby Energy's Initial Brief at 2 and 4.

[20] Shelby Energy's Initial Brief at 6-7.

highlighted that the 2.00 TIER standard is consistent with decades of Commission precedent applicable to similarly situated electric distribution cooperatives.[21]

Shelby Energy also requested that the Commission approve the recovery of rate case expenses and amortize it over three years.[22]

On May 9, 2025, Shelby Energy filed its reply brief to the Attorney General's brief, and reiterated that its proposed rate increase is supported by a comprehensive COSS and pro forma adjustments that are reasonable, known, and measurable.[23] Shelby Energy objected to the Attorney General's proposed revenue requirement adjustments as untimely and argued that their admission would violate due process since no expert testimony was provided.[24] Shelby Energy defended its requested right-of-way (ROW) expenses, depreciation methods, labor costs, and phone reimbursement allowances as necessary and justified.[25] It emphasized that the COSS supports the proposed consumer facility charge and rate design, aligning with cost causation principles while protecting economically vulnerable members.[26] Finally, Shelby Energy maintained that its requested 2.00 TIER is consistent with longstanding Commission precedent and necessary to meet lender requirements and ensure financial stability.[27]

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[21] Shelby Energy's Initial Brief at 7.

[22] Shelby Energy's Initial Brief at 7.

[23] Shelby Energy's Reply Brief at 1-2.

[24] Shelby Energy's Reply Brief at 2.

[25] Shelby Energy's Reply Brief at 3-6.

[26] Shelby Energy's Reply Brief at 7-8.

[27] Shelby Energy's Reply Brief at 8-9.

Attorney General's Position. The Attorney General opposed Shelby Energy's proposed revenue increase of $2,332,517 and recommended an increase of $1,388,759.[28] The Attorney General contended that Shelby Energy had not met its statutory burden under KRS 278.190(3) to demonstrate that the proposed rates were fair, just, and reasonable.[29] In the brief, the Attorney General proposed several adjustments to the revenue requirement, including reductions to ROW maintenance expenses, depreciation rates, labor costs, and phone reimbursements.[30] He further recommended normalization of usage levels to account for unusually low 2023 sales, a correction to the year-end customer count adjustment, and a reduction in the TIER from 2.00 to 1.92.[31] The Attorney General also opposed the proposed 53 percent increase in the residential consumer facility charge, arguing that it violates the principle of gradualism and may disproportionately impact low-income customers.[32] Accordingly, the Attorney General urged the Commission to adopt a more limited, equitable rate increase.[33] The Attorney General's proposed adjustments are addressed in more detail in the revenue requirement section.

LEGAL STANDARD

Shelby Energy filed its application pursuant to KRS 278.180, KRS 278.190, and 807 KAR 5:001. The Commission's standard of review for a utility's request for a rate

[28] Attorney General's Brief at 1-2.

[29] Attorney General's Brief at 1-2.

[30] Attorney General's Brief at 2-7.

[31] Attorney General's Brief at 7-9.

[32] Attorney General's Brief at 9-10.

[33] Attorney General's Brief at 9-10.

increase is whether the proposed rates are "fair, just and reasonable."[34] Shelby Energy bears the burden of proof to show that the proposed rates are just and reasonable under the requirements of KRS 278.190(3).

Commission regulation 807 KAR 5:001, Section 16(1), requires that an application requesting a general adjustment of existing rates using a historical test period must be supported by a "twelve (12) month historical test period that may include adjustments for known and measurable changes."

TEST PERIOD

Shelby Energy used the 12 months ending December 31, 2023, as its historical test period.[35] The Attorney General did not contest the use of this period as the test period.

The Commission finds that, based on the timing of Shelby Energy's application, it is reasonable to use the 12 months ending December 31, 2023, as the test period for setting rates in this matter. In using this historic test period, the Commission gave full consideration to appropriate known and measurable changes.[36]

REVENUE REQUIREMENT

Shelby Energy proposed 14 adjustments to normalize its test-year operating revenues and expenses. The Attorney General contested some, but not all, of Shelby Energy's proposed adjustments. As discussed in more detail below, the Commission

[34] KRS 278.300; *Pub. Serv. Comm'n v. Com. Ex rel. Conway*, 324 S.W.3d 373, 377 (Ky.2010).

[35] Application at 6.

[36] See 807 KAR 5:001, Section 16(1)(a)(1). See also *Public Service Comm'n v. Continental Telephone Co.* of Ky., 692 S.W.2d 794, 799 (Ky. 1985) ("There is also a provision for an adjustment because of known and measurable changes outside the test year.").

finds that 8 of the proposed adjustments, uncontested by the Attorney General, are reasonable and should be accepted without change. Shown below are the Commission's approved uncontested adjustments to Shelby Energy's test year:

1. Fuel Adjustment Clause (FAC) - $(3,651)[37]
2. Environmental Surcharge (ES) - $(1)[38]
3. Donations, Advertising, and Dues - $211,420[39]
4. 401K Contributions - $18,225[40]
5. Life Insurance Contributions - $ 8,565[41]
6. Interest Expense - $(315,474)[42]
7. Directors' Expenses - $ 1,663[43]
8. G&T Capital Credits - $(661,963)[44]

The Commission modified Shelby Energy's other proposed adjustments and further discussed the issues raised by the Attorney General in more detail below.

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[37] Application, Exhibit 10, JW-2, Reference Schedule: 1.01 at 5.

[38] Application, Exhibit 10, JW-2, Reference Schedule: 1.02 at 6.

[39] Application, Exhibit 10, JW-2, Reference Schedule: 1.04 at 8.

[40] Application, Exhibit 10, JW-2, Reference Schedule: 1.05 at 9.

[41] Application, Exhibit 10, JW-2, Reference Schedule: 1.06 at 11.

[42] Application, Exhibit 10, JW-2, Reference Schedule: 1.08 at 13.

[43] Application, Exhibit 10, JW-2, Reference Schedule: 1.12 at 18.

[44] Application, Exhibit 10, JW-2, Reference Schedule: 1.14 at 20.

Right of Way Maintenance Expense (ROW)

Shelby Energy proposed a pro forma adjustment to increase test year ROW expenses by $527,910[45] for a total pro forma test year amount of $1,915,935 in ROW expenses.[46] Shelby Energy has a target maintenance cycle of 380 miles per year and Shelby Energy's ROW request is based upon a five-year ROW maintenance cycle to clear 1,900 miles, or 380 miles per year.[47]

Shelby Energy stated that the adjustment adds expenses associated with vegetation management and ROW maintenance, and the costs for prospective ROW maintenance exceed those incurred in the test year.[48] The adjustment replaces the test year vegetation management expense with an annualized prospective amount determined by the annual mileage to be cleared, priced at the current contractor pricing.[49]

The Attorney General recommended reducing Shelby Energy's pro forma ROW expense by $333,826 to reflect a six-year vegetation management cycle (316.7 miles per year) rather than the proposed five-year cycle.[50] The Attorney General based the proposed reduction and six-year vegetation management cycle on Shelby Energy's actual trim miles from 2017 to 2024 and noted that Shelby Energy met the proposed 316.7 annual miles for a six-year cycle in 2024. Additionally, in support of its proposal to

[45] Application, Attachment, Exhibit 10, Direct Testimony of John Wolfram (Wolfram Direct Testimony) at 2.

[46] Application, Attachment, Exhibit 10, JW-2, Reference Schedule 1.13 at 19.

[47] Application, Attachment Exhibit 9, Moriarty Direct Testimony at 8.

[48] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 13.

[49] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 13.

[50] Attorney General's Brief at 3-4.

increase the five-year cycle to six years, the Attorney General noted that Big Sandy Rural Electrical Cooperative Corporation has recently moved to a seven-year budgeted trim cycle.[51]

Although Shelby Energy has not budgeted or completed its five-year target cycle of 380 miles per year in the past 8 years,[52] in 2024, the utility spent $2,230,618 on actual ROW expenses, an amount in excess of the $1,999,717 approved in the final Order of Case No. 2023-00213 and cleared 331 miles.[53]

The Commission accepts Shelby Energy's proposed $527,910 increase to ROW expense for a total pro forma amount of $1,915,935 and finds that Shelby Energy's goal of performing ROW maintenance on a five-year cycle is both reasonable and necessary to provide reliability on its system. While Shelby Energy has not met its target of 380 miles per year, Shelby Energy's spending above the amount approved in 2024 demonstrates that additional funds are needed for performing ROW maintenance. While the pro forma amount of $1,915,935 does not equal what Shelby Energy spent on ROW in 2024, the Commission finds that Shelby Energy's five-year cycle ROW maintenance is reasonable, and the increased amounts should mitigate any negative impacts on Shelby Energy's financials from increasing ROW expenses and promote safe and reliable service.

[51] Attorney General's Brief at 4.

[52] Shelby Energy's Response to the Attorney General First Request, Item 23c.

[53] Shelby Energy's Response to the Attorney General First Request, Item 23(a)-(b), AG 1-23(a)-(b).xlsx

Depreciation Expense

Shelby Energy proposed a $165,764 increase to Depreciation Expense to reflect normalized depreciation expenses by replacing test year actual expenses with test year-end balances (less any fully depreciated items).[54]

The Attorney General proposed a reduction of $134,091 to align depreciation rates with those previously approved by the Commission in Case No. 2016-00434.[55] The Attorney General contends that the depreciation rates in the revenue requirement model prepared by Mr. Wolfram in the Company's current application are inconsistent with prior Commission-authorized rates.[56]

The Commission rejects Shelby Energy's proposed adjustment because it was calculated using depreciation rates that the Commission has not approved. The Commission finds it reasonable to reduce Shelby Energy's proposed $165,764 increase to Depreciation Expense to a $31,673 increase to reflect the depreciation rates approved by the Commission in Case No. 2016-00434. This is a reduction of $134,091 from Shelby Energy's proposed revenue requirement.

The Commission notes that Shelby Energy's last depreciation study was completed in 2013 and only included Distribution Plant Assets. The General Plant Asset depreciation rates from the 2013 study were calculated using a composite factor methodology from RUS Bulletin 183-1. Using the composite factor changes the ratios each time Shelby Energy files a rate adjustment application, preventing the Commission

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[54] Application, Attachment, Exhibit 10, JW-2 Reference Schedule 1.11 at 17.

[55] Attorney General Initial Brief at 4-5; Case No. 2016-00434, *Application of Shelby Energy Cooperative for an Increase in Its Retail Rates* (filed Feb. 7, 2017).

[56] Attorney General Initial Brief at 4-5.

from setting rates based on a study that considers all the assets. Therefore, the Commission finds that Shelby Energy should complete a depreciation study before its next streamline or general rate adjustment application for both Distribution and General Plant Assets and file the same in the next rate adjustment application if files.

Wages and Salaries

Shelby Energy proposed a pro forma adjustment increase to wages and salaries of $164,547.[57] Shelby Energy stated that the adjustment normalized wages and salaries to account for changes due to wage increases, departures, or new hires for a standard year of 2,080 hours, plus the employer portion of related payroll taxes.[58] Shelby Energy based the pro forma test year on 46 employees working 2,080 hours.[59] Shelby Energy reported that extreme weather events in 2022 and 2023 led to increased overtime and payroll expenses.[60]

Shelby Energy stated that, in August 2024, Shelby Energy and the International Brotherhood of Electrical Workers Local Union 2100 agreed to a new five-year contract, which includes annual wage increases ranging from 3.0 percent to 3.75 percent through October 2029.[61] Previously, bargaining employees received negotiated annual raises per the contract of 2.44 percent on November 1, 2021, 2.69 percent on November 1, 2022, and 2.9 percent on November 1, 2023, and non-bargaining employees generally receive

[57] Application, Attachment, Exhibit 10, JW-2 Reference Schedule 1.10 at 16.

[58] Application, Attachment, Exhibit 10, JW-2 Reference Schedule 1.10 at 16.

[59] Application, Attachment, Exhibit 10, JW-2 at 15.

[60] Application, Attachment, Exhibit 9, Direct Testimony of Michael Moriarty (Moriarty Direct Testimony) at 8.

[61] Application, Attachment, Exhibit 9, Moriarty Direct Testimony at 7-8.

pay raises on November 1 of each year based on performance evaluations.[62] Shelby Energy stated that percentage increases are assigned to specific ratings on performance evaluations. Additionally, Shelby Energy stated that employees are evaluated in comparison to market data from the annual wage and benefit study, and further adjustments are made to pay raises as necessary. Pay raises may also result from employees being promoted to new positions.[63]

The Attorney General argued that the wage increases for certain employees far exceed Shelby Energy's three percent increase for 2014-2024.[64] The Attorney General specifically referenced the wage increases for Employees 1, 2, 4, 10, 14 and 15 on Schedule 1.10 in support of its argument that Shelby Energy's requested 7.71 percent salary increases is unreasonable and argues that capping the wage increases of every employee who received a wage increase above 5 percent at 5 percent would be reasonable.[65] The Attorney General stated that capping the wage increases of every employee who received wage increases would reduce the average wage increase to 4.56 percent and would decrease the revenue requirement by $25,715.[66]

Shelby Energy argued in its reply brief that the 7 percent increase for wages and salaries is reasonable and consistent with Shelby Energy's wage and salary study.[67]

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[62] Shelby Energy's Response to Staff's First Request, Item 21.

[63] Shelby Energy's Response to Staff's First Request, Item 21.

[64] Attorney General Brief at 6; Application, Attachment, Exhibit 10, JW-2, Reference Schedule 1.10 at 15-16.

[65] Attorney General Brief at 6-7.

[66] Attorney General Brief at 7.

[67] Shelby Energy's Reply Brief at 6.

Additionally, Shelby Energy explained that the raises for Position 2, Position 4, Position 10, Position 14, and Position 15 were adjusted to the midpoint based upon the wage and salary study. Therefore, the raises were not excessive or unreasonable.[68] Shelby Energy stated that it is near Louisville, one of Kentucky's largest metropolitan areas, and the proposed salary increases are necessary to keep and retain Shelby Energy's highly skilled workforce.[69]

The Commission finds that Shelby Energy's requested increase for wages and salaries is reasonable, and the compensation levels are supported by the wage and salary study provided by Shelby Energy. While the Attorney General presented recommendations in briefing, some of those recommendations were not supported by sufficient evidence in the record.

Phone Reimbursement

Shelby Energy provides a cell phone reimbursement of $1,302.84 annually per non-bargaining unit employees and $1,020 annually per bargaining unit employees.[70] The Attorney General argued that $85 per month for bargaining employees and $109 per month for non-bargaining employees is excessive.[71] The Attorney General stated that Shelby Energy's employees likely use their phones for both work and personal use; therefore, the Attorney General recommends that the reimbursement be reduced to $40 per month for both bargaining employees and non-bargaining employees, which would

[68] Shelby Energy's Reply Brief at 6.

[69] Shelby Energy's Reply Brief at 6.

[70] Application, Attachment, Exhibit 10, JW-2 Reference Schedule 1.10 at 16.

[71] Attorney General Brief at 6.

result in a $13,485 reduction in the revenue requirement.[72] In its reply brief, Shelby Energy stated that reimbursing employees for their phone bills is an incentive for their demanding 24-hour schedule.[73]

Although the Attorney General raised concerns regarding the amount of this employee benefit, upon review of the record, the Commission was unable to identify convincing evidence to adopt the Attorney General's proposed adjustment. Accordingly, the Commission finds that Shelby Energy's proposal should be adopted.

Health Insurance Premiums

Shelby Energy proposed a pro forma reduction of $56,629 in Health Insurance Expense to reflect the U.S. Bureau of Labor and Statistics (BLS) 2022 report levels, excluding union employees.[74]

In Staff's Second Request, Shelby Energy was requested to reconcile the discrepancy regarding total health insurance expense for the test year with a full description of any items added or removed in reaching a reconciled calculation. In response, Shelby Energy identified a formula error in calculating the employer portion of health insurance premiums paid.[75] Shelby Energy provided a new adjustment using the US Bureau of Labor and Statistics 2024 report and calculated a reduction of $108,575.[76] Shelby Energy's revised adjustment included changes to Union employee contributions.

[72] Attorney General Brief at 6.

[73] Shelby Energy's Reply Brief at 6.

[74] Application, Attachment, Exhibit 10, JW-2, Wolfram Direct Testimony at 12.

[75] Shelby Energy's Response to Staff's Second Request, Item 6.

[76] Shelby Energy's Response to Staff's Third Request, Item 1, Health_Insurance_Pro_Forma_Adjustment_using_2024_BLS_Percentages.xlsx.

Union benefits are set forth in a contract, and the Commission has generally found that benefits that are provided for under a union contract are reasonable, absent evidence to the contrary, given that the contracts are negotiated at arms-length.[77] Here, there was no evidence presented supporting an adjustment to the healthcare contributions of union employees. In cases involving employers with both union and non-union employees, the Commission has found that adjusting the healthcare contribution of non-union employees to the union employee contribution level is appropriate given that the union and utility negotiation represent an arm's length transaction that should result in benefit levels set at a reasonable market value to attract and retain employees.[78] In this case, the healthcare contribution rate for union employees is 13 percent.[79] Adjusting the non-union employee health care contribution rate from 10 percent to union rate of 13 percent results in a decrease of the proposed $56,629 reduction to an $8,115 reduction to the revenue requirement.

The Commission finds that Shelby Energy's proposed reduction of $56,629 for Health Insurance Premiums should be adjusted to a reduction of only $8,115 based on the union health insurance contribution rate of 13 percent. The Commission finds the adjustment is reasonable as discussed herein.

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[77] Case No. 2024-00085, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment of Rates and Other General Relief*, Order at 28-29 (Ky. PSC Feb. 28, 2025).

[78] Case No. 2024-00085, Feb. 28, 2025 Order.

[79] Application, Attachment, Exhibit 10, JW-2, Wolfram Direct Testimony at 12.

Year-End Customers

Shelby Energy proposed a $262,678 increase to revenues and $146,129 increase to expenses to adjust the test year expenses and revenues to reflect the number of customers at the end of the test year.[80] This resulted in a decrease of $116,549 to the revenue requirement.[81]

The Attorney General argued that Shelby Energy's adjustment contained a calculation error when comparing the end-of-year member count to the average customer numbers.[82] The Attorney General explained that Shelby Energy rounds the average customer count to make the end-of-period increase over average into whole numbers, and correcting Shelby Energy's rounding increases its revenue requirement by $7,557.[83]

Following a review of the record, the Commission finds Shelby Energy rounding of the average customer count to be reasonable. The Commission has historically used a rounded year-end customer count in this adjustment calculation.[84] It is not practical to assume any number of customers that is not a whole number, as the purpose of the adjustment is to apply the number of customers at test year end to a full year of revenues, and fractional customers do not exist in practice.[85]

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[80] Application, Attachment, Exhibit 10, JW-2 at 2.

[81] Application, Attachment, Exhibit 10, JW-2 at 2.

[82] Attorney General's Brief at 8.

[83] Attorney General's Brief at 8.

[84] See Case No. 2024-00085, (Ky. PSC June 20, 2025), Order.

[85] See Case No. 2024-00287, *Electronic Application of Big Sandy Rural Electric Cooperative Corporation for a General Adjustment of Rates* (Ky. PSC June 20, 2025), Order at 9-10.

Shelby Energy's Chief Financial Officer (CFO), Michael Moriarty, provided testimony that, due to milder temperatures, the utility experienced low sales volume for the 2023 test year, which resulted in a reduction in revenue.[86] Shelby Energy's CFO testified that residential sales in 2023 decreased by 8.4 percent compared to 2022, the lowest kWh of residential sales since 2017, due in part to milder temperatures.[87] The Attorney General also cited this data in a briefing to support concerns about the impact of weather-related variability on revenue.[88] While this issue is distinct from changes in customer count, it underscores the importance of rate design in ensuring revenue stability during periods of fluctuating usage. The Attorney General argued that Shelby Energy should be required to utilize the average usage for 2023 and 2024, rather than relying on the unusually low usage levels from the 2023 test year, as usage rose in 2024.[89] The Attorney General explained that the proposed adjustment would increase the revenues and subsequently decrease the revenue requirement of the utility by $172,465.[90] The proposed adjustment also took into account the expense portion that would be affected by increasing usage.[91] The Attorney General stated that using the two-year average residential usage per customer of 15.50 increases usage to 205,778 MWh versus Shelby Energy's proposed level of 200,450 MWh.[92] The Attorney General stated that, in recent

[86] Application, Attachment, Exhibit 9, Moriarty Direct Testimony at 8.

[87] Application, Attachment, Exhibit 9, Moriarty Direct Testimony at 8.

[88] Attorney General Brief at 7.

[89] Attorney General Brief at 7.

[90] Attorney General Brief at 8.

[91] Attorney General Brief at 9.

[92] Attorney General Brief at 7.

rural electric cooperative corporation (RECC) cases, the weather normalization adjustment was calculated by considering 20 to 30 years of Heating Degree Days and Cooling Degree Days however, that method was not applied in the current case.[93]

The Commission finds the record contains insufficient evidence to adopt the Attorney General's proposal using the average usage for 2023 and 2024, for the weather normalization adjustment. The Commission finds Shelby Energy's proposed pro forma adjustment of $116,549 to be reasonable because it accurately reflects the change in expenses and revenues based on the number of customers at the end of the test year.

Rate Case Expense

Shelby Energy proposed to increase the test-year Rate Case Expense by $60,064 based on three-year amortization of estimated rate case expense of $165,000 including $5,000 of advertising and notice expenses.[94] Shelby Energy was directed to file monthly updates to its Rate Cases Expense with invoices,[95] with the last update filed on June 17, 2025, for expenses through June 6, 2025, reflecting total expenses of $57,111.[96] Shelby Energy also requested amortization expenses from the last rate case of $15,192 that have not been collected.[97]

The Commission finds that based on the summaries last provided to the Commission, and throughout the pendency of this case, the appropriate total Rate Case

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[93] Attorney General Brief at 7 (referencing the rebuttal testimony of John Wolfram in Case No. 2024-00287, *Electronic Application of Big Sandy Rural Electric Cooperative Corporation for a General Adjustment of Rates* (filed Feb. 10, 2025), Rebuttal Testimony of John Wolfram at 4).

[94] Application, Attachment, Exhibit 10, Wolfram Direct Testimony, JW-12 at 12.

[95] Shelby Energy's Response to Staff's First Request, Item 36.

[96] Monthly Rate Case Expense Update.

[97] Application, Attachment, Exhibit 10, Reference Schedule: 1.07, JW-2.

Expense incurred for this matter is $57,111, and the unrecovered amortization expenses from the last rate case are $15,192, for a total amount of $72,304.[98] The Commission also finds that the appropriate amortization period is three years. The Commission has historically approved three-year amortization periods for rate case expense.[99] On average, three years is generally the amount of time between applications for a rate adjustment for a utility. The total rate case expense amount of $72,304 amortized over three years results in a $24,101 adjustment to Rate Case Expense. The Commission finds that this adjustment amount reflects Shelby Energy's actual rate case expenses and is reasonable.

NON-RECURRING CHARGES

The Commission investigated several non-recurring charges contained in Shelby Energy's current tariff after Case No. 2024-00364,[100] a complaint case against Shelby Energy, which raised concerns regarding the impact of certain fees and practices upon customers. These issues included whether customers with Advanced Metering Infrastructure (AMI) meters are eligible for reconnection fees and meter testing fees.

Shelby Energy stated that customers with AMI meters are subject to the Reconnection Service fee of $35 listed in Tariff Sheet No. 222.[101] Shelby Energy claimed the fee resulted from the annual maintenance cost associated with the AMI system, and

[98] Legal $34,102 + Consulting $15,325 + Advertising/Notices $5,000 = $54,427.

[99] See Case No. 2024-00085, Feb. 28, 2025 final Order at 18. Case No. 2021-00407, *Electronic Application of South Kentucky Rural Electric Cooperative Corporation for a General Adjustment of Rates, Approval of Depreciation Study, and Other General Relief* (Ky. PSC June 30, 2022), final Order at 8.

[100] See Case No. 2024-00364, *Eric Allen Thomas, Complainant; Shelby Energy Cooperative, Inc., Defendant*, (Ky. PSC Nov. 12, 2024).

[101] TFS2013-00309 (issued Apr. 24, 2013) and effective Oct. 1, 2013. Shelby Energy's Response to Staff's Fourth Request, Item 5a.

Shelby Energy's current Reconnection Service fee "derives revenue from members that drive the cost of having and maintaining an AMI system."[102] Additionally, Shelby Energy stated that customers with an AMI meter are subject to the meter testing fee of $32.50 in Tariff Sheet No. 245.[103] Shelby Energy argued that the fee is meant to cover the cost of time and materials necessary to test the meter since the customer requesting the test is driving the cost.[104]

The Commission also investigated whether the charge of $30 listed in Tariff Sheet No. 223[105], Collection of Delinquent Accounts, applied to AMI customers. Shelby Energy stated that it has ceased the practice of collecting delinquent accounts at the customer's premises after the implementation of the AMI system in 2010.[106] As a result, Shelby Energy stated that it no longer assessed the $30 collection service fee referenced in Tariff Sheet No. 223.[107]

In response to Commission Staff's Fifth Request for Information, Shelby Energy revealed that the costs incurred by Shelby Energy to reconnect an AMI meter is minimal.[108] Additionally, Shelby Energy did not provide supporting documentation or calculations to explain why a customer with an AMI meter is subject to the Reconnection

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[102] Shelby Energy's Response to Staff's Fourth Request, Item 5a.

[103] TFS2013-00309 (issued Apr. 24, 2013) and effective Oct. 1, 2013. Shelby Energy's Response to Staff's Fourth Request, Item 5c.

[104] Shelby Energy's Response to Staff's Fourth Request, Item 5c.

[105] TFS2013-00309 (issued Apr. 24, 2013) and effective Oct. 1, 2013.

[106] Shelby Energy's Response to Staff's Fourth Request, Item 5b.

[107] TFS2013-00309 (issued Apr. 24, 2013) and effective Oct. 1, 2013. Shelby Energy's Response to Staff's Fourth Request, Item 5b.

[108] Shelby Energy's Response to Staff's Fifth Request, Item 2a.

Service fee of $35 and Meter Testing fee of $32.50. However, Shelby Energy did provide the expenses associated with the AMI system.[109] The Commission finds that Shelby Energy did not provide sufficient evidence as to why customers with AMI meters qualified for fees pursuant to Tariff Sheet Nos. 222[110] and 245.[111]

Therefore, the Commission finds that Shelby Energy needs to update the language in Tariff Sheets Nos. 222[112] and 245[113] to clarify that customers with AMI meters are not subject to the Reconnection Service fee of $35 and the Meter Testing fee of $32.50. Additionally, the Commission finds it is necessary to remove Tariff Sheet No. 223[114] since Shelby Energy no longer assesses the fee referenced in the tariff.

The Commission also finds that $35,695 of Reconnection Charge revenue and $65 of Meter Test Revenue should be removed from the test year revenue to reflect the removal of these charges for an increase of $35,760 to the revenue requirement.

TIER AND OTIER CALCULATIONS

In its application, Shelby Energy proposed to base its revenue requirement on a Times Interest Earned Ratio (TIER) of 2.0.[115] Shelby Energy argued that at 2.0 TIER is

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[109] Shelby Energy's Response to Staff's Fifth Request, Item 2a.

[110] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[111] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[112] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[113] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[114] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[115] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 6.

supported by years of Commission precedent[116] and one of the main cooperative principles of showing concern for the community where its members reside.[117] Further, Shelby Energy explained that if the Commission were to authorize a TIER lower than 2.00, Shelby Energy would have less cash working capital, impairing Shelby Energy's ability to respond to any unforeseen expenses and meet its debt covenant requirements.[118] Shelby Energy noted that it has not achieved a 2.0 TIER in many years and in 2023, the TIER was 1.07.[119] Shelby Energy explained that OTIER has trended downward since the last general rate adjustment case in 2017 and projected that its 2024 OTIER will be below the minimum required for the long-term debt covenants.[120]

The Attorney General argued that the Commission should approve a TIER of 1.92 to offset Shelby Energy's voluntary contribution and dues to various civic organizations, which totaled $211,000, that the Attorney General argues should be excluded from the cost-of-service.[121] The Attorney General explained that, if the Commission were to reduce TIER funding to offset those excluded voluntary expenses, which are paid out of

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[116] Shelby Energy Reply Brief at 8 (referencing Case No. 2023-00223, *Electric Application of Fleming-Mason Energy Cooperative, Inc. for a General Adjustment of Rates* (Ky. PSC June 28, 2024), Order at 16 citing historical cases utilizing a 2.00 TIER).

[117] Shelby Energy's Reply Brief at 8 (referencing National Rural Electric Cooperative Association, "Understanding the Seven Cooperative Principles" https://www.electric.coop/seven-cooperative-principles%E2%80%8B (last accessed May 8, 2025).

[118] Shelby Energy's Reply Brief at 8.

[119] Shelby Energy's Reply Brief at 8.

[120] Moriarty Direct Testimony at 3.

[121] Attorney General Brief at 9.

excess TIER funding, Shelby Energy would be further incentivized to discontinue these voluntary payments, saving ratepayers the expenses.[122]

The Commission finds that, based on the evidence in the case record, a TIER of 2.0 should be authorized in this case. If the Commission were to authorize a TIER lower than 2.0, considering Shelby Energy's balance sheet, Shelby Energy would have a lower margin and would be more likely to have insufficient cash flow to cover expenses in the event of fluctuations in revenue caused by unpredictable weather and unexpected changes in expenses. The Commission is concerned that this could prevent Shelby Energy from meeting its debt service obligation requirements, which could negatively affect its ability to obtain debt and could require Shelby Energy to file more frequent rate cases at customers' expense. Thus, the Commission finds that the Attorney General's proposed adjustment reducing the TIER to 1.92 should be rejected. The Commission notes that the record did not provide evidence to support the Attorney General's proposed adjustment.

REVENUE REQUIREMENT SUMMARY

Shelby Energy has debt covenant credit metrics it must meet of a TIER of 1.25, an OTIER of 1.10, and a Debt Service Coverage Ratio of 1.10.[123] The Commission authorizes a rate increase of $2,254,119 which represents a 4.44 percent increase. The pro forma adjustments and revenue requirement calculation are found in Appendix A. The effects of the adjustments on Shelby Energy's net income result in utility operating margins of $2,672,251 based upon total operating revenues of $45,679,855, a total cost

[122] Attorney General Brief at 9.

[123] Shelby Energy's Response to Staff's First Request, Item 55.

of electric service of $43,887,387, and resulting net margins of $2,672,251. The resulting credit metrics are a 2.0 TIER, a 1.69 OTIER, and a debt service coverage ratio of 1.77, all of which will provide Shelby Energy with a reasonable margin to meet its debt covenants.

RATE DESIGN

COST-OF-SERVICE STUDY (COSS)

Shelby Energy filed a fully allocated COSS based upon the 12 Coincident Peak (12 CP) methodology, to mirror the basis of cost allocation used in the applicable East Kentucky Power Cooperative Corporation (EKPC) wholesale tariff, in order to determine the cost to serve each customer class.[124] With the 12 CP methodology, Shelby Energy explained that demand related costs are allocated based on the demand for each rate class at the time of EKPC's system peak CP for each of the twelve months and customer related costs are allocated based on the average number of customers served in each rate class during the test year.[125]

For the distribution components, the zero-intercept method was used to determine the customer components of overhead conductor, underground conductor, and line transformers.[126] The COSS determined Shelby Energy's overall rate of return (ROR) on rate base and used it to determine the relative rates of return that Shelby Energy is

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[124] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 17-18.

[125] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 18.

[126] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 16.

earning from each rate class. The proposed Revenue Allocation for each rate class with the ROR is illustrated below:[127]

Rate Class	Revenue Increase	Return on Rate Base	Unitized Return on Rate Base
Residential Service- Rate 12	$2,200,621	1.79%	0.37
Off-Peak Retail Marketing (ETS)- Rate 9	$0	1.79%	0.37
Prepay Service – Rate 15	$131,651	2.68%	0.56
General Service- Rate 11	$244	13.16%	2.73
Large Power Service – Rate 2	$0	11.79%	2.45
Large Industrial Rate- B1	$0	17.65%	3.67
Large Industrial Rate- B2	$0	5.95%	1.24
Outdoor and Street Lighting – Rate 3	$0	10.11%	2.10
Optional TOD Demand – Rate 22	$0	2.24%	0.47
Total	$2,332,517	4.81%	1.00

Having reviewed Shelby Energy's COSS, the Commission accepts Shelby Energy's proposal to use the 12 CP method as a guide to determine revenue allocation. However, the Commission made additional adjustments that require additional changes to the rates as discussed in more detail below.

REVENUE ALLOCATION AND RATE DESIGN

Based on the results of the COSS, Shelby Energy stated that the rates for the residential classes are insufficient and should be increased.[128] Therefore, Shelby Energy

[127] Application, Attachment, Exhibit 10, Wolfram Direct Testimony, JW-3 at 1 and JW-9 at 1.

[128] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 20.

stated that the increases in rates should be limited to the residential rate schedules because they are the only rate classes being subsidized by the collective other rate classes.[129] Shelby Energy further stated that Shelby Energy's Board of Directors supported a movement towards cost-based rates, so the increase of $10 to the consumer facility charge was determined.[130] Furthermore, due to the current General Service consumer facility charge being higher than the Residential consumer facility charge, Shelby Energy proposed to maintain the current rate differential by increasing the General Service consumer facility charge by $10.[131] Shelby Energy stated that changes in rates that are not supported by the COSS should result in revenue-neutral increases, meaning the changes to the rates should not result in a revenue increase for those classes.[132] Shelby Energy proposed the following rate revisions:[133]

Rate Class	Charge Type	Current Rates	Proposed Rates	Percentage Increase
Residential Service- Rate 12	Consumer Facility Charge	$19.00 per Month	$29.00 per Month	8.36%
	Energy Charge	$0.10482 per kWh	$0.10789 per kWh	
Prepay Service- Rate 15	Consumer Facility Charge	$0.62 per Day	$0.95 per Day	7.56%
	Energy Charge	$0.10481 per kWh	$0.10789 per kWh	
	Prepay Service Fee	$0.10 per Day	$0.10 per Day	
General Service- Rate 11	Consumer Facility Charge	$23.55 per Month	$33.55 per Month	0.00%

129 Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 20.

130 Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 23.

131 Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 23.

132 Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 23.

133 Application, Attachment, Exhibit 10, Wolfram Direct Testimony, JW-9 at 2-5.

	Single Phase Service			
	Consumer Facility Charge Three Phase Service	$52.41 per Month	$52.41 per Month	
	Energy Charge	$0.10349 per kWh	$0.09144 per kWh	
Large Power Service- Rate 2	Consumer Facility Charge	$53.84 per Month	$53.84 per Month	0.00%
	Energy Charge	$0.07361 per kWh	$0.07282 per kWh	
	Demand Charge	$6.24 per kW	$6.52 per kW	
	Total Revenue Increase			4.34%

In its initial brief, Shelby Energy argued that it chose to increase the rate to the Residential consumer facility charge to allow Shelby Energy to recover its fixed costs through the revenues produced by the consumer facility charge and decrease some of the uncertainty and unpredictability that a distribution cooperative faces when revenues are not as anticipated.[134] Furthermore, in Shelby Energy's reply brief, it argued that, although the COSS supported a higher increase, Shelby Energy elected not to move the full cost-based rate to make the rate increase more gradual and remain sensitive to the economic demands on vulnerable members.[135]

The Attorney General argued, in its initial brief, that an increase of Shelby Energy's consumer facility charge by 53 percent, from $19.00 per month to $29.00, could hinder the ability of residential customers to control their monthly electric bills and pose a further financial hardship on those customers struggling to make ends meet.[136] The Attorney

[134] Shelby Energy Brief at 5.

[135] Shelby Energy Reply Brief at 7.

[136] Attorney General Brief at 9.

General stated that the Commission should continue to rely upon the principle of gradualism when awarding any increase to the residential monthly consumer facility charge.[137]

The Commission gives substantial weight to the evidence that indicates the residential classes are earning less of a return relative to its cost to serve. The Commission acknowledges that the Residential Service class, which contributes to 51.8 percent of Shelby Energy's revenue, currently carries a negative ROR. The Commission also acknowledges that the Residential Service class has an optional Prepay Service Rider which equals the Residential Service monthly consumer facility charge time 12 divided by 365, and therefore any changes made to the Residential Service rates must be reflected in the Prepay Service Rider.[138]Prepay Service Rider. Furthermore, the Commission acknowledges that the General Service class must also have an increase in its consumer facility charge to maintain a rate differential between the General Service and the Residential Service class.[139] The Commission acknowledges the Attorney General's arguments expressing concerns regarding Shelby Energy's 53 percent increase to the Residential Service consumer facility charge. The Commission must weigh these factors and strike a balance between the customers' financial interest and the utility's ability to provide adequate, reliable service.

Based upon the Commission-approved revenue increase of $2,254,119, the Commission finds Shelby Energy's allocation of the proposed revenue to the classes of

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[137] Attorney General Brief at 9-10.

[138] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 22.

[139] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 23.

service is not reasonable. The Commission has consistently found it reasonable to raise the consumer facility charge in utility rate cases to better reflect the fixed costs inherent in providing utility service.[140] However, the Commission has also found it reasonable to embrace the principle of gradualism in ratemaking, which mitigates the financial impact of rate increases on customers while providing reasonable rates. Therefore, the Commission finds that Shelby Energy's Residential Service consumer facility charge should increase from $19.00 to $25.30, which is approximately a 33 percent increase.[141] By increasing the consumer facility charge $6.30, it allows Shelby Energy to recover an additional $998,701[142] in fixed revenue, which is 49 percent of the approved Residential Service rate revenue increase. The Residential Service energy charge will increase from $0.10482 per kWh to $0.11042 per kWh, which reflects the remaining 51 percent of the Residential Service revenue increase The balance of 49 percent fixed revenue and 51 percent variable revenue allows Shelby Energy to recover additional portions of its fixed costs through fixed revenue, while mitigating potential financial burden on the Residential Service class and preserving those customer's ability to control their monthly electric bills through reduced usage. Utilizing the Commission's revenue increase of $2,172,162, for

[140] Case No. 2021-00407, June 30, 2022 Order at 24; Case No. 2024-00085, Feb. 28, 2024 Order at 47; Case No. 2024-00324, *Electronic Application for an Alternative Rate Adjustment for Jackson Energy Cooperative Pursuant to 807 KAR 5:078* (Ky. PSC Mar. 11, 2025), Order at 14-15.

[141] See Case No. 2023-00147, *Electronic Application of Taylor County Rural Electric Cooperative Corporation for a General Adjustment of Rates* (Ky. PSC Apr. 5, 2024), Order at 23, 33% increase; Case No. 2024-00085, Feb. 28, 2024 Order at 47, 27% increase; Case No. 2023-00158, *Electronic Application of Farmers Rural Electric Cooperative Corporation for a General Adjustment of Rates Pursuant to Streamlined Procedure Pilot Program Established In Case No. 2018-00407* (Ky. PSC Oct. 3, 2023), Order at 17.25% increase.

[142] Fixed revenue is determined by the following equation: (Billing Units x Commission Approved Consumer facility charge) - (Billing Units x Current Consumer facility charge).

a Residential Service customer with an average monthly usage of 1,264 kWh,[143] the average bill will increase by $13.38, or 8.05 percent, from $151.49 to $164.87. The changes in the rate design reflect a $2,121,221, or 8.05 percent revenue increase for the Residential Service class.

The Commission finds that the Prepay Service consumer facility charge should increase from $0.62 per day to $0.83 per day, which is an approximate 33 percent increase, and the related energy charge should increase from $0.10481 per kWh to $0.11042 per kWh, to match the approved revisions to the Residential Service rate design. The changes in the rate design reflect a $132,119, or 7.59 percent increase for the Prepay Service Rider. The Prepay Service Rider has an average of 754 customers, while the Residential Service class has an average of 13,210 customers,[144] so the changes in the revenue are not equal.

In regard to the revisions made by Shelby Energy to the General Service rate, the COSS supported a consumer facility charge of $32.33 for the General Service class.[145] However, Shelby Energy proposed an increase of the consumer facility charge of $10, from $23.55 to $33.55.[146] Shelby Energy proposed to maintain the current differential between the consumer facility charges between the General Service and Residential Service rates by increasing the consumer facility charge for the General Service rate.[147] The adjustments made to the consumer facility charge result in a revenue increase of

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[143] Application, Attachment, Exhibit 10, Wolfram Direct Testimony, JW-9 at 2.

[144] Shelby-2023-COS-FILED.xlsx, Billing Det Tab, C10 and C8.

[145] Application, Attachment, Exhibit 10, Wolfram Direct Testimony, JW-3 at 2.

[146] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 23.

[147] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 23.

$244 due to rate rounding. Otherwise, the intention of these revisions was to be revenue neutral.[148] The Commission finds the revisions to be necessary as the Commission does not support a rate design when a general service rate, or small commercial rate, consumer facility charge is less than the residential rate consumer facility charge.[149] The Commission also finds it necessary to maintain a rate differential between the residential classes and the General Service class. Additionally, in order to alleviate the potential of financial burden from the Residential Service class, the Commission finds that the General Service class should receive the proposed revisions to its rate structure, resulting in the proposed revenue increase of $244. Therefore, the Commission finds the proposed General Service rate to be reasonable.

Regarding the adjustments to Large Power Service Rate 2, which are revenue neutral, the Commission finds these adjustments to be reasonable and are reflected in Appendix B to this Order. Due to rate rounding, the Commission-approved rates generate $2,253,584 which varies by $535 or 0.02 percent from the Commission-approved revenue increase of $2,254,119.

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[148] Application, Attachment, Exhibit 10, Wolfram Direct Testimony at 23.

[149] See Case No. 2019-00053, *Electronic Application of Jackson Purchase Energy Corporation for a General Adjustment in Existing Rates* (Ky. PSC June 20, 2019), Order at 16–17.

TARIFF CHANGES

Shelby Energy proposed revisions to multiple Tariff Sheets, which include Tariff Sheet Nos. 240,[150] 241,[151] 242,[152] 243,[153] 244,[154] and 501.[155] The proposed revisions seek to update language regarding line extensions.

Shelby Energy proposed language to be added to Tariff Sheet No. 240[156] to clarify the responsibility of ROW clearance for line extensions.[157] Specifically, the language requires ROW clearance, if necessary, to be done by the customer unless the customer requests Shelby Energy to perform the ROW clearing.[158] Additionally, the customer would then be required to pay, in advance, the cost of ROW clearance as determined by Shelby Energy. The language also states that the customer is responsible for payment, in advance, if the installed transformer capacity exceeds 25 KVA for line extensions.[159] Shelby Energy intends to invoice the customer for the contribution in aid of construction, which will show the cost of both size transformers and the net amount payable to Shelby

[150] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[151] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[152] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[153] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[154] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[155] TFS2013-00400 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[156] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[157] Application, Attachment, Exhibit 4.

[158] Application, Attachment, Exhibit 4.

[159] Application, Attachment, Exhibit 4.

Energy.[160] In addition, Shelby Energy proposed to update the Tariff Sheet to be titled "Single Phase Primary Residencies."[161]

Shelby Energy proposed that the language be removed from Tariff Sheet No. 241[162] for refunds based on excessive footage, and that the refunds should not exceed the original charge for construction.[163]

Shelby Energy proposed to remove Tariff Sheet No. 242[164] in its entirety, which relates to line extensions for mobile homes.[165] The removal relates to the change in Shelby Energy's Tariff Sheet No. 240,[166] which was updated to include mobile homes.

Shelby Energy proposed language to be added to clarify customers applicable to Tariff Sheet No. 243 and to clarify the responsibility of ROW clearance as it relates to line extensions.[167] Similarly to the changes in Tariff Sheet No. 240,[168] the language requires ROW clearance, if necessary, to be done by the customer unless the customer requests Shelby Energy to perform the ROW clearing. Additionally, the customer would then be required to pay, in advance, the cost of ROW as determined by Shelby Energy.[169] The language also states that the customer is responsible for payment, in advance, if the

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160 Shelby Energy's Response to Staff's Fourth Request, Item 1.

161 Application, Attachment, Exhibit 4.

162 TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

163 Application, Attachment, Exhibit 4.

164 TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

165 Application, Attachment, Exhibit 4.

166 TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

167 Application, Attachment, Exhibit 4.

168 TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

169 Application, Attachment, Exhibit 4.

installed transformer capacity exceeds 25 KVA for line extensions.[170] Shelby Energy stated it intends to invoice the customer for the contribution in aid of construction, which will show the cost of both size transformers and the net amount payable to Shelby Energy.[171] In addition, Shelby Energy proposed to update the Tariff Sheet to be titled "Other Single-Phase (Barns, Garages, Pumps, Camps, etc.)."[172]

Shelby Energy proposed to add language to Tariff Sheet No. 244[173] to clarify that the customer is required to perform all necessary trenching, backfilling, and conduit installations prior to installing underground electric facilities.[174]

Finally, Shelby Energy proposed to revise cost-per-foot charges for Tariff Sheet No. 501,[175] which relates to the average costs of underground installations[176]. Additionally, Shelby Energy proposed adding language that encourages the installation of both primary and secondary underground lines for $19.00 per foot.[177] The proposed cost-per-foot charges are as follows:[178]

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[170] Application, Attachment, Exhibit 4.

[171] Shelby Energy's Response to Staff's Fourth Request, Item 3.

[172] Application, Attachment, Exhibit 4.

[173] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[174] Application, Exhibit 4.

[175] TFS2013-00400 (filed May 30, 2013) and effective July 1, 2013.

[176] Application, Exhibit 4.

[177] Application, Exhibit 4.

[178] Application, Exhibit 4.

Average Cost Type	Cost-per-Foot
Individual Single Phase Underground Primary	$19.11
Individual Single Phase Overhead Primary	$18.82
Underground Differential	$0.29

The Commission finds that the proposed revisions to Tariff Sheet Nos. 240,[179] 241,[180] 242,[181] 243,[182] 244,[183] and 501[184] to be reasonable and should be accepted.

IT IS THEREFORE ORDERED that:

1. The rates and charges proposed by Shelby Energy are denied.

2. The rates and charges, as set forth in Appendix B to this Order, are approved as fair, just and reasonable rates for Shelby Energy, and these rates and charges are approved for service rendered on and after the date of entry of this Order.

3. Shelby Energy shall file revised Tariff Sheets Nos. 222 and 245 to clarify that customers with AMI meters are not subject to the Reconnection Service fee of $35 and the Meter Testing fee of $32.50. Tariff Sheet No. 223 shall be removed from its tariff as the fee is no longer assessed.

4. The remaining tariff changes proposed by Shelby Energy are approved.

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[179] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[180] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[181] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[182] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[183] TFS2013-00309 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

[184] TFS2013-00400 (filed Apr. 24, 2013) and effective Oct. 1, 2013.

5. Within 20 days of the date of service of this Order, Shelby Energy shall file with the Commission, using the Commission's electronic Tariff Filing System, its revised tariffs, setting out the rates, charges, and modifications approved or as required herein and reflecting that they were authorized pursuant to this Order.

6. Shelby Energy shall complete and submit a depreciation study prior to filing its next application for a streamlined or general rate adjustment. The depreciation study shall include an evaluation of both Distribution and General Plant assets.

7. This case is closed and removed from the Commission's docket.

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PUBLIC SERVICE COMMISSION

Chairman

Commissioner

Commissioner

ATTEST:

Executive Director

ENTERED
JUL 23 2025
AB
KENTUCKY PUBLIC
SERVICE COMMISSION

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00351 DATED JUL 23 2025

Description	Actual Rates Actual Test Yr	Pro Forma Adjustment	Present Rates Adj Test Yr	Proposed Rates Adj Test Yr
Operating Revenues				
Total Sales of Electric Energy	50,801,895	(8,300,322)	42,501,573	44,755,691
Other Electric Revenue	959,923	(35,760)	924,163	924,163
Total Operating Revenue	51,761,818	(8,336,082)	43,425,736	45,679,855
Operating Expenses:				
Purchased Power	38,959,224	(10,058,031)	28,901,193	28,901,193
Distribution Operations	2,173,005	-	2,173,005	2,173,005
Distribution Maintenance	3,337,071	527,910	3,864,981	3,864,981
Customer Accounts	549,387	-	549,387	549,387
Customer Service	426,253	-	426,253	426,253
Sales Expense	1,100	-	1,100	1,100
A&G	870,370	(59,339)	811,031	811,031
Total O&M Expense	46,316,410	(9,589,459)	36,726,951	36,726,951
Depreciation	4,177,725	31,673	4,209,398	4,209,398
Taxes - Other	44,900	-	44,900	44,900
Interest on LTD	2,375,199	297,052	2,672,251	2,672,251
Interest - Other	207,742	18,422	226,164	226,164
Other Deductions	7,723	-	7,723	7,723
Total Cost of Electric Service	53,129,699	(9,242,312)	43,887,387	43,887,387
Utility Operating Margins	(1,367,881)	906,231	(461,650)	1,792,468
Non-Operating Margins - Interest	170,820	-	170,820	170,820
Income(Loss) from Equity Investments	562,488	-	562,488	562,488
Non-Operating Margins - Other	(188,820)	-	(188,820)	(188,820)
G&T Capital Credits	661,963	(661,963)	-	-
Other Capital Credits	335,295	-	335,295	335,295
Net Margins	173,865	244,268	418,133	2,672,251
Cash Receipts from Lenders	43,828		43,828	43,828
OTIER	0.44		0.84	1.69
TIER	1.07		1.16	2.00
TIER excluding GTCC	0.79		1.16	2.00
Target TIER	2.00		2.00	2.00
Margins at Target TIER	2,375,199		2,672,251	2,672,251
Revenue Requirement at Target TIER	55,504,898		46,559,638	46,559,638
Revenue Deficiency at Target TIER	2,201,334		2,254,119	-
				Based on TIER
Increase $				$ 2,254,119
Increase %				4.44%

APPENDIX B

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2024-00351 DATED JUL 23 2025

The following rates and charges are prescribed for the customers served by Shelby Energy Cooperative, Inc. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under the authority of this Commission prior to the effective date of this Order.

Large Power Service – Rate 2

Demand Charge	$6.52 per kW
Energy Charge	$0.07282 per kWh

General Service – Rate 11

Consumer facility charge Single Phase Service	$33.55 per Month
Energy Charge	$0.09144 per kWh

Residential Service – Rate 12

Consumer facility charge	$25.30 per Month
Energy Charge	$0.11042 per kWh

Prepay Service – Rate 15

Consumer facility charge	$0.83 per Day
Energy Charge	$0.11042 per kWh

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