

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SHELBY ENERGY }
COOPERATIVE, INC. FOR AUTHORIZATION }
TO BORROW \$15,796,145 FROM THE } CASE NO. 2016-00160
NATIONAL RURAL UTILITIES }
COOPERATIVE FINANCE CORPORATION, }
AND EXECUTE THE NECESSARY NOTE, }
AND TO PREPAY RURAL UTILITIES }
SERVICE NOTES OF THE SAME AMOUNT }

**RESPONSES TO COMMISSION STAFF'S SECOND
REQUEST FOR INFORMATION AND PRODUCTION OF
DOCUMENTS TO SHELBY ENERGY COOPERATIVE, INC.**

Comes Shelby Energy Cooperative, Inc. ("Shelby Energy"), by counsel, and respectfully submits the following Responses to the Commission Staff's Second Request for Information and Production of Documents to Shelby Energy Cooperative, Inc.

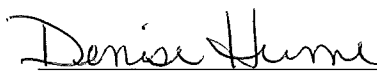
Respectfully submitted,

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

By:  _____

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I, the undersigned Denise Hume, being the Manager of Accounting & Finance at Shelby Energy, certify that the Responses contained herein are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.

 _____
Denise Hume, Manager, Accounting & Finance

Date: 5/17/14 _____

1. Refer to the application, Exhibit 6, page 3 of 3. Confirm that the Net Present Value (“NPV”) of \$1,477,703 using a discount rate of four percent is correct. Provide any revisions and explanations as necessary.

Response: The NPV in Exhibit 6, page 3 of 3 of Shelby Energy’s application is incorrect. Shelby Energy relied upon the information provided by the Cooperative Finance Corporation (“CFC”) because CFC is a financial institution with which Shelby Energy does business and is a trusted fellow-cooperative. Because of this trust, Shelby Energy did not independently analyze the relationship between the total cash flow difference and the NPV calculations shown on Exhibit 6, page 3, of the Application. CFC has advised Shelby Energy this erroneous figure was due to a “glitch” in the formula which CFC corrected once Shelby Energy brought this error to the attention of CFC.

A revised copy provided by CFC using a discount rate of 4% is attached hereto. This 4% rate is the RUS blended rate of 3.98 rounded up to 4. It has marginal, if any, significance, given the 3.82% CFC rate lock interest rate. It was mentioned in the Application only to mirror the Kenergy application in an attempt to expedite the processing of Shelby Energy’s case.

Responsible Witness:

Denise Hume

2. Refer to Commission Staff's First Request for Information from the May 11, 2016 telephonic informal conference, Item 5.b.

a. Refer to pages 2 and 3. Confirm the calculations in each of the NPV calculations are correct. Provide any revisions and explanations as necessary.

Response 2a: The calculations shown on pages 2 and 3 are the most current versions provided to Shelby Energy by CFC. Shelby Energy has no reason to question their accuracy. These latest NPVs supplied by CFC, as well as the reduced total cash-flow which has remained constant throughout this case, still show the refinancing is in the best interest of Shelby Energy's members.

b. Refer to page 4. It appears that page 4 is a duplication of page 2 of this response. Provide a .pdf copy of the CFC Excel spreadsheet which contains the NPV formula showing how the NPVs were calculated.

Response 2b: An Excel spreadsheet in electronic format with the cells unlocked showing the formula used by CFC is attached.

Responsible Witness:

Denise Hume