

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.
PURSUANT TO STREAMLINED PROCEDURE PILOT PROGRAM)	2023-00213
ESTABLISHED IN CASE NO. 2018-00407)	
)	

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
SHELBY ENERGY COOPERATIVE, INC.
DATED AUGUST 28, 2023**

Filed: September 12, 2023

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

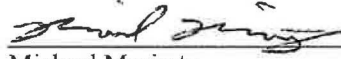
In the Matter of:

THE ELECTRONIC APPLICATION OF)	
SHELBY ENERGY COOPERATIVE, INC.)	
FOR A GENERAL ADJUSTMENT OF)	Case No. 2023-00213
RATES PURSUANT TO STREAMLINED)	
PROCEDURE PILOT PROGRAM)	
ESTABLISHED IN CASE NO. 2018-00407)	

VERIFICATION OF MICHAEL MORIARTY

COMMONWEALTH OF KENTUCKY)
)
 COUNTY OF SHELBY)

Michael Moriarty, Chief Financial Officer of Shelby Energy Cooperative Inc, being duly sworn, states that he has supervised the preparation of certain responses to requests for information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.


 Michael Moriarty

The foregoing Verification was signed, acknowledged and sworn to before me this 31st day of August, 2023, by Michael Moriarty.


 Commission expiration: 7-28-2027



COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION


In the Matter of:

THE ELECTRONIC APPLICATION OF)
 SHELBY ENERGY COOPERATIVE, INC.)
 FOR A GENERAL ADJUSTMENT OF) Case No. 2023-00213
 RATES PURSUANT TO STREAMLINED)
 PROCEDURE PILOT PROGRAM)
 ESTABLISHED IN CASE NO. 2018-00407)

VERIFICATION OF JOHN WOLFRAM

COMMONWEALTH OF KENTUCKY)
 COUNTY OF JEFFERSON)

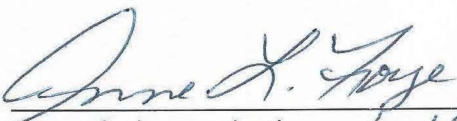
John Wolfram, being duly sworn, states that he has supervised the preparation of certain responses to Commission Staff's First Request for Information in the above-referenced case and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



 John Wolfram

The foregoing Verification was signed, acknowledged and sworn to before me this 30 day of August 2023, by John Wolfram.

ANNE L FOYE
 Notary Public - State at Large
 Kentucky
 My Commission Expires June 12, 2025
 Notary ID KYNP29156



 Commission expiration: 6-12-2025



FARMERS RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2023-00213

RESPONSE TO REQUEST FOR INFORMATION

PSC'S REQUEST FOR INFORMATION DATED 8/28/23

REQUEST 1

RESPONSIBLE PARTY: Michael Moriarty

Request 1. Refer to the Application, Exhibit 15, which provides a three-year history for propane income shown in the table below. Explain how Shelby Energy concluded that 2022 income did not justify a pro forma adjustment.

	Financial Year Ended:		
	2022	2021	2020
Propane Net Income	\$ 814,478	\$ 590,455	\$ 430,563

Response 1.

The subsidiary net income for propane is part of Shelby Energy's non-operating income. As such, adjusting the subsidiary income would have no effect on Shelby Energy's OTIER. The PSC established in case no. 2018-00407 that a streamlined rate increase cannot result in an OTIER of greater than 1.85. Since the pro-forma adjustment for propane would not impact the OTIER calculation, Shelby Energy did not find it necessary to make an adjustment.

SHELBY ENERGY COOPERATIVE INC.
PSC CASE NO. 2023-00213
RESPONSE TO REQUEST FOR INFORMATION

PSC'S REQUEST FOR INFORMATION DATED 8/28/23

REQUEST 2

RESPONSIBLE PARTY: **Michael Moriarty**

Request 2. Refer to Application, Direct Testimony of Jack Bragg (Bragg Direct Testimony), page 86, and Direct Testimony of Michael Moriarty (Moriarty Direct Testimony), page 99.

a. Provide the number of miles of right-of-way maintenance, cost per mile, and total cost expended for each year 2019, 2020, 2021, and 2022.

b. Provide the number of miles of right-of-way maintenance, cost per mile, and total cost for 2023.

c. Provide the annual number of miles and cycle over which right-of-way maintenance is routinely conducted. Include in the response the total miles of right-of-way that Shelby Energy maintains.

d. State how the pro forma right-of-way maintenance expense of \$1,999,717 was determined. Include all calculations in the explanation.

e. State how much of the cost increase of right-of-way maintenance in the pro forma is due to prior deferral of maintenance versus costs per mile increases.

Response 2a. The number of miles of right-of-way maintenance, cost per mile, and total cost is as follows:

	<u>2019</u>	<u>2020</u>	<u>2021</u>	<u>2022</u>
(a) ROW Circuit Work	\$ 1,331,095	\$ 1,500,953	\$ 1,136,164	\$ 1,128,633
(b) Number of Miles	301	289	270	228
Expense per mile (a / b)	\$ 4,422	\$ 5,194	\$ 4,208	\$ 4,950
(c) ROW Maintenance	\$ 128,069	\$ 125,056	\$ 75,429	\$ 226,735
(d) ROW Spraying	\$ 171,957	\$ 176,236	\$ 185,107	\$ 203,921
Total ROW (a + c + d)	\$ 1,631,121	\$ 1,802,244	\$ 1,396,700	\$ 1,559,288

Response 2b. The number of miles of right-of-way maintenance, cost per mile, and total cost through July 2023 is as follows:

	<u>2023</u>
(a) ROW Circuit Work	\$ 830,642
(b) Number of Miles	204
Expense per mile (a / b)	\$ 4,072
(c) ROW Maintenance	\$ 156,581
(d) ROW Spraying	\$ 159,155
Total ROW (a + c + d)	\$ 1,146,378

Response 2c. The annual number of miles cut for the period from 2019 to 2022 is included in response 2a. The average number of miles cut over that time period was 272 miles per year. Shelby Energy budgeted 349 miles of circuit cutting for 2023 with 52 of those miles representing a carryover from 2022. The average of the actual miles cut from 2019 to 2022 plus the budgeted miles for 2023 equals a yearly average of 287 miles. Shelby Energy maintains right-of-way for

approximately 1,708 miles of overhead distribution line. Shelby Energy’s right-of-way is currently on a cycle of approximately 6.5 years.

Response 2d. To improve reliability, reduce outages, and reduce overtime expenses, Shelby Energy’s pro forma right-of-way expense was adjusted to \$1,999,717. The expense reflects the cost of cutting circuits over a 5-year cycle at an expected cost of \$4,784 per mile. In 2023, Shelby Energy changed from not-to-exceed right-of-way bids to hourly cutting. Shelby Energy based the estimated cost per mile on the contractor crew labor rates and the expected production. Shelby Energy estimates \$175,000 per year for right-of-way maintenance based on historical experience, which also includes \$50,000 for the use of tree growth retardant (TGR) that Shelby Energy began using in the test year. Right-of-way spraying expense was calculated based on an average cost of \$305 per mile. The total of \$1,999,717 is the average total right-of-way cost projected for the next five years which includes circuit cutting, spraying, and maintenance, as calculated below:

	2023	2024	2025	2026	2027
(a) Miles of Circuit Cut	349	336	326	331	366
(b) Cost per mile	\$ 4,784	\$ 4,784	\$ 4,784	\$ 4,784	\$ 4,784
(c) Circuit Total (a * b)	\$ 1,669,616	\$ 1,607,424	\$ 1,559,584	\$ 1,583,504	\$ 1,750,944
(d) Miles of Spray	513	644	624	653	689
(e) Cost per mile	\$ 305	\$ 305	\$ 305	\$ 305	\$ 305
(f) Spray Total (d * e)	\$ 156,465	\$ 196,420	\$ 190,320	\$ 199,165	\$ 210,145
(g) Maintenance & TGR	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000	\$ 175,000
(h) Total ROW (c + f + g)	\$ 2,001,081	\$ 1,978,844	\$ 1,924,904	\$ 1,957,669	\$ 2,136,089
5-Year Average Total ROW	\$ 1,999,717				

Response 2e. The net pro forma adjustment for right-of-way expense is \$440,429. The portion of the adjustment related to deferral of maintenance is \$543,462, which represents the cost

of cutting an additional 114 miles compared to the test year in order to put circuit cutting on a five-year cycle. Shelby Energy projects savings of \$166 per mile by going to an hourly cutting contract with its right-of-way contractor compared to the test year which operated on a not-to-exceed limit per feeder. The projected hourly contract cutting would yield a reduction of \$37,881 for the test year circuit cutting.

Shelby Energy projects \$175,000 per year for maintenance cutting and TGR application. This is a reduction of \$51,735 compared to the test year which included additional maintenance cutting to make up for the approximate \$50,000 reduction in maintenance in 2021, as shown in Response 2a. Shelby Energy projects spraying expense of \$190,503, which is made up of an average of 625 miles per year at a rate of \$305 per mile. This is a reduction of approximately \$13,000 from the test year spraying expense which included 677 miles of spraying.

In summary, the right-of-way expense pro forma adjustment is made up of \$543,462 due to prior deferral of circuit cutting, off-set by \$37,881 in circuit cost savings, and a reduction of \$65,153 in maintenance and spraying expenses due to decreased volume compared to the test year. The calculation of these amounts are shown below:

<u>Circuit Cutting:</u>	
(a) Five year rotation	342 miles
(b) Test year	<u>228 miles</u>
(c) Additional miles	<u>114</u>
(d) Projected cost	\$ 4,784 per mile
(e) Prior deferral (c * d)	<u>\$ 543,462</u>
(f) Projected cost	\$ 4,784 per mile
(g) Test-year cost	<u>\$ 4,950 per mile</u>
(h) (Decrease)	\$ (166) per mile
(i) Times test year miles	<u>228 miles</u>
(j) Decrease in cost	<u>\$ (37,881)</u>
<u>Maintenance & Spraying 5-year average from 2d:</u>	
(k) Projected Maintenance	\$ 175,000
(l) Projected Spraying	<u>\$ 190,503</u>
(m) Maintenance & Spraying (k + l)	\$ 365,503
(n) Test Year Maintenance	\$ 226,735
(o) Test Year Spraying	<u>\$ 203,921</u>
(p) Maintenance & Spraying (n + o)	\$ 430,656
(q) Decrease in Maintenance & Spraying	\$ (65,153)
Pro forma ROW adjustment (e + j + q)	\$ 440,429

SHELBY ENERGY COOPERATIVE INC.
PSC CASE NO. 2023-00213
RESPONSE TO REQUEST FOR INFORMATION

PSC'S REQUEST FOR INFORMATION DATED 8/28/23

REQUEST 3

RESPONSIBLE PARTY: **Michael Moriarty and John Wolfram**

Request 3. Refer to the Direct Testimony of John Wolfram (Wolfram Direct Testimony), page 23.

 a. Explain why Shelby Energy proposed to primarily increase rates for residential rate classes.

 b. Explain whether Shelby Energy considered other rate increase allocations. If so, provide the allocations that were considered. If not, explain why not.

Response 3a. The Cost of Service Study ("COSS") indicates that the only classes that are being subsidized are those associated with residential service. Thus the COSS does not support increasing overall revenues for the non-residential classes. An equal increase in customer charge is proposed for general service so that the difference between residential and general service customer charges remains the same as prior to the proposed adjustment, and the large power demand charges were adjusted to reflect the demand charges per East Kentucky Power Cooperative's large power rates. See Wolfram Direct Testimony, pages 21-23.

Response 3b. Shelby Energy did not consider other rate increase allocations, due to the results of the cost of service study. See response to part a.

SHELBY ENERGY COOPERATIVE INC.
PSC CASE NO. 2023-00213
RESPONSE TO REQUEST FOR INFORMATION

PSC'S REQUEST FOR INFORMATION DATED 8/28/23

REQUEST 4

RESPONSIBLE PARTY: **Michael Moriarty**

Request 4. Refer to the Wolfram Direct Testimony, Exhibit JW-2, page 157. Provide the following with respect to Non-Operating Margins – Interest of \$41,665.

a. List each investment, dollar amount, interest rate, and maturity that comprises the investments that will generate the interest income of \$41,665.

b. For each investment that has a maturity date during 2023, state the estimated interest rate at which the funds will be reinvested.

Response 4a. Shelby Energy holds the investments listed below with National Rural Utilities Cooperative Finance Corporation (CFC). The principal amounts, interest rates, and maturity dates are listed below. The interest income from these investments equals \$29,619 of the interest income total of \$41,665 included in Exhibit JW-2. The next largest source of interest income is earned through bank deposit interest with Shelby Energy's local bank, which totaled \$7,410. Shelby Energy also invests in CFC short-term commercial paper when excess funds are available. The CFC commercial paper typically has maturity dates of less than 20 days and currently earns interest of approximately 5%. Interest income of \$3,625 from CFC commercial paper is included in the total of \$41,665. The balance of the interest income is from interest earned

on a Rural Development loan with a Shelby Energy member, which earns one percent interest.

Interest income of \$1,011 from the loan is included in Non-Operating Margins – Interest.

CFC Investment	Serial Number	Amount	Interest Rate	Maturity Date
Subordinated Certificate	L2252	\$ 8,350	3%	10/1/2025
Subordinated Certificate	L2528	\$ 18,000	3%	10/1/2025
Subordinated Certificate	L3149	\$ 29,400	3%	10/1/2025
Subordinated Certificate	L4371	\$ 21,100	3%	10/1/2030
Subordinated Certificate	L4640	\$ 12,200	3%	10/1/2030
Subordinated Certificate	00048	\$ 34,644	5%	10/1/2070
Subordinated Certificate	01084	\$ 34,644	5%	10/1/2070
Subordinated Certificate	01755	\$ 34,644	5%	10/1/2070
Subordinated Certificate	02611	\$ 16,951	5%	10/1/2070
Subordinated Certificate	03564	\$ 17,904	5%	10/1/2070
Subordinated Certificate	05294	\$ 18,049	5%	10/1/2075
Subordinated Certificate	06137	\$ 22,600	5%	10/1/2075
Subordinated Certificate	06986	\$ 25,801	5%	10/1/2075
Subordinated Certificate	07823	\$ 26,815	5%	10/1/2075
Subordinated Certificate	08543	\$ 32,593	5%	10/1/2075
Subordinated Certificate	10170	\$ 39,343	5%	10/1/2080
Subordinated Certificate	11012	\$ 41,384	5%	10/1/2080
Subordinated Certificate	11861	\$ 43,636	5%	10/1/2080
Subordinated Certificate	12711	\$ 47,538	5%	10/1/2080
Subordinated Certificate	13568	\$ 52,414	5%	10/1/2080
Member Capital Securities	535	\$ 25,000	5%	4/8/2024
Member Capital Securities	713	\$ 25,000	5%	11/20/2030

Response 4b. Shelby Energy does not hold any investments with maturity dates in 2023.

Interest earned on bank deposits and CFC commercial paper will be 10-15% less than the federal funds rate.

**SHELBY ENERGY COOPERATIVE INC.
PSC CASE NO. 2023-00213
RESPONSE TO REQUEST FOR INFORMATION**

PSC’S REQUEST FOR INFORMATION DATED 8/28/23

REQUEST 5

RESPONSIBLE PARTY: Michael Moriarty

Request 5. Refer to the Wolfram Direct Testimony, Exhibit JW-2, Schedule 1.04.

Provide the test-year expenses for Account 909.00 – Media Advertising Expense.

Response 5.

The test-year expense detail for Account 909.00 is shown below. The expenses include local paper advertisements for Shelby Energy’s scholarship program and advertisements placed with the Shelby County Chamber of Commerce.

<u>Date</u>	<u>Reference</u>	<u>Vendor Name</u>	<u>Invoice</u>	<u>Check No.</u>	<u>Amount</u>
3/27/2022	SCHOLARSHIP ADS - SENTINEL	PIONEER NEWS	1-Jan	78572	298.00
7/18/2022	SC Map Ad	TOWN SQUARE PUBLICATIONS LLC	223632	79192	399.00
12/26/2022	CHAMBER ADVERTISEMENT	TOWN SQUARE PUBLICATIONS LLC	238252	79892	730.00
Total					<u>1,427.00</u>

SHELBY ENERGY COOPERATIVE INC.
PSC CASE NO. 2023-00213
RESPONSE TO REQUEST FOR INFORMATION
PSC'S REQUEST FOR INFORMATION DATED 8/28/23
REQUEST 6

RESPONSIBLE PARTY: Michael Moriarty

Request 6. Refer to the Wolfram Direct Testimony, Exhibit JW-2, Schedule 1.07, and the Application, Exhibit 36. Provide the total rate case expense incurred through September 1, 2023, and provide a revised estimate of the remaining expense.

Response 6.

The total rate case expense incurred through September 1, 2023, is \$38,499 as shown below.

<u>Item</u>	<u>Expense</u>
Legal - Honaker Law Office, PLLC	\$ 20,418
Consulting - Catalyst Consulting LLC	\$ 10,083
Advertising / Notices	\$ 7,998
Expenses incurred through 9/1/2023	<u>\$ 38,499</u>

At the time of this response, Shelby Energy's estimate of the total rate case expense is \$75,000 as shown in Schedule 1.07 of Exhibit JW-2.

SHELBY ENERGY COOPERATIVE INC.

PSC CASE NO. 2023-00213

RESPONSE TO REQUEST FOR INFORMATION

PSC'S REQUEST FOR INFORMATION DATED 8/28/23

REQUEST 7

RESPONSIBLE PARTY: Michael Moriarty

Request 7. Refer to the Wolfram Direct Testimony, Exhibit JW-2, Schedule 1.08.

- a. Provide the balance, annual interest expense, and interest rate for each debt instrument as of December 31, 2022.
- b. Identify any debt instrument with a variable interest rate.
- c. Explain how the 2023 interest expense was determined and why it is appropriate to normalize interest expense past the end of the test-year.

Response 7a. Please see attached Loan Portfolio exhibit for detail of loan balances, annual interest expense, and interest rate for each debt instrument as of December 31, 2022.

Response 7b. All debt instruments with variable interest rates are identified by the letter "V" in the "FIXED / VARIABLE" column of the attached Loan Portfolio exhibit. The repricing date for variable interest rates is also included in the schedule.

Response 7c. Interest expense for 2023 was calculated based on amortization schedules of existing debt as of December 31, 2022, plus the addition of two new advances of long-term RUS debt of \$4,700,000 in May 2023 and \$2,800,000 in September 2023. Shelby Energy advanced

\$4,700,000 of long-term debt on a new \$30,000,000 construction work plan loan with RUS on May 3, 2023, and intends to draw an additional \$3,000,000 in early September 2023.

Shelby Energy also included \$101,618 of interest expense on short-term lines of credit in 2023. The increase in interest expense on short term lines of credit reflects higher interest rates compared to 2022 as well as increased borrowing on short-term lines of credit while Shelby Energy waited for final approval of a new construction work plan loan which was applied for in April 2022 and finalized in April 2023. Short-term interest expense through July 2023 is \$92,588, and Shelby Energy anticipates that 2023 year-end short-term interest expense will exceed the originally projected amount of \$101,618.

Finally, Shelby Energy projects increased interest expense on consumer deposits of \$63,986. This reflects the increase of the consumer deposit interest rate from 0.12% in 2022 to 4.34% in 2023 as set by the PSC.

ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY

SHELBY ENERGY COOPERATIVE INC.
PSC CASE NO. 2023-00213
RESPONSE TO REQUEST FOR INFORMATION
PSC'S REQUEST FOR INFORMATION DATED 8/28/23
REQUEST 8

RESPONSIBLE PARTY: John Wolfram

Request 8. Refer to the Wolfram Direct Testimony, Exhibit JW-3, page 1, and JW-4.

Provide revised rate increase allocations that reduce the subsidy provided to the residential rate classes by 5, 10, 25, and 50 percent. Provide all supporting calculations and documentation in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible. Include in the response a summary of present and resulting rates in the same format as Exhibit JW-9 for each scenario.

Response 8. To model these scenarios, the first assumption is that the proposed increase does not change (i.e. the total dollar amount of the increase is set according to the 4 percent cap, at \$2,181,638 per Exhibit JW-2 (or \$2,179,595 with rate rounding per Exhibit JW-9). With the proposed increase fully allocated to the classes as filed, the cost of service study results are as follows:

#	Rate	Code	Pro Forma Operating Revenue	Pro Forma Operating Expenses	Margin	Rate Base	Pro Forma Rate of Return on Rate Base
1	Residential Service	12	\$ 24,593,497	\$ 23,519,230	\$ 1,074,267	\$ 62,800,668	1.71%
2	Off Peak Retail Marketing (ETS)	9	\$ 16,135	\$ 23,468	\$ (7,333)	\$ 66,720	-10.99%
3	Prepay Service	15	\$ 1,651,241	\$ 1,434,652	\$ 216,589	\$ 2,959,293	7.32%
4	General Service	11	\$ 4,813,295	\$ 3,829,166	\$ 984,129	\$ 10,253,680	9.60%
5	Large Power Service	2	\$ 4,938,198	\$ 4,434,313	\$ 503,886	\$ 4,297,128	11.73%
6	Large Industrial Rate	B1	\$ 7,655,758	\$ 6,436,993	\$ 1,218,765	\$ 5,719,861	21.31%
7	Large Industrial Rate	B2	\$ 1,973,273	\$ 1,816,476	\$ 156,798	\$ 1,496,440	10.48%
8	Outdoor and Street Lighting	3	\$ 553,418	\$ 232,086	\$ 321,332	\$ 2,969,093	10.82%
9	TOTAL		\$ 46,194,816	\$ 41,726,384	\$ 4,468,431	\$ 90,562,884	4.93%

Note the Residential rate of return on rate base is 1.71% and the overall system rate of return on rate base is 4.93%. To determine the amount of subsidization, the margins are recalculated for each rate class at the overall system rate of return of 4.93%. Then, the difference in margins at the class rate of return above and at the overall system rate of return is the amount of subsidy.

See the table below:

		Subsidies		\$ 2,179,595 < Total Increase					
		Before Increase		After Increase		Difference			
#	Rate	Code	Margins at Cost Based	Current Subsidy	Margins at Cost Based	Current Subsidy	Margins at Cost Based	Current Subsidy	Change
1	Residential Service	12	\$ 1,587,189	\$ 2,359,337	\$ 3,098,626	\$ 2,024,359	\$ 1,511,437	\$ (334,978)	-14%
2	Off Peak Retail Marketing (ETS)	9	\$ 1,686	\$ 9,019	\$ 3,292	\$ 10,625	\$ 1,606	\$ 1,606	18%
3	Prepay Service	15	\$ 74,792	\$ (19,349)	\$ 146,013	\$ (70,576)	\$ 71,222	\$ (51,227)	265%
4	General Service	11	\$ 259,146	\$ (532,534)	\$ 505,923	\$ (478,206)	\$ 246,777	\$ 54,329	-10%
5	Large Power Service	2	\$ 108,603	\$ (395,283)	\$ 212,023	\$ (291,863)	\$ 103,420	\$ 103,420	-26%
6	Large Industrial Rate	B1	\$ 144,561	\$ (1,060,957)	\$ 282,222	\$ (936,543)	\$ 137,661	\$ 124,414	-12%
7	Large Industrial Rate	B2	\$ 37,820	\$ (113,941)	\$ 73,835	\$ (82,962)	\$ 36,015	\$ 30,979	-27%
8	Outdoor and Street Lighting	3	\$ 75,039	\$ (246,293)	\$ 146,497	\$ (174,835)	\$ 71,458	\$ 71,458	-29%
9	TOTAL		\$ 2,288,836	\$ (0)	\$ 4,468,431	\$ 0	\$ 2,179,595	\$ 0	

This shows that if the increase is allocated as filed, the decrease in the subsidy to Residential (Code 12) is 14%. Any decrease in subsidy greater than 14% would require a total increase

greater than the proposed increase (which is capped) and thus is not meaningful. For this reason, the analysis of the requested 25 and 50 percent levels is not provided.

The increase attributable to Residential for a 5% decrease in subsidies is \$1,138,505, or \$707,909 less than the as-filed Residential increase (all else being equal). This amount is calculated as the amount of margin change that results in a 5% reduction in subsidy instead of a 14% reduction. The calculation is iterative in nature. Since the total increase amount at the cap does not change, this requires \$707,909 to be attributed to the other rate classes.

The increase attributable to Residential for a 10% decrease in subsidies is \$1,523,323, or \$323,091 less than the as-filed Residential increase (all else being equal). This requires \$323,091 to be attributed to the other rate classes.

The file for the cost of service study showing the margin and subsidy information tabulated above is attached as follows:

Shelby-COS-2022-PSC1-8-Subsidies.xlsx

Note that there is no single or “best” way to attribute the remaining increases to the rate classes which are already paying more than their fair share towards margins. For this data request, the remainder of the revenue increase was assigned to the nonresidential classes as a fixed percentage increase to the energy charges (or in the case of lighting, to the per lamp charge). The ETS class was not changed because the amounts are so small relative to the totals. Note

also that the rates are rounded to the appropriate number of decimal places and some small variations may result.

Results for 5%

#	Item	Code	Present Revenue	Proposed Revenue	Incr(Decr)	Incr(Decr)	Avg Bill Incr per Mon
1							
2	Residential Service	12	\$ 27,251,173	\$ 28,772,489	\$ 1,521,316	5.58%	\$ 9.78
3	Off Peak Retail Marketing (ETS)	9	\$ 15,101	\$ 15,101	\$ -	0.00%	\$ -
4	Prepay Service	15	\$ 1,944,659	\$ 2,044,031	\$ 99,372	5.11%	\$ 0.34
5	General Service	11	\$ 5,361,545	\$ 5,634,058	\$ 272,512	5.08%	\$ 6.47
6	Large Power Service	2	\$ 6,353,476	\$ 6,442,531	\$ 89,055	1.40%	\$ 121.16
7	Large Industrial Rate	B1	\$ 10,191,973	\$ 10,337,899	\$ 145,925	1.43%	\$ 868.60
8	Large Industrial Rate	B2	\$ 2,740,144	\$ 2,779,630	\$ 39,486	1.44%	\$ 3,290.47
9	Outdoor and Street Lighting	3	\$ 678,666	\$ 692,637	\$ 13,972	2.06%	\$ -
10	Total		\$ 54,536,738	\$ 56,718,376	\$ 2,181,638	4.00%	
11	Target Revenue			\$ 2,181,638			
12	Rate Rounding Variance			\$ -			
13	Rate Rounding Variance			0.00%			

Results for 10%

#	Item	Code	Present Revenue	Proposed Revenue	Incr(Decr)	Incr(Decr)	Avg Bill Incr per Mon
1							
2	Residential Service	12	\$ 27,251,173	\$ 28,391,413	\$ 1,140,240	4.18%	\$ 7.33
3	Off Peak Retail Marketing (ETS)	9	\$ 15,101	\$ 15,101	\$ -	0.00%	\$ -
4	Prepay Service	15	\$ 1,944,659	\$ 2,016,982	\$ 72,323	3.72%	\$ 0.24
5	General Service	11	\$ 5,361,545	\$ 5,727,360	\$ 365,814	6.82%	\$ 8.69
6	Large Power Service	2	\$ 6,353,476	\$ 6,546,311	\$ 192,835	3.04%	\$ 262.36
7	Large Industrial Rate	B1	\$ 10,191,973	\$ 10,492,515	\$ 300,542	2.95%	\$ 1,788.94
8	Large Industrial Rate	B2	\$ 2,740,144	\$ 2,819,775	\$ 79,631	2.91%	\$ 6,635.92
9	Outdoor and Street Lighting	3	\$ 678,666	\$ 708,920	\$ 30,254	4.46%	\$ -
10	Total		\$ 54,536,738	\$ 56,718,376	\$ 2,181,638	4.00%	
11	Target Revenue			\$ 2,181,638			
12	Rate Rounding Variance			\$ (0)			
13	Rate Rounding Variance			0.00%			

The resulting schedule in the format of Exhibit JW-9 is attached as follows:

File for 5%: Shelby PSC1-8--5percent.xlsx

File for 10%: Shelby PSC1-8--10percent.xlsx

Finally, note that Shelby does not support either of these two scenarios because they do not align with the cost of service study results, requiring members who are already paying more than their fair share to carry an even greater rate burden and sending a price signal to residential members that is well below cost.

ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY

SHELBY ENERGY COOPERATIVE INC.

PSC CASE NO. 2023-00213

RESPONSE TO REQUEST FOR INFORMATION

PSC'S REQUEST FOR INFORMATION DATED 8/28/23

REQUEST 9

RESPONSIBLE PARTY: Michael Moriarty

Request 9. Refer to the Application, Exhibit 35 and Case No. Case No. 2019-00053, final Order, page 9.² Provide the adjustment necessary to reduce Shelby Energy's contribution to employee insurance premiums to the Bureau of Labor Statistics' average.

Response 9. The adjustment is calculated in the excel sheet attached to this response.

Shelby Energy was not party to Case No. 2019-00053 and thus does not believe it is required to "comply" with any findings in that docket. Shelby Energy was party to Case No. 2018-00407 in which the streamlined rate pilot program was established. In the instant case, Shelby Energy followed the requirements set forth in that docket, in the order dated December 20, 2019, Appendix A, pages 5 and 6, under "E. Items Excluded for Ratemaking Purposes", Item 2, which states "If employee health care insurance premium contribution is zero, for ratemaking purposes the pro forma income statement should reflect healthcare insurance premiums adjusted for employee contributions based on the national average for coverage type." Since Shelby Energy does not meet the stated criteria, no adjustment was proposed.

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PSC'S REQUEST FOR INFORMATION DATED 8/28/23
REQUEST 10

RESPONSIBLE PARTY: Michael Moriarty

Request 10. State the credit metrics which are used in Shelby Energy's debt covenants and provide the minimum required for each.

Response 10. The Rural Utilities Service ("RUS") Loan Contract, Section 5.4.(b), Rates to Provide Sufficient to Meet Coverage Ratio Requirements, states:

The average Coverage Ratios achieved by the Borrower in the 2 best years out of the 3 most recent calendar years must be not less than any of the following:

<i>TIER</i>	=	<i>1.25</i>
<i>DSC</i>	=	<i>1.25</i>
<i>OTIER</i>	=	<i>1.1</i>
<i>ODSC</i>	=	<i>1.1</i>

The National Rural Utilities Cooperative Finance Corporation ("CFC") Loan Agreement states:

The Borrower shall achieve an Average DSC Ratio of not less than 1.35.

Please refer to Exhibit 31 of the Application for definitions, formulas and calculations of the credit metrics.

SHELBY ENERGY COOPERATIVE INC.
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REQUEST 11

RESPONSIBLE PARTY: Michael Moriarty

Request 11. Provide the number of disconnections and reconnections for 2020, 2021, and per month for 2022 and 2023.

Response 11. Total disconnections for 2020 were 184 and total reconnections for 2020 were 164. Total disconnections for 2021 were 760 and total reconnections were 664. Please see below for monthly breakdown of disconnections and reconnections in 2022 and 2023.

2022	Disconnections	Reconnections
January	-	-
February	17	14
March	196	173
April	129	120
May	135	125
June	92	84
July	98	91
August	180	176
September	86	74
October	102	90
November	68	58
December	35	24
	1,138	1,029

2023	Disconnections	Reconnections
January	73	68
February	133	127
March	112	101
April	122	113
May	163	158
June	57	52
July	76	71
August	86	74
	822	764