

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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

SHELBY ENERGY COOPERATIVE, INC.'S
VERIFIED RESPONSE TO
COMMISSION STAFF'S FIRST REQUESTS FOR INFORMATION
ENTERED NOVEMBER 21, 2024

Comes now Shelby Energy Cooperative, Inc. (Shelby Energy), by counsel, and does hereby tender its Verified Response to Commission Staff's First Request for Information entered November 21, 2024.

Filed December 19, 2024

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)
RATES)
Case No. 2024-00351

VERIFICATION OF MICHAEL MORIARTY

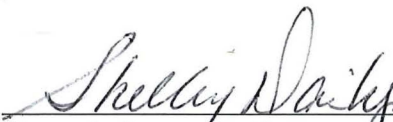
COMMONWEALTH OF KENTUCKY)
)
COUNTY OF SHELBY)

Michael Moriarty, Chief Financial Officer of Shelby Energy Cooperative Inc, being duly sworn, states that he has supervised the preparation of 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.



Michael Moriarty

The foregoing Verification was signed, acknowledged and sworn to before me this ____ day of December 2024, by Michael Moriarty.



Commission expiration: 12/19/2024

KYNP 38593



Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 1: Provide the following expense account data:

a. A schedule, in comparative form showing the operating expense account balance for the test year and each of the three most recent calendar years for each account or subaccount in Shelby Energy's annual report. Show the percentage of increase or decrease of each year over the prior year.

b. A listing, with descriptions, of all activities, initiatives, or programs undertaken by Shelby Energy since its last general rate case for the purpose of minimizing costs or improving the efficiency of its operations or maintenance activities. Include all quantifiable realized and projected savings.

Response 1(a): Please see the Excel file uploaded separately.

Response 1(b): Shelby Energy provides the following summary of significant activities, initiatives, or programs undertaken, or continued since its last general rate case for the purpose of minimizing costs or improving the efficiency of its operations or maintenance activities:

- Shelby Energy has outsourced all utility locates as opposed to our former practice of sending a small bucket and two linemen out to perform locates. Shelby Energy estimates that outsourcing of locates saves the cooperative over \$100,000 annually. Our linemen

now spend more time on maintenance and construction.

- Shelby Energy has implemented a proactive pole maintenance program to inspect approximately 10 percent of Shelby Energy's poles annually. The purpose of the program is to identify "red tag" poles to be replaced prior to failures and to chemically treat poles to extend the useful life. The program costs Shelby Energy approximately \$100,000 per year. Treating the poles defers the cost of the pole replacement, and the replacement of red tag poles is completed during regular work hours. Replacing red tag poles improves the safety of the distribution system and reduces the number of poles that break during storm events which typically require overtime labor to replace.
- Shelby Energy regularly reviews its staffing levels and labor needs to ensure the cooperative has the most efficient labor force to serve the needs of its members. Please see the Application, Exhibit 10, JW-2, Schedule 1.10 for an overview of Shelby Energy's employees. The test year includes 39 full-time employees. This is two less employees than Shelby Energy included in its last general rate adjustment.
- In 2023, Shelby Energy put out a request for proposal for banking services and transitioned all bank accounts to a different financial institution which offered significantly higher interest rates on deposits. Shelby Energy estimates that the accounts earned approximately \$95,000 more in interest income during the 2023 test year. This additional revenue has helped to offset increased operating costs.
- Shelby Energy has changed the format of the Annual Meeting to a virtual business meeting and a scaled down member appreciation meeting. The meeting is held during regular

business hours and has resulted in cost savings of approximately \$15,000 annually.

- Shelby Energy does not provide electric service to its headquarters building in Shelbyville.

Shelby Energy adjusted its contract demand with the utility provider to lower the amount of minimum contract demand charges incurred. The adjustment has reduced the cost of electricity for the headquarters by approximately \$10,000 per year.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 2: Provide the capital structure at the end of the five most recent calendar years and each of the other periods shown in Schedule A1 and Schedule A2.

Response 2: Please see the Excel file uploaded separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 3: Provide the following:

- a. A list of all outstanding issues of long-term debt as of the end of the latest calendar year together with the related information as shown in Schedule B1.
- b. An analysis of short-term debt as shown in Schedule B2 as of the end of the latest calendar year.

Response 3(a)-(b): Please see the Excel file uploaded separately.

**ATTACHMENTS
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SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 4: Provide Shelby Energy's internal accounting manuals, directives, and policies and procedures.

Response 4: Please see the attached RUS Bulletin 1717-B2, "Guide for Preparing Financial and Statistical Reports for Electric Distribution Borrowers," as well as Shelby Energy's internal accounting policies. Also, please see the Application, Exhibit 17, Audited Financial Statements, for a summary of significant accounting policies.

ATTACHMENT PSC 1-4

Disclaimer: The contents of this guidance document does not have the force and effect of law and is not meant to bind the public in any way. This document is intended only to provide clarity to the public regarding existing requirements under the law or agency policies.

UNITED STATES DEPARTMENT OF AGRICULTURE
Rural Utilities Service

BULLETIN 1717B-2

RD-GD-2002-45

SUBJECT: Guide for Preparing Financial and Statistical Reports for Electric Distribution Borrowers

TO: All Electric Distribution Borrowers

EFFECTIVE DATE: Date of approval.

OFFICE OF PRIMARY INTEREST: Assistant Administrator, Electric Program.

FILING INSTRUCTIONS: This bulletin replaces RUS Bulletin 1717B-2, "Guide for Preparing Financial and Statistical Reports for Electric Distribution Borrowers," dated December 31, 1993. Suggestion to borrowers: Distribute copies of this bulletin to all units responsible for elements of the report.

This Bulletin is also available on the RUS Data Collection System Website at <http://dcs.usda.gov>.

PURPOSE: To provide instructions to all electric distribution borrowers required to submit operating reports to RUS. These instructions implement reporting requirements in the borrower's loan contract with RUS and the laws and regulations that authorize RUS to collect this information. The guidance provided in this bulletin corresponds to the completion of a paper Form 7 and 7a. The RUS Data Collection System Website contains instructions for completion of the electronic form.



Blaine D. Stockton
Assistant Administrator
Electric Program

2/14/02

Date

**INSTRUCTIONS FOR THE PREPARATION OF THE
FINANCIAL AND STATISTICAL REPORT**

TABLE OF CONTENTS

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ATTACHMENTS:

Attachment 1	RUS Form 7
Attachment 2	RUS Form 7a

INDEX:

Financial and Statistical Reports
 Financial Statements
 Operating Reports
 Reports

ACRONYMS

CBO	Certificates of Beneficial Ownership
CD	Certificate of Deposit
CFC	National Rural Utilities Cooperative Finance Corporation
CL	Capital Leases
CATS	Certificates of Accrual on Treasury Securities
CTC	Capital Term Certificates
DCS	Data Collection System
ERC	Energy Resources Conservation
FCSFAC	Farm Credit System Finance Assistance Corporation
FDIC	Federal Deposit Insurance Corporation

ACRONYMS

(continued)

FERC	Federal Energy Regulatory Commission
FFB	Federal Financing Bank
FICO	Financing Corporation
FHLB	Federal Home Loan Banks
FHLMC	Federal Home Loan Mortgage Corporation or Freddie Mac
FmHA	Farmers Home Administration
FNMA	Federal National Mortgage Association or Fannie Mae
G&T	Generation and Transmission borrower
GNMA	Government National Mortgage Association, Ginnie Mae, or Ginnies
GSA	General Services Administration
NOW	Negotiable Order of Withdrawal
NRUCFC	National Rural Utilities Cooperative Finance Corporation
REFCORP	Resolution Funding Corporation
REIT	Real Estate Investment Trusts
RUS	Rural Utilities Service
SBA	Small Business Administration
Sallie Mae	Student Loan Marketing Association
TIGERS	Training Investment Growth Receipts
TVA	Tennessee Valley Authority
WMATA	Washington Metropolitan Area Transit Authority

1. REQUIREMENTS

The Rural Utilities Service's (RUS) requirements regarding the submission of financial and statistical reports by electric distribution borrowers are contained in the loan contract. Also, RUS's reporting requirements are codified in 7 CFR Parts 1710 and 1717.

2. REPORTS

2.1 The preparation of a monthly financial and statistical report aids a borrower's management in effectively operating and controlling the business.

2.2 As an aid to borrowers in developing and submitting operating information on a uniform basis, RUS furnishes a prescribed report form to be used by electric distribution borrowers. An original and one copy of RUS Form 7, pages 1 through 5, and Form 7a, Pages 1 and 2, should be submitted to RUS annually by March 1 for the period ending December 31. Quarterly reports (RUS Form 7, pages 1 and 2) are requested when a deficit exists in the prior year's operations. In addition, individual borrowers may be requested by RUS to submit RUS Form 7 (pages 1 and 2) monthly.

2.3 If after the filing of RUS Form 7 and 7a for December 31, major adjustments in the accounts are made which significantly affect the operating statement for the year, the balance sheet, or key financial ratios, revised reports reflecting these adjustments should be submitted to RUS promptly.

2.4 Sample copies of the revised report forms are attached to this guide. A supply of these forms will be furnished to borrowers not using the Data Collection System (DCS) system, upon request.

2.5 Distribution borrowers having generating facilities shall continue to submit reports on the operation of such facilities in accordance with the current instructions set forth in RUS Bulletin 1717B-3, in addition to the RUS Form 7 and 7a.

2.6 Timely reporting not only permits RUS to fulfill its reporting obligations, but helps the borrower have data promptly for effective management. It is strongly urged that attention be given to organizing your operations so that required reports will be submitted on time.

3. GENERAL

The "Financial and Statistical Report" makes available to RUS information for analyses in connection with the security of Government loan funds. It is believed that this report, when supplemented by such additional information as may be desired by an individual borrower, will also be of great assistance to boards of directors and managers of the system in successfully coping with various management problems.

The report provides RUS with sufficient information to prepare an annual financial and statistical report of all RUS borrowers' electric operations. RUS provides the Federal Energy Regulatory Commission (FERC) with a copy of the RUS statistical report. Thus, most borrowers are not required to submit individual reports to FERC.

The reports prepared by borrowers must accurately reflect the financial data as shown by the books of account, and should be prepared in accordance with the detailed instructions contained in this manual. Maximum benefits can be derived from the monthly and annual report only when they are correctly prepared. Careful preparation of the report also eliminates additional correspondence. After the report has been prepared and typed, it should be carefully reviewed and verified for both clerical and/or typographical errors. Accounts referenced: RUS Uniform System of Accounts - Electric (7 CFR 1767, subpart B, and RUS Bulletin 1767B-1).

These instructions and report forms do not apply to power supply borrowers.

4. SPECIFIC INSTRUCTIONS

4.1 The "Financial and Statistical Report," RUS Form 7, Pages 1 through 5, and Form 7a, "Investments, Loan Guarantees and Loans - Distribution," are composed as follows:

Form 7

- Part A. Statement of Operations
- Part B. Data on Transmission and Distribution Plant
- Part C. Balance Sheet
- Part D. Notes to Financial Statements
- Part E. Changes in Utility Plant
- Part F. Materials and Supplies
- Part G. Service Interruptions
- Part H. Employee - Hour and Payroll Statistics
- Part I. Patronage Capital
- Part J. Due From Consumers for Electric Service
- Part K. kWh Purchased and Total Cost
- Part L. Long-Term Leases
- Part M. Annual Meeting and Board Data
- Part N. Long-Term Debt and Debt Service Requirements
- Part O. Power Requirements Data Base – Annual Summary

Form 7a

- Part I. Investments
- Part II. Loan Guarantees
- Part III. Ratio
- Part IV. Loans

4.2 The following system is used in this guide for reference to items reported on RUS Forms 7 and 7a:

A capital letter designates the part, a number designates the item or line number, and a lower case letter designates the column. Example: A15d indicates Part A, Item 15, Column d.

4.3 "Red" (or negative) figures on the report should be indicated by enclosing the amount in parentheses (--). Do not use parentheses to indicate that an amount is to be deducted when the format provides for the deduction to be made. Example: The entry for Form 7 - C4 should not be enclosed with parentheses as Net Utility Plant is to be determined by subtracting line 4 from line 3.

4.4 A column for "Budget" has been provided on RUS Form 7, Page 1, Part A, "Statement of Operations," for the convenience of borrowers. When used, this should consist of the cumulative monthly figures taken from the previously prepared annual budget. A budget is a plan for future guidance of the business in which probable revenue and expense is estimated and allocated. If there is a substantial difference between the budget item and the actual, it would be appropriate to make an analysis of operations to determine if remedial action is needed. While reporting of the "Budget" information is optional, RUS may require borrowers to report budget information on a case-by-case basis.

4.5 Much care should be exercised in the insertion of the statistical data required by the report, particularly that which cannot be verified on the report.

4.6 Borrowers should report all amounts to the "nearest dollar" and eliminate the cents. All totals and subtotals should be the sums of the rounded figures used.

EXHIBIT A
SPECIFIC INSTRUCTIONS FOR RUS FORM 7
FINANCIAL AND STATISTICAL REPORT

PART A, STATEMENT OF OPERATIONS

Column

a Last Year

This column reflects cumulative annual totals through the month covered by the report, entries for which should be obtained from Column b of this same part (RUS Form 7, Part A) of the operating report for the corresponding month of the prior year.

b This Year

Cumulative annual totals are also reflected in this column, entries for which should be obtained from the year-to-date totals of the general ledger trial balance for the corresponding month.

c Budget (Optional)

Entries for this column should be obtained from the operating budget using cumulative annual totals for the corresponding month.

d This Month

Entries for this column should be obtained from the monthly totals of the general ledger trial balance of the appropriate accounts for the month involved.

Item No.

1 Operating Revenue and Patronage Capital

The entry for Column b is obtained by adding Part O, Items 12 and 13 of the "Total Year to Date" column.

2 Power Production Expense

Accounts 500 through 554

3 Cost of Purchased Power

Accounts 555, 556, and 557

4 Transmission Expense

Accounts 560 through 573

5 Distribution Expense - Operation

Accounts 580 through 589

Item No. (continued)

- 6 **Distribution Expense - Maintenance**
Accounts 590 through 598
- 7 **Customer Accounts Expense**
Accounts 901 through 905
- 8 **Customer Service and Informational Expense**
Accounts 907 through 910
- 9 **Sales Expense**
Accounts 911 through 916
- 10 **Administrative and General Expense**
Accounts 920 through 931 and 935
- 11 **Total Operation and Maintenance Expense**
Total of Items 2 through 10
- 12 **Depreciation and Amortization Expense**
Accounts 403.1 through 403.7 and 404 through 407 (including 407.3 & 407.4)
- 13 **Tax Expense - Property and Gross Receipts**
Account 408.1 and 408.6. Some States have enacted laws providing for payments in lieu of property taxes. These taxes should be reported as "Tax Expense - Property and Gross Receipts."
- 14 **Tax Expense - Other**
All subaccounts of Accounts 408, except 408.1 and 408.6 plus Accounts 409.1, 410.1, 411.1, 411.4 and 420
- 15 **Interest on Long-Term Debt**
Account 427. Do not include any interest earned on Balance of Advance Payments. It is non-operating income, item 21.
- 16 **Interest Charged to Construction - Credit**
Account 427.3
- 17 **Interest Expense - Other**
Account 431
- 18 **Other Deductions**
Accounts 409.2, 410.2, 411.2, 411.5, 411.6, 411.7, 411.8, 411.9, 425, 426.1 through 426.5, 428, 428.1, 429, 429.1 and 430

Item No. (continued)

- 19 **Total Cost of Electric Service**
Total of Items 11 through 18
- 20 **Patronage Capital and Operating Margins**
Item 1 minus Item 19
- 21 **Non-Operating Margins - Interest**
Account 419 and 432. Include interest earned on Balance of Advance Payments, if any.
- 22 **Allowance for Funds Used During Construction**
Account 419.1
- 23 **Income (Loss) from Equity Investment**
Account 418.1 plus the amounts recorded in Account 421 relating to the income or loss from investments recorded on the equity method of accounting for investments.
- 24 **Non-Operating Margins - Other**
Net total of Accounts 415, 417, 418, 421, 421.1, less Accounts 416, 417.1, 421.2, and 422
- 25 **Generation and Transmission Capital Credits**
Account 423
- 26 **Other Capital Credits and Patronage Dividends**
Account 424
- 27 **Extraordinary Items**
Net total of Accounts 409.3 plus 434 minus 435 plus or minus 435.1
- 28 **Patronage Capital or Margins**
Total of Items 20 through 27

PART B, DATA ON TRANSMISSION AND DISTRIBUTION PLANT

All entries for Column a should be obtained from Column b of this part of the Operating Report for the prior year.

Item No.**1 New Services Connected**

In Column b insert the total of all new individual services connected this year to date. The data should include new construction and exclude connections to new consumers on previously connected services.

2 Services Retired

In Column b place the number of all individual service installations physically removed during the year.

3 Total Services in Place

In Column b insert the number of services as of the end of the reporting period. (Report all services in place whether or not they are in use.)

4 Idle Services (Exclude Seasonals)

The number of idle services in Column b should be the total number of delivery points to which service wires remain physically in place but for which no bill is being rendered. Seasonal consumers or patrons paying a nominal sum for the retention in place of idle facilities should be excluded from the count of idle services.

5 Miles Transmission

Mileage in Column b represents the total pole line miles of transmission line that have been energized. A transmission line is a line serving as a source of supply to a point where the voltage is transformed to a voltage used for distribution purposes.

6 Miles Distribution - Overhead

Mileage in Column b represents the present total overhead pole line miles that have been energized. Distribution lines are those which deliver electric energy from the substation or metering point to the point of attachment to the consumers' wiring and include primary, secondary, and service facilities.

7 Miles Distribution - Underground

Mileage in Column b represents the total underground line miles of distribution lines (primary, secondary, and services) that have been energized.

8 Total Miles Energized

Sum of Items 5, 6, and 7

Note: (1) Underbuild in overhead lines or joint runs in underground installations do not increase the number of line miles except for distribution underbuild on transmission poles. In such cases, distribution pole line miles would be increased by the number of underbuild miles involved.

PART C, BALANCE SHEET

Assets and Other Debits

Item No.

- 1** **Total Utility Plant in Service**
Accounts 101 (total of Accounts 301 through 399), 101.1, 102 through 106, 114, 116, 118, and 120.1 through 120.6
- 2** **Construction Work in Progress**
All subaccounts of Account 107
- 3** **Total Utility Plant**
Sum of Items 1 and 2
- 4** **Accumulated Provision for Depreciation and Amortization**
All subaccounts of Account 108, and Accounts 111, 115, and 119
- 5** **Net Utility Plant**
Item 3 less Item 4
- 6** **Non-Utility Property (Net)**
Account 121 less Account 122
- 7** **Investments in Subsidiary Companies**
Account 123.11
- 8** **Investments in Associated Organizations - Patronage Capital**
Account 123.1
- 9** **Investments in Associated Organizations - Other - General Funds**
The amount of the investments recorded in Accounts 123.22 and 123.23 as provided for in 7 CFR 1717, Subpart N, Investments, Loans, and Guarantees by Electric Borrowers.

Item No. (continued)**10** **Investments in Associated Organizations - Other - Nongeneral Funds**

The amount of the investments in Accounts 123.22 and 123.23. The following are classified as such investments:

(1) All National Rural Cooperative Finance Corporation (CFC) – Capital Term Certificates (CTC) except those purchased more than 24 months in advance of their due date.

(2) Investments which have been specifically excluded by the Administrator or his designated representative.

(Note: The above investments are nongeneral fund items regardless of the account in which they are reported. However, the only excludable investments to be reported, for Item 10 are those which are reported in Accounts 123.22 or 123.23. The sum of the amounts reported for Items 9 and 10 should equal the sum of the balances in Accounts 123.22 and 123.23.)

11 **Investments In Economic Development Projects**

Report investments in Economic Development Projects recorded in accounts 123, Investments in Associated Organizations, and 124, Other Investments. (Note: These Economic Development investment amounts should not be reported on any other line of the Balance Sheet.)

12 **Other Investments**

Report amount in Account 124 not related to Economic Development Projects included in Item 11.

13 **Special Funds**

Accounts 125 through 128

14 **Total Other Property and Investments**

Total of Items 6 through 13

15 **Cash - General Funds**

Accounts 131.1, 131.12, 131.13, 131.14, and 135. Item 46, "Accounts Payable," should be utilized for checks written and not paid as of the date of this report.

16 **Cash - Construction Funds - Trustee**

Accounts 131.2 and 131.3. Item 46, "Accounts Payable," must be credited for checks written and not paid as of the date of this report.

17 **Special Deposits**

Accounts 132 through 134

Item No. (continued)

- 18 **Temporary Investments**
Account 136
- 19 **Notes Receivable (Net)**
Account 141 and 145 less Account 141.1
- 20 **Accounts Receivable - Sales of Energy (Net)**
Account 142.1 less Account 144.1
- 21 **Accounts Receivable - Other (Net)**
Accounts 142.2, 143 and 146 less Accounts 144.2 through 144.4
- 22 **Materials and Supplies - Electric and Other**
Accounts 151 through 157, 158.1, 158.2 and 163
- 23 **Prepayments**
Accounts 165.1 and 165.2
- 24 **Other Current and Accrued Assets**
Accounts 171 through 174
- 25 **Total Current and Accrued Assets**
Total of Items 15 through 24
- 26 **Regulatory Assets**
Accounts 182.2 and 182.3
- 27 **Other Deferred Debits**
Accounts 181 through 190, except 182.2 and 182.3
- 28 **Total Assets and Other Debits**
Total of Items 5, 14, 25 through 27

Liabilities and Other Credits**Item No.**

- 29 **Memberships**
Accounts 200.1 and 200.2
- 30 **Patronage Capital**
Accounts 201.1 and 201.2

Item No. (continued)**31** **Operating Margins - Prior Years**

Account 219.1 and Account 219.4 when it applies to operating margins.

32 **Operating Margins - Current Year**

Total of Items 20, 25, 26, and the portion of Line 27 that relates to operating margins of the current RUS Form 7, Part A, Column b less that portion of current year margins transferred from Account 219.1 to Account 201.2 and included in the amount reported for Line 28, "Patronage Capital or Margins."

33 **Non-Operating Margins**

Total of Account 219.2 plus Account 219.4 when it applies to non-operating margins, and Items 21, 22, 23, 24, and the portion of Line 27 that relates to non-operating margins, of the current RUS Form 7, Part A, Column b.

34 **Other Margins and Equities**

Total of Accounts 208, 211, 215, 216.1, 217, 218, and 219.3

35 **Total Margins and Equities**

Total of Items 29 through 34.

36 **Long-Term Debt - RUS (Net)**

Accounts 224.1, 224.3, 224.5, 224.7 and 224.9 less Accounts 224.2, 224.4, 224.6, 224.8, and 224.10; also enter the amount of Account 224.6 in the space for "Payments-Unapplied." Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.

37 **Long-Term Debt - RUS - Economic Development (Net)**

Report amounts recorded in accounts 224.16, Long-Term Debt - Economic Development Notes Executed, less 224.17, RUS Notes Executed - Economic Development - Debit. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 49.

38 **Long-Term Debt – FFB – RUS Guaranteed**

Report amounts recorded in accounts 224.14 less 224.15 that relate to FFB loans. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.

39 **Long-Term Debt - Other - RUS Guaranteed**

Report amounts recorded in accounts 224.11, 224.12, 224.14, 225, 226 less Accounts 123.21, 224.13 and 224.15 pertaining to Non-FFB debt whose repayment is guaranteed by RUS. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.

Item No. (continued)**40** **Long-Term Debt - Other (Net)**

Report amounts in Accounts 221, 222, 223, 224.11, 224.12, 224.14, 225, 226 less 123.21, 224.13 and 224.15 pertaining to debt whose repayment is NOT guaranteed by RUS. Report only the long-term portion of the debt under this item. The current portion of the debt (due within one year) should be reported on item 48.

41 **Total Long-Term Debt**

Total of Items 36 through 40.

42 **Obligations Under Capital Leases - Noncurrent**

Account 227

43 **Accumulated Operating Provisions**

Accounts 228.1 through 228.4, and 229. Note: If the cumulative amount recorded in Account 228 is a debit balance, the amount should be reported on Line 12, Other Investments.

44 **Total Other Noncurrent Liabilities**

Sum of items 42 and 43

45 **Notes Payable**

Accounts 231 and 233

46 **Accounts Payable**

Accounts 232.1, 232.2, 232.3 and 234.

47 **Consumers Deposits**

Account 235

48 **Current Maturities Long-Term Debt**

Report amounts due within one year of the obligations reported on items 36, 38, 39 and 40.

49 **Current Maturities Long-Term Debt – Economic Development**

Report amounts due within one year of the obligations reported on item 37.

50 **Current Maturities – Capital Leases**

Account 243

51 **Other Current and Accrued Liabilities**

Accounts 236.1 through 236.7, 237, 238.1, 238.2, 239, 240, 241, and 242.1 through 242.5

- 52 **Total Current and Accrued Liabilities**
Total of Items 45 through 51
- 53 **Regulatory Liabilities**
Account 254
- 54 **Other Deferred Credits**
Accounts 252, 253, 253.1, 255, 256, 257, 281, 282, and 283
- 55 **Total Liabilities and Other Credits**
Total of Items 35, 41, 44, and 52 through 54

PARTS D, NOTES TO FINANCIAL STATEMENTS

Part D provides space for important disclosure notes to the financial statements not included in other parts of this form.

A partial checklist of these disclosure notes is as follows:

Prepaid or deferred charges that are being amortized for a period exceeding 12 months.

Capital leases for lessee; sales or financing leases for lessor.

Unbilled revenue -- Report of the amount not billed to consumers for which kWhs have been consumed. Please state if this amount is or is not included in Part C, line 20.

Accounting changes.

Contingent Assets and Liabilities

Deferred compensation\Pension plans -- employers.

Deferred Debits or Credits, and Extraordinary Items.

Margin Stabilization Plans.

Short-term obligations expected to be refinanced.

Deferred credits that are being amortized for a period exceeding 12 months.

Related party transactions.

PART E, CHANGES IN UTILITY PLANT

Item No.

- 1 Distribution Plant**
Accounts 360 through 373
- 2 General Plant**
Accounts 391 through 399.
- 3 Headquarters Plant**
Accounts 389 through 390.
- 4 Intangibles**
Accounts 301, 302, and 303
- 5 Transmission Plant**
Accounts 350 through 359
- 6 All Other Utility Plant**
Accounts 101.1, 102 through 106, 114, 116, 118, 120.1 through 120.6, and 310 through 346.
- 7 Total Utility Plant in Service**
Total of Items 1 through 6. Amount in column e should agree with Part C, Item 1.
- 8 Construction Work in Progress**
Account 107. Amount in column e should agree with Part C, Item 2.
- 9 TOTAL UTILITY PLANT**
Total of Items 7 and 8. Amount in column e should agree with Part C, Item 3.

Column

- a Balance Beginning of Year**
The balances in this column for each item should be the same as shown in "Balance End of Year" column of the previous years' report.

Column (continued)**b** **Additions**

This column should show the additions to plant during the year including any corrections for additions for the current or preceding year for each item. The amount of the additions should be net cost (gross cost less contributions in aid of construction credited to the plant accounts). Include in this column transfers involving Account 103, "Experimental Electric Plant Unclassified," Account 106, "Completed Construction Not Classified - Electric," and Account 107, "Construction Work in Progress - Electric," made to close the record for items in these accounts. A credit will be shown in this column for Accounts 103, 106, and 107 if the "Balance End of Year" in either Accounts 103, 106, or 107 is less than "Balance Beginning of Year." Any amount paid for electric plant purchased during the year should be shown in Column b.

c **Retirements**

This column should show the value of physical retirements for each item of plant made during the year including any corrections for retirements for the current or preceding year. Any amount received during the year for electric plant sold should be shown in Column c. Do not include contributions in aid of construction in this account. See instructions for Column b above.

d **Adjustments and Transfers**

Include in this column:

1. Transfers between utility plant purchased or sold and the utility plant in service accounts.
2. Transfers between utility plant in service accounts and utility plant leased to others.
3. Transfers between utility plant in service accounts and utility plant held for future use.
4. Reclassifications or transfers within the utility plant in service accounts.

Do not include corrections of additions and retirements for the current or preceding year in this column. (These should be shown in Column b or Column c, respectively.) Do not include transfers from Account 107 to 106, or 106 to the electric plant in service accounts. (These are to be shown in Column b.)

Ordinarily, this column should total to zero. However, when utility plant purchased is transferred to the utility plant in service accounts, a difference will occur because of the accumulated provision for depreciation. When the utility plant in service accounts are credited with utility plant sold, a difference will develop. This is because of the adjustment to the accumulated provision for depreciation and the gain or loss.

Column (continued)**e** **Balance End of Year**

These balances should be determined at year-end directly from the accounts. Each item and column total should be verified to see that "Balance Beginning of Year" plus "Additions" minus "Retirements" and plus or minus "Adjustments and Transfers" equal "Balance End of Year." The amount for Item 8 should agree with RUS Form 7, Part C, Item 2. The amount for Item 9 should agree with RUS Form 7, Part C, Item 3.

PART F, MATERIALS AND SUPPLIES**Item No.****1** **Electric**

Column a: Enter the total of the balances in Accounts 151 through 154 and 163 at the end of the previous year.

Column b: Enter the total of materials purchased during the year and recorded in Accounts 151, 152, and 154, plus net additions to Accounts 153 and 163 excluding inventory adjustments which are to be reported in Column f.

Column c: Enter the amount of the materials returned to stores from retirement of plant during the year.

Column d: Enter the net amount of materials used during the year (materials charged out less materials returned to stores). Include stores expense assigned to those materials. Do not include credits for inventory adjustments that are to be reported in Column f.

Column e: Enter the amount of all materials and supplies sold during the year.

Column f: Enter the net amount of inventory adjustments (shortages, overages, and breakage) made during the year.

Column g: Enter the total of the balances in Accounts 151 through 154 and 163 as of the end of the year.

2 **Other**

Enter in Column a the total of Accounts 155, 156, 157, 158.1, and 158.2 at the end of the previous year. Enter in Column b the amount of other purchases (at cost) for the year. Enter in Column c any trade-in merchandise or other material put into stock. Enter in Column d any merchandise or other materials taken from stock for the cooperative's use. Enter in Column e all merchandise and other material sold during the year. Enter in Column f any adjustments (net) for shortages, overages, breakage, etc. Enter in

Column g the total of the balances in Accounts 155, 156, 157, 158.1, and 158.2 on December 31 (Note: Columns a plus b and c, less d and e, plus or minus f, as appropriate, equal Column g).

PART G, SERVICE INTERRUPTIONS

The importance and manner of measuring and reporting continuity of service is described in RUS Bulletin 161-1. This bulletin provides for coding of causes that fit the four classifications shown in this part.

Average hours interruptions per consumer are obtained by multiplying the time of each interruption by the number of consumers affected and dividing by the average number of consumers receiving service.

Column

a Power Supplier

Enter in this column the average interruption hours per consumer resulting from failure of the power supplier's facilities.

b Extreme Storm

It is intended that this column exclude common or expected weather conditions and include extreme weather conditions resulting in extraordinary interruption time and equipment damage. Usually there is a series of concurrent interruptions resulting from conditions that exceed design assumptions.

c Prearranged

This column includes service interruptions caused by a decision to de-energize all or part of the system.

d All Other

Include in this column all service interruptions not included in Columns a, b, and c.

e Total

This column represents the sum of all causes, and represents either the average interruption hours per consumer for the current year (Item 1), or the average for 5 years (Item 2).

Item No.

1 Present Year

Enter data for the current year in the appropriate column.

2 Five Year Average

Enter data for the most recent 5 years including the current year. In the event that statistics are not available for a full previous 5 years, use the best estimate possible until actual figures become available

PART H, EMPLOYEE - HOUR AND PAYROLL STATISTICS

The object of this part is to obtain statistics on all work performed for the borrower by the cooperative's employees based on payroll records.

Item No.

1 **Number of Full-Time Employees**

The number reported should be the number of employees hired full-time for normal operations of the system. It should not include employees added to do emergency work, employees added for seasonal employment, or for special assignments. If an employee works for the first 6 months of the year, quits in July, and is replaced immediately or later by another employee, these two employees should be reported as one full-time employee.

2 **Employee-Hours Worked - Regular Time**

Report the total number of employee-hours worked for which the employees received a regular rate of pay. Include all employees both salaried and those paid by the hour. All leave with pay is to be counted as hours worked. All leave without pay is not to be counted.

3 **Employee-Hours Worked - Overtime**

Report the total number of employee-hours worked for which a premium rate of pay was received by the employee.

4 **Payroll - Expensed**

Enter the amount of payroll that was charged to the operation and maintenance expense accounts (Accounts 500 through 598 and 901 through 931 and 935) during the year.

5 **Payroll - Capitalized**

Enter the amount of payroll that was used in construction and retirement work (all payroll charged to Accounts 107.1 through 107.3, 108.8, plus all payroll directly charged to the plant Accounts 301 through 399).

6 **Payroll - Other**

Enter the amount of payroll that was not included in Items 4 and 5.

PART I, PATRONAGE CAPITAL

Item No.

1 Capital Credits Distributions

a. General Retirements

Column (a) - This Year

Enter the total of those retirements made during the current year that covered a specific period or a specific percentage of a period. See Item 1b(a) for additional instructions.

Column (b) - Cumulative

This entry should be determined in accordance with the instructions from Item 1a except that the period covered is from inception through and including the current year. It also may be determined by using the balance for this item for the prior year and adding the entry in Item 1a(a) for the current year.

b. Special Retirements

Column (a) - This Year

Enter the total of those retirements made during the current (reported) year, such as estate settlements (Note: The total of the entries in Items 1 and 2 in column a should equal total patronage capital retirements for the year).

Column (b) - Cumulative

The entry should be determined in accordance with the instructions for Item 2a except the period covered is from inception through and including the current year. It also may be determined by using the balances for this item for the prior year and adding the entry in Item 2a for the current year.

c. Total Retirements

Column (a) - This Year

Enter total of 1a and 2a

Column (b) - Cumulative

Enter total of 1b and 2b

2 Capital Credits Received

a. Cash Received From Retirement of Patronage Capital by Suppliers of Electric Power

Column (a) - This Year

Self-explanatory

b. Cash Received From Retirement of Patronage Capital by Lenders for Credit Extended to the Electric System

Column (a) - This Year

Self-explanatory

c. Total Cash Received

Column (a) - This Year

Enter total of 2a and 2b

PART J, DUE FROM CONSUMERS FOR ELECTRIC SERVICE

Item No.

1 Amount Due Over 60 Days

Include both connected and disconnected consumers.

2 Amount Written Off During Year

Include total charges during the current year to Account 144.1 representing the write-off of uncollectible accounts.

PART K, kWh PURCHASED AND TOTAL COST

Enter in Column a the name of each wholesale power supplier from which power was purchased for resale. Column b is for RUS use only. Enter in Column c the total kWh purchased from each supplier. Enter in Column d the total cost of power from each supplier. This shall include energy, demand, wheeling and other charges associated with the power purchased from each supplier. Enter in Column e the average cost per kWh purchased (in cents). This calculation is made by dividing Column d by Column c.

When the power bill includes charges or credits for items other than charges for demand and energy, such as fuel cost adjustments, wheeling, equipment rentals, taxes, etc., the amounts thereof should be determined and entered in Column f or g as appropriate.

PART L, LONG-TERM LEASES

Report in this part by lessor, the type of property, and the amount of rental for the year (accrued or paid) on all restricted property that the borrower holds under long-term lease from other parties.

Restricted Rentals as defined in 7 CFR Part 1718, Subpart B, "Mortgage for Distribution Borrowers," shall mean all rentals required to be paid under finance leases and charged to income, exclusive of any amounts paid under any such lease (whether or not designated therein as rental or additional rental) for maintenance or repairs, insurance, taxes, assessments, water

rates or similar charges. For the purpose of this definition the term “finance lease” shall mean any lease having a rental term (including the term for which such lease may be renewed or extended at the option of the lessee) in excess of 3 years and covering property having an initial cost in excess of \$250,000 other than aircraft, ships, barges, automobiles, trucks, trailers, rolling stock and vehicles; office, garage and warehouse space; office equipment and computers. Long-Term Lease as defined in 7 CFR Part 1718, Subpart B, “Mortgage for Distribution Borrowers,” shall mean a lease having an unexpired term (taking into account terms of renewal at the option of the lessor, whether or not such lease has previously been renewed) of more than 12 months.

General plant is not to be included in the data to be reported in this part. Leases accounted for as capital leases (CL), the cost of which is included in utility (or non-utility) plant, should also be disclosed here with proper additional information included in Part D, "Notes to Financial Statements," and Part N, "Long-Term Debt and Debt Service Requirements." Identify these leases by placing "(CL)" following the name of the lessor.

PART M, ANNUAL MEETING AND BOARD DATA

Item No.

1 **Date of Last Annual Meeting**

Use date scheduled even if no legal meeting was held. If such is the case, so state.

2 **Total Number of Members**

The number of members in the cooperative that are eligible to vote is to be reported in this block. This number is to be determined on the basis of one vote to one member. It will customarily be less than the number of billed consumers as usually some members are billed for more than one account. If exact figures are not available, enter best estimate and use asterisk (*) to show the figure is an estimate.

3 **Number of Members Present at Meeting**

Report number of members present in person as determined by registration or votes cast. Only report persons eligible to vote. Do not report total number of persons in attendance.

4 **Was Quorum Present?**

A "yes" or "no" answer is sufficient.

5 **Number of Members Voting by Proxy or Mail**

Report the number of absentee ballots cast. Include both proxy votes and absentee votes. If none, so state.

6 **Total Number of Board Members**

List number on board when all vacancies are filled.

Item No. (continued)**7** **Total Amount of Fees and Expenses for Board Members**

Include all fees, expenses, and per diem paid to board members for all purposes during the current year, including attendance at board meetings, training seminars, delegated board business, association meetings, amounts paid for insurance, and other expenses directly associated with individual board members.

8 **Does Manager Have Written Contract?**

A "yes" or "no" answer is requested.

PART N, LONG-TERM DEBT AND DEBT SERVICE REQUIREMENTS

This section is to be prepared by all borrowers that list an amount on line 36 through 40 plus line 42 of Part C, RUS Form 7. Report all loans made to the utility system here. Loans made by the reporting utility system to others (e.g., economic development loans to finance local projects) should not be reported in this part of the report. Part N, line 12a, Total, should match the sum of the amount reported on line 41, "Total Long-Term Debt," plus the sum of the amount reported on line 42, "Obligations Under Capital Leases - Noncurrent, Part C, Balance Sheet.

Item No.

1-11 Enter required data for each lender. List each lender separately. Include all types of long-term obligations including long-term lease obligations (capital) as reported on lines 36, 37, 38, 39, 40, and 42, Part C, Balance Sheet.

12 Enter the total of Items 1 through 11 for each column.

Column**a** **Balance End of Year**

Enter the outstanding long-term debt balance for each lender.

b **Interest**

Enter the sum of the amount for current interest billed during the year by each lender. This amount includes interest charged to construction as well as interest charged to expense. Do not deduct the interest earned on Balance of Advance Payments accounts.

c **Principal**

Enter the sum of the amounts billed for principal during the year by each lender. If a portion of the principal amount is being refinanced (e.g., the proceeds from a RUS or RUS-guaranteed loan are used to pay off a CFC intermediate-term construction loan), that amount should not be included in this column as part of the principal billed. The

principal amount being refinanced, however, should be asterisked and the refinanced portion should be shown under Part D, "Notes to Financial Statements."

Do not include in Columns b and c amounts billed that are applicable to another year's transaction such as billings for past due accounts, note assumptions, etc.

Amounts reported in Columns b and c should include billings due for payment by the end of the year. If a billing was not received for such a payment, the amount that will be billed should be estimated and included as part of the amounts reported in these columns.

d **Total**

Enter the total of amounts in Columns b and c for each lender.

PART O, POWER REQUIREMENTS DATA BASE – ANNUAL SUMMARY

All revenue from operating electric plant including kWh sales, penalties, income from utility property, and miscellaneous items is to be reported in this part. Please note that if unbilled revenue is estimated (accrued) and reported in Form 7, Part A, Item 1, then the unbilled revenue must be included in the applicable classes on this form in Part O, also. It must be added to the billed revenue for Residential Sales, Residential Sales - Seasonal, etc. It should not be reported as Sales for Resales - Other.

Item No.

1 - 9 **Line a**

Number Consumers Served

Enter the number of consumers, by classification, having a current service connection in December in Column a. Enter the average number of consumers served based on the number of months that revenue is reported in Column b.

Special Circumstances for Number Consumers Served

Residential consumers (seasonal and non-seasonal) should be counted on the basis of the number of residences served. If one meter serves two residences, then two consumers should be counted. If a water heater is metered separately from other appliances on the same premises, do not count the water heater load as a separate consumer.

Security or safety lights, billed to a residential customer, should not be counted as an additional consumer, nor should they be included in the Public Street and Highway Lighting Classification.

Seasonal consumers expected to resume service during the next seasonal period should be counted during off-season periods as well.

A residence and commercial establishment on the same premises, receiving service through the same meter and being billed under the same rate schedule, would be classified as one consumer based on the rate schedule. If the same rate schedule applies to both the residential and the commercial class, the consumer should be classified according to principal use.

Consumers for Public Street and Highway Lighting should be counted by the number of billings, regardless of the number of lights per billing.

Installations erected for billboards or advertising purposes should be counted by billing and included in the appropriate commercial classification.

1 - 9 **Line b**
kWh Sold

Enter the number of kWh sold during the year for each consumer classification in Column c, Total Year to Date.

1 - 9 **Line c**
Revenue

Enter the dollar value of billings for the year for each consumer classification in Column c, Total Year to Date.

10 **Total Number of Consumers**

Enter the total of Lines 1a through 9a, Column a, December, and Column b, Average No. Consumers Served.

11 **Total kWh Sold**

Enter the total of Lines 1b through 9b, Column c, Total Year to Date.

12 **Total Revenue Received from Sales of Electric Energy**

Enter the total of Lines 1c through 9c, Column c, Total Year to Date.

13 **Other Electric Revenue**

Report amounts in accounts 412, 414, 449.1, 450, 451, and 453 through 456 less account 413. Enter the total in column c, Total Year to Date. Check: Line 12 total plus Line 13 total must agree with Part A, Line 1, Column b.

14 **kWh - Own Use**

Enter the total of the kWh consumed for corporate purposes in Column c, Total Year to Date. Show only kWh purchases under wholesale power contract for resale or self-generated and used for this purpose. Do not report energy purchased directly from a supplier solely for corporate purposes.

15 Total kWh Purchased

Enter the total of the kWh delivered by the power suppliers in the Column c, Total Year to Date. Transformer loss adjustments for low or high side delivery, if any, should be reported as kWh delivered.

16 Total kWh Generated

Enter the total of the net generation in Column c, Total Year to Date. Check: These figures should agree with those reported in RUS Form 12d, 12e, 12f, and 12g.

17 Cost of Purchases and Generation

Enter the total of Part A, Column b, Lines 2, 3, and 4, in Column c, Total Year to Date.

18 Interchange - kWh - Net

Energy flow between two electric systems, but not included in power billings is to be entered on this line. Energy received into the systems should be reported as a positive figure and energy delivered out of the system should be reported as a negative number. When the flow is both "in" and "out", the difference should be reported. Enter the total in Column c, Total Year to Date.

19 Peak - Sum All kW Input (Metered)

Please check the appropriate box indicating coincident or non-coincident peak.

Enter the highest monthly demand reported in Column c, Total Year to Date.

Include both generated and purchased power. For purchased power, use metered demand plus adjustments for transformer losses. Do not include adjustments made for billing purposes.

EXHIBIT B
SPECIFIC INSTRUCTIONS FOR RUS FORM 7a
INVESTMENTS, LOAN GUARANTEES AND LOANS - DISTRIBUTION

This form implements the reporting requirements placed on RUS borrowers in 7 CFR 1717, Subpart N.

General Instructions

1. RUS Form 7a, Investments, correspond to those reported in the Balance Sheet (RUS Form 7, Page 2, Part C, Balance Sheet). Also, all investment items summarized on the Balance Sheet are also reported here and classified as either included, that is subject to the 15% Rule*, or excluded.

*The 15 percent Rule states: "A Borrower in compliance with all provisions of its RUS mortgage, RUS loan contract, and any other agreements with RUS may, without prior written approval of the Administrator, invest its own funds or make loans or guarantees not in excess of 15 percent of its total utility plant without regard to any provisions contained in any RUS mortgage or RUS loan contract to the effect that the borrower must obtain prior approval from RUS, ..." [Reference 7 CFR 1717.654, "Transactions below the 15 percent level," 1717.655, "Exclusion of certain investments, loans, and guarantees," and 1717.656, "Exemption of certain borrowers from controls."]

2. *Please cross check each item listed in PART I. INVESTMENTS, to ensure that the total of each category on the Form 7a (e.g., 1. Non-Utility Property (Net)) matches the balance sheet amount on Form 7.*

3. Exhibit C of this bulletin classifies most investments as either Included or Excluded. In developing our guidelines, we referred to 7 CFR 1717.655, "Exclusion of certain investments, loans, and guarantees." If you need further clarification, contact your RUS Regional Division office for assistance. Exhibit D of this bulletin describes each type of investment in greater detail and classifies it as included or excluded.

4. Almost all investments must be reported separately, however, there are exceptions: Energy Resources Conservation (ERC) loans, and Loans to Employees, Officers, and Directors, each of these types of investments should be combined and reported as a total. A full description of each investment is needed by RUS to verify its proper classification as included or excluded.

5. Loan guarantees that a RUS borrower makes (e.g. member guarantees of its power supplier's loan from RUS) in conformance with the terms of a formal agreement with RUS are excludable.

6. If you need more space than the printed forms provide, please show the remainder of your investments, separately, on a continuation page with headings like the Form 7a, keyed to the report name, item name, and number. A continuation form is enclosed.

Please review the following material carefully.

ITEMS INCLUDED IN 15% RULE CALCULATION:

All items properly reported in the Balance Sheet, RUS Form 7, Part C. Balance Sheet, items: 6 through 13, 15, 17 through 19, plus 21 must be reported as Included, or Excluded items, as defined below. The sum of the Included items, plus the sum of the borrower's commitments to invest in the 12 months following the reporting period, plus the sum of loans (the balances of loans outstanding) which the borrower has guaranteed, except those amounts excluded, added together, may not exceed 15% of Total Utility Plant to comply with the 15% Rule. [Reference 7 CFR 1717.655, "Exclusion of certain investments, loans, and guarantees."]

EXCLUDED INVESTMENTS:

The following list includes nearly all Approved Exclusions [Reference 7 CFR 1717.655]

1. Patronage Capital allocated from a power supply cooperative of which the borrower is a member.
2. Loans, investments, security, obligations entered into prior to the date of the borrower's initial RUS Mortgage.
3. Securities or deposits issued, guaranteed or fully insured as to payment by the U.S. Government or any agency thereof. Though not an exhaustive list, this includes:
 - (a) U.S. Savings Bonds
 - (b) U.S. Treasury Bonds, Notes, Bills, Certificates
 - (c) Checking, Savings, and Certificates of Deposit, up to the limit of the amount insured by an instrumentality of the U.S. Government. [However, the amount exceeding \$100,000 (in any single institution) insured by the Federal Deposit Insurance Corporation (FDIC) should be reported on Form 7a, Part I, as an Included item.]
 - (d) Securities issued by the following Federal agencies and guaranteed as to payment by the full faith and credit of the U.S. Government (payable from the U.S. Treasury):
Farm Credit System Financial Assistance Corporation (FCSFAC),
Farmers Home Administration (FmHA),
Federal Financing Bank (FFB),
General Services Administration (GSA),
Government National Mortgage Assoc. (GNMA),
Maritime Administration Guaranteed Ship Financing Bonds issued after 1972,
Small Business Administration (SBA),
Washington Metropolitan Area Transit Authority (WMATA) Bonds.
 - (e) Other securities or deposits issued, guaranteed or fully insured as to payment by any agency of the United States Government. Unlike those listed above, these instruments may not be guaranteed by the full faith and credit of the U.S. Government, but are excludable.

4. Capital term certificates, bank stock, or similar securities of the supplemental lender which have been purchased as a condition of membership in the supplemental lender, or as a condition of receiving financial assistance from such lender, i.e., subscription or loan related capital term certificates from CFC, or stock from CoBank or Banks for Cooperatives.
5. Capital Credits issued by the supplemental lender received as an outcome of receiving financial assistance from that lender.
6. CFC Commercial Paper, CoBank Cash Investment Service, and Surplus Funds Program (St. Paul Bank for Cooperatives).
7. Any other investment that has been given formal written approval by the Administrator of RUS as an exclusion from the 15% Rule should be shown in Excluded column. For clarity, footnote such investments, and explain their special exemptions, otherwise the reviewer will assume they are classified improperly.
8. Investments funding post-retirement benefits are an excluded investment. [Reference Financial Accounting Standards Board Statement 106]
9. Reserves, if required by Revenue Bond Agreement; or amounts set aside to ensure prompt payment of loans made, guaranteed, or secured by a lien accommodated by RUS are excluded. However, only funds required for payments due within a three-month period after the report date may be excluded unless the "Agreement" requires a larger fund.

PART I. INVESTMENTS

Report all items in the following Balance Sheet categories on Form 7, Part C:

1. Non-Utility Property (Net):
Report items summarized as Balance Sheet item 6.
2. Investments in Associated Organizations:
Report items summarized as Balance Sheet items 7, 8, 9 and 10.
3. Investments in Economic Development Projects:
Report items summarized as Balance Sheet item 11.
4. Other Investments:
Report items summarized as Balance Sheet item 12.
5. Special Funds:
Report items summarized as Balance Sheet item 13.

6. Cash-General:

Report items summarized as Balance Sheet item 15.

7. Special Deposits:

Report items summarized as Balance Sheet item 17.

8. Temporary Investments:

Report items summarized as Balance Sheet item 18.

9. Notes and Accounts Receivable (Net):

Report items summarized as Balance Sheet item 19 and 21.

10. Commitments To Invest Within 12 Months:

These items do not appear on the RUS Form 7, Part C, Balance Sheet. Report any legally binding commitments to invest within the 12 months following the reporting period.

Column headings:

Column (a), Investment Description, giving issuer's name e.g. C.D. 1st National Bank, Omaha NE, or US Treasury Certificates, other investments, giving the name, the city and state of their address, type of investment.

Column (b), Included Amount: See Exhibit C of this bulletin.

Column (c), Excluded Amount: See Exhibit C of this bulletin.

Column (d), Income or Loss: For each investment that is accounted for under the equity method of accounting and reported in Section 2, Investments in Associated Organizations, 3, Investments in Economic Development Projects, and 4, Other Investments, indicate the amount of income or loss recognized during the reporting period. If there were no investments to account for under the equity method of accounting, please enter zero. For each receivable reported in section 9, Accounts & Notes Receivable (Net), indicate the amounts, if any, charged to the provision for uncollectible notes receivable. If there were no charges for uncollectible notes receivable, please enter zero.

Column (e), Rural Development: Identify investments in rural economic development by placing an "X" in column e. Include investments in any/all types of projects or products that were made to improve the economy and/or quality of life in your area.

Examples of Rural Economic Development Investments include (but are not limited to): energy resources and conservation loans, rural development loans/grants, water/wastewater, satellite/cable TV, natural/propane gas, telephone/Internet, power quality, load management, agricultural services, housing, industrial parks/organizations, incubator buildings, public health/safety, financing/revolving loan funds, security services, etc.

PART II. LOAN GUARANTEES

In this part, the reporting RUS borrower should list each loan guarantee they have given. They should not list those they receive from RUS or any other source. For example, a reporting borrower's guarantee of a bank's loan to a local rural development project should be reported here. By contrast, a Federal Financing Bank loan to your organization, the reporting RUS borrower, the repayment of which is guaranteed by RUS, should not be reported here.

List each loan your organization has guaranteed. This includes but is not limited to guarantees of loans to rural development projects, subsidiary organizations, associated/nonassociated organizations, power supply organizations.

Excluded Guarantees: Guarantees that a borrower makes in conformance with the terms of a formal agreement with RUS are excludable. For example, if a reporting RUS borrower guarantees the repayment of a loan made by a bank to a subsidiary of the power supplier, but the terms of that loan were not specifically agreed to by RUS, the guarantee is Includable. By contrast, a member's guarantee of its power supplier's loan, made as required by RUS, is Excludable.

Column (a), Organization: Identify the legal person, or entity whose loan is guaranteed, giving the name, the city and state of their address.

Column (b), Maturity Date: This is the date when the final payment on the loan guarantee by your organization is payable. If the final date has been extended, the new final date payment should be furnished here.

Column (c), Original Amount: The original loan amount owed upon execution of the note, usually the face amount, or a portion thereof, if it is a partial guarantee.

Column (d), Loan Balance: The remaining balance of the original loan amount that is outstanding, or portion thereof if it is a partial guarantee.

Column (e), Rural Development: Identify loan guarantees in rural economic development by placing an "X" in column e. Include loan guarantees in any/all types of projects or products that were made to improve the economy and/or quality of life in your area.

Examples of Rural Economic Development Investments include (but are not limited to): energy resources and conservation loans, rural development loans/grants, water/wastewater, satellite/cable TV, natural/propane gas, telephone/Internet, power quality, load management, agricultural services, housing, industrial parks/organizations, incubator buildings, public health/safety, financing/revolving loan funds, security services, etc.

Line 4, Totals, report the totals of Original Amounts and Loan Balances for all guarantees.

Line 5, Total - Included Loan Guarantees, report the sums of the Original Amounts and remaining Loan Balances or portion of the loan balances (shown in column d) that your

organization guaranteed, which are not excludable, that is, those which are subject to the 15% Rule limitation.

PART III, RATIO OF INVESTMENTS AND LOAN GUARANTEES TO TOTAL UTILITY PLANT

Divide the sum of the Included Investments (Part I, item 11, Total of Investments, column (b)) plus Included Loan Guarantees (Part II, Totals, Column (d)) by the Total Utility Plant (Form 7, Part C, Balance Sheet, item 3). This percentage should be expressed as a whole number with one decimal digit, e.g. 12.9%. Note: the balance of the "Loans" Part IV is not included.

PART IV, LOANS

List each note receivable, draft, demand loan, time loan, and similar evidence of indebtedness for each loan made by your organization. However, loans to your Employees, Officers, and Directors, and Energy Resources Conservation Loans (both items printed on the form) should be reported as totals.

Column (a) Name of the debtor organization

Column (b) Final maturity date

Column (c) Original loan amount

Column (d) Outstanding loan balance, or carrying value

Column (e) "X" for loans made for Rural Development purposes

EXHIBIT C**INVESTMENTS UNDER THE 15 PERCENT RULE**Investments to be INCLUDED in the 15 Percent Calculation

Annuity-type investments	Money market mutual funds
Asset management accounts	Mortgage-backed securities (unless
Brokerage Accounts (non-FDIC)	backed by full faith and credit
Cash and CD's* (uninsured part)	of a U.S. Government Agency)
Commercial paper (except NRUCFC)	Municipal bonds
Common stock	Mutual funds
Convertible certificates (bonds,	Options (stock)
debentures, preference stock)	Patronage capital, other than that
Corporate bonds	from power suppliers
Energy resources conservation loans	and supplemental lenders
Futures contracts	Preferred stock
Lines of credit (to others,	Real Estate Investment Trusts
including G&T's)	Repurchase agreements
Loan guarantees NOT required by RUS	Unit investment trusts
Loans - personal	Warrants
Membership certificates	Zero coupon bonds

Investments to be EXCLUDED from 15 Percent Calculation

Capital term certificates, bank	Patronage capital,
stocks, etc., purchases as	from power supply cooperative
condition of supplemental lender	from supplemental lenders
membership or financing	Post Retirement Benefits - Funded
CoBank cash investment services	Revenue Bond (Debt Service) Reserves
certificates	Surplus Funds Program (St. Paul
Commercial paper issued by NRUCFC	Bank for Cooperatives)
Deferred compensation (including	U.S. Savings Bonds
MINT)	U.S. Treasury Bills
Loan guarantees required by RUS	U.S. Treasury Bonds
Mortgage backed securities backed	U.S. Treasury Notes
by full faith and credit of a	U.S. Governments backed by full
U.S. Government agency	faith and credit, U.S. Treasury:
(e.g., Ginnies, FCSFAC,	e.g., Maritime Administration
FmHA CBO's, Frannies, FFB,	Guaranteed Ship Financing Bonds
GSA, and TVA)	(issued after 1972)
NRUCFC membership certificates	Farm Credit System Financial
NRUCFC securities (debt)	Assistance Corporation
	FmHA, SBA, and WMATA

Investments Which May Be EXCLUDED Within Certain Limits

* Several forms of investment may be excluded from the 15 percent calculation to the extent that they are insured by U.S. Government agencies, such as FDIC, etc. However, any such investments in excess of the insured amount (typically \$100,000) are Included in the 15 percent calculation.

EXHIBIT D
INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Annuity	Provides regular, guaranteed income payments for life or set time period.	Includable
Asset Management Account	One-stop financial plan that included brokerage account, checking, debit and credit card, money market fund.	Includable
Brokerage Accounts	Stock Brokers, banks, other agents providing investment services	Includable
Capital term certificates, bank stock, or similar securities	Securities of the supplemental lender which have been purchased as a condition of membership in the supplemental lender, or as a condition of receiving financial assistance from such lender.	Excludable
Cash, Uninsured	See U.S. Government issued, guaranteed, or fully insured securities or deposits.	Includable
Certificate of Deposit (CD) (Less than \$100,000) In FDIC Bank	Receipt for set sum of money left in bank for set period of time at an agreed-upon interest rate; at end of period, bank pays deposit plus interest.	Excludable
CoBank Cash Investment Services	Short-term unsecured notes sold by the CoBank.	Excludable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Commercial Paper	Short-term unsecured notes sold by large corporations.	Includable
Commercial Paper, NRUCFC	Short-term unsecured notes sold by NRUCFC.	Excludable
Common Stock	Security that represents ownership in a company.	Includable
Convertible	Bond, debenture, or preferred share of stock which may be exchanged by owner for common stock, usually of same company.	Includable
Corporate Bond	Debt obligation of corporation.	Includable
Debt Service Reserve	Cash set aside to ensure prompt payment of (1) Revenue Bonds, or (2) RUS: Loans, Guarantees, or RUS Lien Accommodated Loans	Excludable: AMT. DUE IN THE 3 MONTHS FOLLOWING REPORT DATE
Deferred Compensation	Periodic payments made to an employee after retirement, either for the employee's life or for a specified number of years, for specific duties performed during periods of active employment.	Excludable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Energy Resources Conservation (ERC) Loans	Loans made by RUS borrower to its consumers for the cost of labor and materials for the following energy conservation measures: <ol style="list-style-type: none">1. Caulking2. Weather-stripping3. Ceiling insulation4. Wall insulation5. Floor insulation6. Duct insulation7. Pipe insulation8. Water heater insulation9. Storm windows10. Thermal windows11. Storm or thermal doors12. Clock thermostats13. Attic ventilation fans	Includable
Futures contracts	Contracts covering sale of financial instruments or physical commodities for future delivery; includes agricultural products, metals, Treasury bills, foreign currencies, and stock index futures (i.e., Standard and Poor's 500).	Includable
Line of Credit	Bank's moral commitment to make loans to a company for a specific maximum amount for a given period of time, typically 1-year. There is usually no commitment fee charged on the unused line. However, a compensating balance requirement often exists.	Includable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Loan Guarantee	Guarantees for the payment of debt obligations of others; i.e., including but not limited to rural development projects, subsidiary organizations, associated/nonassociated organizations, power supply organizations, etc.	Includable Excludable if formally approved by RUS/ or required by RUS loan contract.
Loans - Employees, Directors, Officers, and Others	Agreement by which an owner of property (the lender) allows another party (the borrower) to use the property for a specified time period, and in return the borrower will pay the lender a payment (usually interest), and return the property (usually cash) at the end of the time period. A loan is usually evidenced by a Promissory Note. Loans to a power supply cooperative, G&T, of which the cooperative is a member, are excludable, if these loans have been given specific RUS approval for exclusion or are required by RUS.	Includable
Membership Certificate	Security that represents ownership in a company.	Includable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Money market deposit account (if FDIC insured and Under \$100,000)	A type of money market fund at a bank or savings and loan association with limited checking privileges.	Excludable
Money market mutual fund	An investment company which buys short-term money market instruments.	Includable
Mortgage-backed securities	Securities representing a share ownership of mortgages guaranteed as to payment by an Agency of the Federal governments; includes Ginnie Maes, Fannie Maes, Freddie Macs, etc.	Excludable
Mortgage-Backed securities	Not guaranteed as to payment by an agency of the Federal Government.	Includable
Municipal bond	Debt obligation of state, city, town or their agencies.	Includable
Municipal bond Public Utility Cooperative (Municipalities)	Debt obligation of public utility cooperative that is required by law to obtain financing through bonds.	Includable
Mutual fund	Investment trust in which your dollars are pooled with those of hundreds of others and invested by professional managers in stocks or bonds.	Includable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
National Rural Utilities Coopera- tive Finance Corporation (NRUCFC) membership certificate	Security that represents ownership in NRUCFC.	Excludable
NRUCFC Patronage Capital	Amounts paid or payable by NRUCFC arising from its furnishing credit services to member cooperatives, i.e., the refund of excess of its charges over its actual cost of service.	Excludable
NRUCFC Securities, Other	All securities issued by NRUCFC, except patronage capital, are excludable investments.	Excludable
Negotiable order of withdrawal (NOW) account	NOW interest-bearing checking account.	Excludable if FDIC & under \$100,000
Options	The right to buy (call) or sell (put) a stock at a given price (strike price) for a given period of time.	Includable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Patronage Capital, other than power suppliers and supplemental lenders	Amounts paid or payable by the other associated companies in connection with the furnishing of supplies, etc., which are in excess of the cost of service and all other amounts which the associated companies are obligated to credit to the cooperative as patronage capital.	Includable
Patronage Capital, G&T Power Suppliers	Amounts paid or payable by the cooperative in connection with the furnishing of electric energy which are in excess of the cost of service and all other amounts which the G&T power supplier is obligated to credit to the cooperative as patronage capital.	Excludable
Preferred stock	Stock sold with a fixed dividend; if company is liquidated, has priority over common stock.	Includable
Real estate investment trusts (REIT)	Corporation or trust that invests in or finances real estate: offices, shopping centers, apartments, hotels, etc.; sold as securities.	Includable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Repurchase Agreement	Short-term buy/sell deal involving any money market instruments (but usually Treasury bills, notes, and bonds) in which there is an agreement that securities will be resold to the seller on an agreed-upon date, often the next day. The money market fund holds the securities as collateral and charges interest for the loan.	Includable
Savings account	Account in which money deposited earns interest.	Excludable if FDIC insured & less than \$100,000
SuperNOW account	Interest-bearing bank account.	Excludable if FDIC insured & less than \$100,000
Surplus Funds Program, (St. Paul Bank for Cooperatives)	Short-term unsecured notes sold by the Banks of Cooperatives. (St. Paul, Springfield, and CoBank).	Excludable
Treasury bills	Short-term U.S. Treasury securities; maturities: 13, 26, 52 weeks.	Excludable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
Treasury bonds	Long-term U.S. Treasury securities; maturities: 10 years or more.	Excludable
Treasury notes	Medium-term securities of U.S. Treasury, maturities: not less than 1 year and not more than 10 years.	Excludable
Unit investment trust	Fixed portfolio of securities deposited with a trustee; offered to public in units; categories include municipal bonds, corporate bonds, public utility common stocks, etc.	Includable
U.S. Savings Bonds	Debt obligations of U.S. Treasury designed for small investor.	Excludable
U.S. Government issued, guaranteed, or fully insured, securities or deposits	Securities or deposits issued, guaranteed, or fully insured, as to payment by the U.S. Government, or any agency thereof.	Excludable
	Deposits are fully insured, up to a \$100,000 limit, by the following agencies: 1. Federal Deposit Insurance Corporation (FDIC) 2. National Credit Union Share Insurance Fund	Excludable

INVESTMENT DESCRIPTIONS

<u>Type of Investment</u>	<u>Description</u>	<u>Includable or Excludable</u>
U.S. Government issued, guaranteed, or fully insured, securities or deposits (continued)	<p>Securities fully backed with the full faith and credit of the U.S. Government are as follows:</p> <ol style="list-style-type: none"> 1. Farm Credit System Financial Assistance Corporation (FCSFAC) 2. Farmers Home Administration (FmHA) Certificates of Beneficial Ownership (CBO) 3. Federal Financing Bank (FFB) 4. General Services Administration (GSA) 5. Government National Mortgage Association (GNMA), also known as Ginnie Mae 6. Maritime Administration Guaranteed Ship Financing Bonds, issued after 1972 7. Small Business Administration (SBA) 8. Washington Metropolitan Area Transit Authority (WMATA) Bonds 	Excludable
	<p>The following investments are securities backed by the full faith and credit of U.S. Government agencies and are Excludable Investments:</p> <ol style="list-style-type: none"> 1. Farm Credit System 2. Federal Home Loan Banks (FHLB) 3. Federal Home Loan Mortgage Corporation (FHLMC) (Freddie Mac) 	Excludable

U.S. Government
issued, guaranteed,
or fully insured,
securities or deposits
(continued)

4. Federal National Mortgage
Association (FNMA)
(Fannie Mae)
5. Financing Corporation
(FICO)
6. Resolution Funding
Corporation (REFCORP)
7. Student Loan Marketing
Association (Sallie Mae)
8. Tennessee Valley Authority
(TVA)
9. United States Postal
Service

Warrant

Gives holder right to
purchase a given stock at
a stipulated price over
a fixed number of years.

Includable

Zero coupon bond

Debt instruments; sold at
discount from face value
with no annual interest
paid out; capital appreciation
realized upon maturity;
includes Training Investment
Growth Receipts (TIGERS),
and Certificates of Accrual
on Treasury Securities (CATS).

Includable

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 301

ANNUAL WORK PLAN AND BUDGET

I. OBJECTIVES:

- A. To provide assurance to the Board that Shelby Energy will operate under an approved annual work plan and budget.
- B. To establish a clearly defined work plan, with associated costs, that supports the strategic plan.
- C. Assure financial resources are available and approved to support Shelby Energy's plans.
- D. To provide a systematic review of the plan against budget and revise if needed.

II. CONTENT:

- A. Planning and Budgeting
 - 1. Under the direction of the President and CEO, the annual work plan will be developed on a departmental basis describing programs, services, staff, facilities, equipment, materials, costs, etc. and presented to the Board of Directors.
 - 2. Under the direction of the President and CEO an annual budget will be developed based on the approved departmental work plans, budgets and current strategic plan.
 - 3. The annual budget will be presented to the Board for its consideration and approval. This annual budget will contain a capital and operating budget, along with reference to the portions of the construction work plan applicable to the annual budget.

B. Budgetary Control

1. The financial statements will include actual results compared to the budget.
2. A financial review will be provided that includes an overview for the month, year-to-date and a comparison of the same period for the previous year.
3. The categories of review will include the following:
 - a. Operating revenue;
 - b. Cost of Purchased Power;
 - c. Distribution expense - Operations;
 - d. Distribution expense - Maintenance;
 - e. Consumer Accounts, Customer Service and Sales expense;
 - f. Administrative and General expense;
 - g. Depreciation expense;
 - h. Interest expense;
 - i. Other deductions/expense;
 - j. Operating margins;
 - k. Non-operating income and
 - l. Net margins
4. Unless the Board requests a formal budget review, based on a budget variance, a budget review will occur approximately half-way through the budget cycle and amendments to the operating budget will be presented to the Board.

III. RESPONSIBILITY:

- A. The President and CEO will direct the presentation of departmental work plans and budgets to the Board for its consideration no later than the November Board meeting.
- B. The President and CEO will direct the presentation of the annual operating budget to the Board for its consideration no later than the December Board meeting.

- C. The Board of Directors will consider approval of the work plan and budget and will require regular reports from the President & CEO on actual performance compared to these plans.

Adopted: 06/25/65

Revised: 03/23/89 08/26/99 08/19/10 07/19/12 07/17/14
04/26/18

Reviewed: 04/28/16 3/26/20 04/28/20

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP302

“GENERAL FUND WORKING CAPITAL AND RESERVE FUNDS”

I. OBJECTIVE

To designate the manner in which funds should and will be invested in order to achieve the goals and objectives of Shelby Energy.

II. CONTENT

The appropriate level of working capital and reserve funds will be determined by the President and CEO in cooperation with management staff of Shelby Energy on the basis of its operational experience and needs. Based on past experience, the needs of Shelby Energy will be met with the accrual of working capital and reserve funds as follows:

A. Working Capital Level

An amount of General Funds will be maintained in accordance with current RUS guidelines for working capital to properly meet its operating costs, taxes, debt service payments, routine construction and replacement costs, and for contingencies.

B. Remaining General Funds

Remaining General Funds in excess of the working capital needs may be used in accordance with sound management practices for the following:

1. To use for plant additions whenever possible consistent with Shelby Energy’s resources and needs rather than borrowing additional funds.
2. Retirement of Patronage Capital consistent with bylaw provisions, loan agreements with the Rural Utilities Service (“RUS”), the National Cooperative Finance Corporation (“CFC”) or other lenders, requirements of regulatory bodies, prudent financial management, and availability of General Funds over and above the needs for plant additions.
3. Reserve funds.

C. Safety and Liquidity

Primary consideration shall be given to safety and liquidity in the investment and handling of working capital and to safely return with respect to reserve funds as follows:

1. In the interest of safety, funds shall be kept in financial institutions where deposits are insured or guaranteed by the U.S. Government, by an instrumentality thereof, by private commercial insurance, or are the subject of repurchase agreement, or kept with the National Rural Utilities Cooperative Finance Corporation and/or CoBank.

2. The President and CEO will direct a periodic comparison be performed, as requested by the Board of Directors, on local financial institutions for presentation, review and consideration by the Board of Directors for selection and approval of a designated primary financial institution.

3. In the interest of liquidity, working capital funds will be invested in such a manner that all investments can be readily converted to cash.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy.

Adopted: 06/07/1971

Reviewed / Revised:	06/22/1989	08/26/1999	12/15/2011	11/25/2013	09/18/2015
	09/21/2017	09/26/2019	10/28/2021	10/26/23	

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 303

EQUITY MANAGEMENT & CAPITAL CREDITS

I. OBJECTIVES:

- A. To assure the financial integrity of Shelby Energy, that results in providing high quality electric services to members, at a cost consistent with Cooperative philosophy.
- B. To develop an approach to long-range financial planning designed to ensure Shelby Energy can meet its financial responsibilities to both lending entities and member-owners through equity and margin planning.
- C. To comply with the various regulations and operational practices prescribed by the Rural Utilities Service (RUS), Kentucky Public Service Commission (PSC) and other agencies as required.

II. CONTENT:

- A. Financial planning for equity management is required to:
 - 1. Provide adequate funds to retire capital credits;
 - 2. Provide adequate working capital and cash reserves;
 - 3. Provide adequate funds for debt retirement;
 - 4. Provide adequate funds to maintain all facilities at the highest operational level consistent with sound economic practices;
 - 5. Provide adequate funds for additions to physical facilities;
 - 6. Provide for adequate levels of Times Interest Earned Ratio (TIER) and Debt Service Coverage (DSC), and equity.

Maintaining the following ratio levels is intended to assure that funds are available for debt retirement, provide access to timely loan fund balances and resources to meet needed plant additions, provide availability of funds for capital credit retirement and meet revenue requirements necessary to maintain margins.

- i. Shelby Energy will achieve and maintain a target Equity Ratio of 30% or more as a percent of total assets excluding Generation and Transmission Capital Credits (GTCC's).
 - ii. Shelby Energy will achieve an annual TIER and OTIER Ratio no less than the minimum required to meet loan eligibility requirements.
 - iii. Shelby Energy will achieve an annual DSC and MDSC ratio no less than the minimum required to meet loan eligibility requirements.
- B. Shelby Energy will retire capital credits accounts to its members of the capital of Shelby Energy when the following conditions are met:
 1. The Board of Directors determines that the financial condition of Shelby Energy will not be impaired, and that satisfactory progress is being made toward Shelby Energy's equity management goals as set forth in paragraph II. A. above.
- C. The issue of retiring general and special capital credit refunds will be reviewed at least annually by the Board of Directors, and:
 1. The financial condition of Shelby Energy will not be impaired by retiring general and/or special capital accounts to members;
 2. Will be in total amounts not exceeding those amounts permitted by the mortgage requirements of Shelby Energy's lenders; and
 3. Will be in such amounts as supported by satisfactory progress toward Shelby Energy's targeted Equity, TIER and DSC levels.
 4. Selection of member patronage for general retirement will be authorized through a method, basis, and priority approved by the Board of Directors.
 5. Retirement of capital credit accounts to the estates of deceased members, who were a natural person, may take place under the following options:
 - i. The estate of a deceased member may receive payment of capital accounts through general retirements as approved by the Board of Directors or
 - ii. The estate may receive immediate cash payment, in a reduced amount, representing the value of the capital credits discounted to their present value.

- D. Before retiring any capital credits to any member's account, Shelby Energy shall deduct any amount owing by such member as provided in the provisions of the Bylaws.

III. RESPONSIBILITY

- A. The President and CEO is responsible for administering this policy and recommending changes to the Board of Directors, based on changing business and financial conditions.
- B. The Board of Directors is ultimately responsible for Equity Management.
- C. All discretionary authority for capital credit repayments shall remain with the Board of Directors as stated in the Bylaws and this policy shall not diminish that right.

Adopted:	09/22/66						
Revised:	01/31/74	10/23/86	06/22/89	05/28/98	08/26/99	09/22/05	
	08/19/10	07/19/12	07/17/14	05/24/18	03/26/20		
Reviewed:	04/28/16	03/23/23					

SHELBY ENERGY COOPERATIVE
Shelbyville, Kentucky

BP304

**“SIGNING OF CHECKS AND INITIATION OF
ELECTRONIC TRANSACTIONS”**

I. OBJECTIVE

To establish authority for signing checks on Shelby Energy’s several accounts and permit prompt payment of Shelby Energy debts and provide appropriate safeguards against unauthorized expenditures.

II. CONTENT

All expenditures for Shelby Energy shall be promptly made in accordance with the following procedures.

A. General Fund Checks

1. General Fund checks issued in the name of Shelby Energy shall be reviewed/signed by the President and CEO and one other individual who is approved by Board resolution.
2. Should the President and CEO be unavailable, General Funds checks shall be reviewed/signed by any two of the individuals authorized by the Board resolution.
3. The electronic signature system may be used on General Fund Checks.

B. Special Construction Fund Checks

1. Special Construction Fund checks or transfer requests issued in the name of Shelby Energy shall be signed by the President and CEO and either the Secretary-Treasurer or another authorized Board member.
2. Should the President and CEO be unavailable, the Special Construction Fund check or transfer shall be signed by the SVP of Power Delivery Finance and the Secretary-Treasurer or another authorized Board member.
3. Use of the electronic signature system is not permitted for Special Construction Fund checks.

C. General Retirement Capital Credit Checks

1. General Retirement Capital Credit checks issued in the name of Shelby Energy shall be signed by the Chairman and the Secretary-Treasurer.

2. The electronic signature system may be used on General Retirement Capital Credit checks.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy.

Adopted: 06/25/1965

Reviewed / Revised:	05/26/1989	08/26/1999	01/22/2009	12/15/2011	11/25/2013
	09/18/2015	09/21/2017	09/26/2019	10/28/2021	10/26/2023

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP305

“RURAL ECONOMIC DEVELOPMENT ASSISTANCE”

I. OBJECTIVE

To improve the quality of life within the Shelby Energy service area and community by providing for RUS Rural Economic Development Loans that will co-fund job creation projects or other economic development stimulation within the framework of sound and prudent business practices and the reasonable safeguarding of Shelby Energy assets.

II. CONTENT

- A. Shelby Energy may make loans, for which it has final responsibility, from the Rural Utilities Service (“RUS”), in an amount not to exceed \$500,000 per project and an aggregate amount for all projects not to exceed \$1,000,000.
- B. Loan request evaluations will not be limited to but will include the following:
 - 1. Number of jobs that will be created or retained by the project.
 - 2. The quality of the jobs or effect on per capita income in the general area of the project.
 - 3. The effect on the unemployment rate in the primary area of the project.
 - 4. The percentage of Shelby Energy funding to total project funding and the level of owner’s equity in the project.
 - 5. Needed community facilities and services that are provided by the project.
 - 6. Quality and adequacy of supplemental financing to reasonably ensure project success.
 - 7. The knowledge, experience, education, and/or training of the owners to reasonably ensure project success.
 - 8. The use of other goods and services within Shelby Energy’s territory that would indirectly create additional jobs or otherwise stimulate the local economy.
 - 9. The direct and/or indirect value to Shelby Energy from the business or venture.

10. The quality, in monetary value, of the collateral used to secure Shelby Energy funds.
- C. Shelby Energy may, but is not required to, charge interest of 1% to 5% on Rural Economic Development Loans to offset administrative costs, provide for a bad debt reserve, and for use as an economic development loan revolving fund.
- D. Shelby Energy may require a Declining Term Life Insurance Policy, equal to Shelby Energy’s loan amount, on a project’s owner(s) in addition to normal loan collateral.
- E. All loans granted under this policy shall be paid back to Shelby Energy in equal annual, quarterly or monthly installments not to exceed a ten (10) year period. Management will provide a recommendation on term options and loan repayment schedule on a project-by-project basis. The Board of Directors will make the final decision on terms and repayment.
- F. A 5% late charge will be assessed on any payment received more than ten (10) days after the due date. A letter will be sent to the borrower if any payment is more than thirty (30) days late. The loan will be referred to an attorney for collection; including liquidation of collateral, if any payment is more than ninety (90) days late. The borrower will pay all costs of collection incurred by Shelby Energy including attorney’s fees paid or agreed to be paid by Shelby Energy. The loan documents executed by the borrower will include these collection terms.
- G. Funds advanced under this policy must be used in accordance with RUS Regulations and Guidelines. Non-compliance with this provision may result in an immediate recall of all advanced funds.
- H. Interest income earned on funds held in the Economic Development Depository account of Shelby Energy shall be retained to increase the funds available for lending by Shelby Energy.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy.

Adopted: 04/25/95

Reviewed/						
Revised:	08/26/99	11/25/13	07/31/07	12/15/11	09/20/12	08/29/14
	09/18/15	09/21/17	09/26/19	12/16/2021	09/28/23	

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 306

AUDIT COMMITTEE

I. OBJECTIVES:

FUNCTION: The primary functions of the Audit Committee (“Committee”) is to assist the Board in fulfilling its oversight responsibilities by reviewing the financial information that will be provided to the member owners and others, the systems of internal controls that management and the Board have established, and all audit processes.

SELECTION PROCESS: The Chairman of the Shelby Energy Cooperative’s Board (Board) shall consult with the Board officers in appointing the Audit Committee chairperson, who will then consult with Board officers in selecting the Audit Committee comprised of no less than four (4) members of the Board. The Chairman of the Audit Committee shall possess past experience in finance or accounting or other comparable experience.

II. GENERAL RESPONSIBILITIES

- A. Provide open avenues of communication among the internal auditor(s), the independent accountant/auditor and the Board.
- B. Report committee actions to the full Board and may make appropriate recommendations.
- C. Retain independent counsel, accountant, or others the Committee needs to assist in an investigation.
- D. Meet no less than annually or more frequently if circumstances require or make it preferable. The Committee Chairperson has the discretionary power to call a committee meeting whenever he/she thinks there is a need. A Committee member should not vote on any matter in which he/she is not independent. The Committee may ask members of management or others to attend the meeting and is authorized to require management to provide any requested documents or other information.

- E. Do whatever else the law, Shelby Energy's articles of incorporation, Bylaws or Policies or the Board require.
- F. Recommend the independent accountant(s) for Shelby Energy audits, review proposed fees for the independent accountant(s) and review any proposed dismissal of the independent accountant(s). These actions will be submitted to the full Board for appropriate final action.
- G. Consider requests from management and the primary independent auditor if either thinks there might be a need to engage additional auditors. The Committee will recommend to the full Board whether to engage an additional firm and, if so, which one.
- H. Ensure that the independent accountant/auditor and internal auditor each considers the Board as his/her client, is available to the full Board at least annually, and provide the committee with a timely analysis of significant financial reporting issues.
- I. Within a reasonable period of time after the annual examination is completed, the Audit Committee will review the following with management and the independent accountant:
 - 1. Shelby Energy's annual financial statements and related footnotes.
 - 2. The independent accountant's audit of and report on the financial statements.
 - 3. Any serious difficulties or disputes with management encountered during the course of the audit.
 - 4. Any other aspects of the audit procedures or findings that Generally Accepted Accounting Standards (GAAS) requires the auditors to discuss with the Audit Committee.
- J. Consider and review with management any significant findings and management's responses to them.
- K. Review and update the Committee's structure periodically.
- L. Review Board, Attorney, and the President and CEO expenses, at least twice annually.
- M. Select the firm to perform agreed upon procedures and determine the areas and timeline for the agreed upon procedures to be performed. The program will include financial transaction tests in addition to tests of internal controls that will be performed on an annual basis. The agreed upon procedures will be performed over a periodic cycle with reports provided no less than annually.

- N. The President and CEO has ultimate responsibility of the internal control system. The President and CEO is responsible to set the priority at the top that affects the integrity and ethics and other factors that create a positive control environment needed for the internal control system to be successful. The majority of the day-to-day operations of the control system are delegated to other management and supervisory personnel in Shelby Energy, under the leadership of the President and CEO.
- O. Perform oversight on other financial matters as required.

III. RESPONSIBILITY:

The President and CEO shall be responsible for the administration of this policy.

Adopted:	01/22/09				
Reviewed:	04/26/18	03/26/20			
Revised:	01/21/10	08/19/10	07/19/12	07/17/14	04/28/16
	03/24/22	03/28/24			

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 307

CASH DRAWERS/REGISTERS

I. OBJECTIVE:

To enable designated employees of Shelby Energy to accept cash payments and other transactions, provide change, protect the assets of Shelby Energy and better serve the members who transact business with Shelby Energy.

II. CONTENT:

- A. Each cash drawer/register will be furnished with a designated amount of cash at the beginning of each workday and to serve members who wish to transact business with Shelby Energy.
1. Employees are responsible for accepting various methods of payment for service, such as cash, checks, debit/credit card transactions, etc.
 2. The Manager of Billing and Customer Service (Manager) will ensure that each employee is trained to verify the authenticity of payment such as identifying counterfeit money, verifying signatures, validating expiration dates, confirming credit card security codes, etc.
 3. Employees will be required to make a full accountability for transactions handled at the end of each workday.
 4. Employee money may never be co-mingled with Shelby Energy money.
 5. Employees may never make change or cash a check for themselves from any cash drawer. For personal transactions, employees shall have another qualified employee within the department make change or cash a check.
 6. Employees may never accept payment and place the payment in any location that does not follow the payment procedure as trained.
 7. No employee may “borrow” money from a cash drawer for any reason.

8. No employee may discuss the money handling procedures of Shelby Energy with other employees, who aren't responsible for this function, or with others outside Shelby Energy.
- B. The Manager is responsible for verifying the removal of excess cash from every cash drawer at the end of each workday.
 - C. Two employees shall be responsible for separately verifying the accuracy of receipts from each cash drawer the following morning for the previous workday;
 1. the employee responsible for the cash drawer and
 2. the employee reconciling each cash drawer during preparation of the daily bank deposit
 - D. If a cash drawer is out of balance, the employee shall provide the Manager a completed Out of Balance Cash Summary Sheet form which is attached as the last page of this policy. The Manager will review, sign and retain the form.
 - E. In the event of a robbery, every employee will be expected to fully cooperate and behave in a manner that will promote the safety of all employees.
 - F. It is the duty of the Manager to report any overage/shortage, disappearance, or obvious theft of money to the appropriate Shelby Energy officer, immediately.

III. RESPONSIBILITY:

The Manager of Billing and Customer Service is responsible for the direct activities and functions associated with this policy.

The President and CEO is responsible for the administration of this policy.

Adopted:	01/22/09				
Revised:	08/19/10	07/19/12	07/17/140	7/14/16	07/19/18
Reviewed	07/16/20	07/26/22	07/18/24		

Out of Balance Cash Summary Sheet

- 1. Currency \$ _____
- 2. Coins \$ _____
- 3. Checks \$ _____
- 4. Subtotal \$ _____
- 5. Less Starting Amount in Drawer \$ _____
- 6. Net Cash Receipts (Line 4-line 5) \$ _____
- 7. Daily Balance Report Totals (Attach copy) \$ _____

8. Cash Over/Short Summary

If line 6 is greater than line 7 = Over \$ _____

If line 7 is greater than line 6 = Short \$ _____

Comments: _____

Cash Drawer No: _____ Date: _____

Employee Name: _____

Employee Signature: _____

Manager Signature: _____

Date: _____

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 308

SHELBY ENERGY CREDIT CARDS

I. OBJECTIVES:

- A. To issue credit cards to those employees who need such cards for the purpose of conducting business for Shelby Energy.
- B. To establish the level of authority each credit card holder has and the appropriate protocol for reporting usage.
- C. To establish the accountability of each credit card user for both usage and security.

II. CONTENT

- A. Issuance of Shelby Energy credit cards and credit limits require written authorization by the President and CEO. Approved credit limits may vary for each employee at the discretion of the President and CEO.
- B. The President and CEO shall designate an employee and backup employee who shall be responsible for requesting or canceling credit cards based on written authorization from the President and CEO.
- C. A list of credit cards issued on behalf of Shelby Energy shall be maintained on file with Shelby Energy and a copy of the list provided to the President and CEO for annual review with the Board of Directors.
- D. Each employee who has custody of a credit card issued in the name of Shelby Energy shall maintain an accurate chronological account of its use and the purpose of such use. The employee will furnish Shelby Energy's Accounting and Payroll (Accounting) department copies of itemized receipts along with the monthly corresponding credit card statement that has been reviewed and approved for payment by the card holder.
- E. The Accounting department shall review and approve the itemized receipts and each corresponding credit card statement.

- F. Shelby Energy credit cards shall only be used by an employee for expenses related to their employment and/or for the business purposes of the company. The company credit card shall not be used for cash advances, personal or non-business-related purchases, or for the purchase of alcohol. Employees are solely responsible for ensuring that each credit card purchase is for a business-related purpose, meets purchase order requirements and is an amount within the expense guidelines of Shelby Energy. Each expense charged to the credit card shall be documented in writing. The employee must turn in itemized receipts documenting each charge to Accounting no later than three (3) days after the monthly statement is provided to each cardholder. Any receipts for meals, conference expenses or travel expenses must clearly indicate the names of all persons attending, and the business purpose of the meeting or conference.
- G. The employee who has been issued a Shelby Energy credit card is responsible for the care and custody of that credit card. Cards and card numbers should not be distributed beyond the employee's use, or given to third parties for their use, and should not be saved in online accounts to which others have access. Any employee must immediately notify Accounting in the event a company credit card is lost, stolen or there is unauthorized use and/or an unauthorized charge to the card.
- H. The President & CEO shall be informed of any lost, stolen or unauthorized use of a Shelby Energy credit card.
- I. Any employee who uses a Shelby Energy credit card in violation of this or other Shelby Energy policies shall forfeit the privilege of using a company credit card. If an employee has unauthorized expenses, or expenses which exceed Shelby Energy policy guidelines or expenses which are not adequately documented, then the employee shall be personally liable to reimburse Shelby Energy for those charges. If unauthorized expenses are made to a Shelby Energy credit card, as a result of the employee's negligence, gross negligence and/or intentional conduct, then the employee is also required to reimburse Shelby Energy for those charges. Reimbursements required to be made to Shelby Energy under this policy shall be made by the employee within thirty (30) days after receipt of written notice from Accounting of the charges. Any employee who disagrees with the determination by Accounting may seek a review of the request for reimbursement by the CFO and/or the President and CEO.

Unauthorized use of a Shelby Energy credit card and/or the charging of expenses in violation of this policy may also result in disciplinary action against the employee, up to and including termination. Unauthorized use of a Shelby Energy credit card and/or the charging of expenses in violation of this policy may also result in criminal action against the employee.

- J. Each employee issued a Shelby Energy credit card shall sign a written acknowledgment that the employee has read and understands Shelby Energy's policies relating to the terms and conditions of the use of a company credit card. A copy of the employee's acknowledgment will be retained in the personnel file of each employee to whom a company credit card is issued.
- K. Temporary use of credit cards must be pre-approved, in writing, by the employee's direct supervisor. Should the credit card be required for employee training, conferences, etc., the employee in charge of scheduling these functions must provide written approval.

The written approval must be submitted to the Accounting department prior to receiving the credit card. The card acknowledgement receipt will be held until the card is returned and itemized receipts provided to the Accounting department.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy.

Adopted:	01/22/09				
Revised:	08/19/10 07/16/20	07/19/12 07/26/22	07/17/14	07/20/17	07/19/18
Reviewed:	07/14/16	07/18/24			

Shelby Energy Credit Cards

Acknowledgment of Receipt

I acknowledge receipt of Shelby Energy's policies relating to the terms and conditions of the use of a company credit card. By signing this statement, I acknowledge that I have read and understand these policies.

I also understand a copy of this acknowledgement will be retained in my personnel file.

Employee Signature

Employee Name (Please Print)

Date: _____

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP309

“PETTY CASH FUND”

I. OBJECTIVE

To maintain a designated amount of funds at the office(s) of Shelby Energy for the purpose of reimbursement and payment of authorized petty expenses.

II. CONTENT

- A. A petty cash fund shall be established in an amount no greater than \$500.00.
- B. During an extended outage or emergency situation and upon prior approval by the President and CEO, or any Manager, the petty cash fund may be increased, on a temporary basis, to an amount that accommodates timely reimbursement of employee expenses.
- C. Expense receipts must be itemized with tips listed, not to exceed 20%, or a pre-determined gratuity set by the business/restaurant, have listed the purpose of the expense and the name of each employee for whom the expense relates.
- D. Receipts will be reviewed and approved by the appropriate VP/Manager/Supervisor for reimbursement by dating and initialing.
- E. A designated employee and backup employee(s) shall be responsible for the distribution and reconciliation of the fund. Expenditures will be verified for accuracy, including tips for applicable meals.
- F. The fund shall be replenished from time to time by the issuance of a General Fund check request that includes approved receipts for the total amount of the expenditures.
- G. The fund shall be reconciled each time replenishment occurs but no less than monthly.
- H. The President and CEO shall designate the employees responsible for the petty cash fund along with the reconciliation and replenishment of said fund.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy.

Adopted: 01/22/2009

Reviewed/Revised: 05/16/2011 02/21/2013 09/18/2015 09/21/2017 09/26/2019
12/16/2021 09/22/22 09/26/24

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 310

INVENTORY CONTROL

I. OBJECTIVES:

- A. To establish inventory controls and records that are maintained with respect to electric materials for the purpose of securing accurate accounting for such items received, issued and returned to stock;
- B. To establish the appropriate procedure to dispose of any material which has been determined no longer needed by the most reasonable means and to the best advantage of Shelby Energy.

II. CONTENT:

- A. A physical count of selected electric materials, based on value, may be taken more often than annually by utilizing cycle counts or monthly counts of randomly selected items. The selected items shall be determined by the employee that receives and disburses inventory, a designated employee of the Accounting and Payroll (Accounting) department and the management employee responsible for loss control.
- B. An onsite consignment inventory provided by material supplier(s) will be utilized to expedite the procurement of necessary materials in a timely manner. Unit prices will be monitored and reviewed to ensure competitive pricing is provided within this agreement.
- C. A physical count of all electric materials shall be taken annually and shall be used as the basis for reconciliation to the control accounts in closing the books of record for the calendar year and for audit purposes.
- D. Major unaccountable differences, which shall be the gross amount of overages and shortages in excess of 3% of the total materials used for construction, shall be investigated promptly. Adjustments made to the general ledger control accounts must be reviewed by the management employee responsible for Accounting and have written prior approval of the CFO.

- E. Details of the inventory reconciliation of electric materials shall be provided in a written report to the Accounting manager, the management employee responsible for inventory, the CFO and the President and CEO.
- F. Electric materials in stock which become obsolete shall be revalued at estimated scrap or resale value and appropriate adjustments made in the subsidiary and control accounts.
- G. The procedure for disposition of obsolete or scrap items shall be determined by an annual review, bid process and the selection of a vendor that provides the overall best price and service for Shelby Energy.
- H. Scrap materials shall be accumulated in a protected area on Shelby Energy property until which time enough scrap materials have accumulated to warrant a sale. The scrap sale will be communicated to Accounting immediately after the sale is executed.

III. RESPONSIBILITY:

The President and CEO shall be responsible for the administration of this policy.

Adopted:	01/22/09				
Revised:	08/19/10	09/20/12	10/16/14	07/14/16	07/19/18
	07/16/20	07/26/22	9/26/24		

SHELBY ENERGY COOPERATIVE
Shelbyville, Kentucky

POLICY NO. 311

FINANCIAL PLANNING

I. OBJECTIVES:

- A. To provide guidelines that will assist Shelby Energy management in administering Shelby Energy business affairs in such a manner as to promote financial stability and fiscal integrity.
- B. To identify the acquisition, management and distribution of financial resources and to provide both general and specific guidelines for the effective management and security of the financial resources.
- C. To provide information to the Board that Shelby Energy is adequately planning for the effective utilization of its financial resources.

II. CONTENT:

- A. Accounting Policy
The accounting records of Shelby Energy will be maintained in accordance with the uniform system of accounts prescribed for electric cooperatives by the Rural Utilities Service (RUS). Accounting policies are set within a framework established by financial standard setting policies of the Financial Accounting Standards Board (FASB) and Generally Accepted Accounting Principles (GAAP).
- B. Planning Documents
As a guideline for Shelby Energy management, various planning reports will be prepared and presented by Shelby Energy management and/or consultants and adopted by the Board of Directors as both short-range and long-range operating and financial plans for Shelby Energy until such time as these plans shall be updated and approved.

Planning documents will include, but are not limited to the following:

1. Annual Budget including Capital and Operating Budget
2. Annual Construction Work Plan
3. Long-Range Construction Work Plan
4. 10-year Financial Forecast

5. Power Requirements Study
6. Cost of Service Study
7. Depreciation Study

C. Construction Financing

Shelby Energy will finance plant additions and replacements from both long-term debt and general funds, using a mix of financing resources that will result in the most reasonable interest cost while at the same time recognizing the cost of capital contributed by the members.

D. Long-Term Debt, Sources, Interest Rates, Terms

For plant financing, including system additions and improvements, all available sources of capital will be considered, with primary consideration given to RUS, FFB, CFC and CoBank.

Additional lenders will be evaluated and considered as needs or opportunities present themselves.

1. The standard length of long-term debt is 30-35 years.
2. Other term lengths will be considered whenever a choice is available.
3. The preferred loan terms will be level debt payments (principal and interest).
4. Shelby Energy will manage rate risk by maintaining a portfolio of short-term and long-term interest rates.
5. The loan portfolio will be reviewed with the Board no less than annually.

E. TIER and DSC Target

Shelby Energy will establish retail electric rates and manage operating costs necessary to meet lender's mortgage requirements and the provisions of this policy. Retail rates should be set and operating costs managed to strive to maintain the minimum TIER and minimum DSC, as required by approved lenders.

F. Equity Ratio Target

Shelby Energy shall strive to maintain a minimum equity ratio in relation to total assets to total equity as required by RUS mortgage guidelines.

F. Margin Allocations

Operating margins and allocated patronage capital from associated organizations and other sources, will be included in a patronage capital allocation to each member's G & T patronage account. Margins will be allocated in proportion to the member's revenue with power costs being a factor of consideration for large power and industrial members.

- H. Patronage Capital Retirements
Patronage capital retirements shall be made in accordance with provisions with Shelby Energy's bylaws and all relevant policies including Board Policy 303 – Equity Management & Capital Credits Policy.
- I. Depreciations Rates
Shelby Energy shall follow the prescribed RUS guidelines as currently set forth in RUS Bulletin 183-1, Depreciation Rates and Procedures or guidelines consistent with any depreciation study which does not violate RUS or other applicable law.
- J. Appropriate Level of General Funds (Working Capital)
Shelby Energy shall have sufficient working capital and reserve funds to meet its operating costs, taxes, debt service payments, routine construction costs, replacement costs, and for contingencies.
1. A line of credit may be used to reimburse general funds until it is determined by management that it would be cost effective to request an advance on long-term debt.
 2. When an advance of long-term debt occurs, the line of credit outstanding should be repaid in full and any remaining funds from the advance should reimburse general funds or placed in a short-term investment.
- K. Deposits and Investments
Shelby Energy shall give primary consideration to safety and liquidity in the management of general funds.
1. Funds shall be kept in CFC, CoBank or in other approved banks to the extent the deposits are FDIC-insured, using a repurchase agreement for added security, or invested in securities of the United States Government or institutions insured or guaranteed by the United States Government.
 2. An investment is considered liquid when it can readily be converted into cash without loss of principal.
 3. Any investment in the equity of a publicly traded company or in a development subsidiary company set up by Shelby Energy may only be made with the approval of the Board of Directors.

- L. Line of Credit
A line of credit with approved may be maintained to provide funds in the event they are needed for storm damage, temporary construction financing, pending advances of long-term debt loan funds, or other unpredictable requirements.

- M. Internal Control
Shelby Energy shall maintain an effective system of internal control in accordance with Board Policy 306 – Audit Committee.

- N. Inventory Control
Inventory of material shall be performed pursuant to Board Policy 310 – Inventory Control.

- O. Record Retention
Maintenance of records after the initial recording of transactions or activities shall be performed pursuant to Board Policy 928 – Records Management.

- P. Receipts and Accounts Receivables Control
Control of accounts receivables and cash receipts management shall be performed pursuant to Board Policy 316 – Accounts Receivable/Receipts.

- Q. Review of Monthly Financial Statements
The following are reviewed monthly by the Board:
 - 1. Actual expenses compared to budgeted expenses.
 - 2. Monthly cash flow report.
 - 3. Monthly operating statement.
 - 4. Rolling 12-month operating statement.
 - 5. Annual summary of fuel cost and environmental surcharge

III. RESPONSIBILITY:

- A. The President and CEO shall be responsible for the administration of this policy.

Adopted: 08/26/65

Revised: 05/26/89 09/22/99 07/22/09 08/19/10 09/20/12
 10/16/14 07/19/18 08/27/20

Reviewed: 07/14/16

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 312

PURCHASE AND USE OF SHELBY ENERGY VEHICLES

I. OBJECTIVES:

- A. To establish the approved policy and procedure for purchase and use of Shelby Energy vehicles.
- B. To establish the requirements to care for vehicles that represent a significant investment by Shelby Energy.

II. CONTENT:

A. Designated employees may be approved for automobile use expense.

- 1. Shelby Energy does not purchase automobiles for use by individual employees.
- 2. The President and CEO will be paid a car allowance for use of his/her personal vehicle, as approved by the Board of Directors, with the provision that the vehicle is maintained in good operating and physical condition and no older than ten years.
- 3. Departmental Vice Presidents/Managers may be paid a car allowance for use of his/her personal vehicle as determined necessary by the President and CEO, and approved by the Board, with the provision the vehicle is maintained in good operating and physical condition and is no older than ten years.

B. Purchase, Use and Replacement of Operating Vehicles

- 1. Construction, engineering, and other miscellaneous vehicles shall be purchased and replaced as deemed necessary by the departmental Vice President/Manager and the President and CEO.
- 2. During routine workdays and under normal operating conditions, vehicles and equipment shall be used by employees for work-related assignments only.
- 3. Transportation while on Shelby Energy business shall be in Shelby Energy vehicles, whenever possible and practical.
- 4. Use of personal vehicles for work-related activities is subject to approval by the President and CEO.

5. When a personal vehicle is used for business purposes, the Internal Revenue Service Standard Mileage Rate shall be paid by Shelby Energy which shall be the total reimbursement including all insurance related costs.
6. All on-call service employees shall be permitted to drive a Shelby Energy vehicle home from work and to work from home, so a vehicle will immediately be available for trouble calls.
7. The Manager of Operations, Manager of Engineering, and Manager of External Resources Operations will be provided with the use of a Shelby Energy vehicle. Each employee will be required to use their Shelby Energy vehicle for daily commuting to and from the office in order to have a vehicle available for after-hour use in accordance with section B3 of this policy. Employees will provide a signed representation that personal use of the vehicles is limited to commuting to and from the office. Internal Revenue Service guidelines will be used to determine the value to which the employee will be taxed for personal use and processed through the payroll system.

C. Purchase of Non-Commercial Vehicles

1. Non-Commercial vehicles are those vehicles which do not require a Commercial Drivers License (“CDL”) to operate.
2. Purchase of a non-commercial vehicle shall require no less than two (2) written bids.
3. The Vice President/Manager of the department for which the vehicle is needed will handle the bid process and obtain the supporting documentation.
4. The departmental Vice President/Manager and the President and CEO will review and evaluate all bids.
 - a. In direct cooperation with the applicable Vice President/Manager, the President and CEO will designate the selected bid.
 - b. Should the recommended bid not be the lowest bidder, a written explanation providing justification for the purchase shall be documented and retained by the Vice President/Manager.
 - c. The President and CEO shall have the final decision on the bid selection and must authorize the purchase by signing and dating the bid document for approval before the dealership is notified of the purchase.

D. Purchase of Commercial Vehicles

1. Commercial Vehicles are those vehicles that do require a Commercial Drivers License (“CDL”) to operate.
2. Purchase of a commercial vehicle shall require no less than two (2) written bids.
3. The Vice President/Manager of the department for which the vehicle is needed will handle the bid process and obtain the supporting documentation.
4. The Vice President/Manager and the President and CEO will review and evaluate all bids.
 - a. In direct cooperation with the applicable Vice President/Manager, the President and CEO will designate the selected bid.
 - b. Should the recommended bid not be the lowest bidder, a written explanation providing justification for the purchase shall be documented and retained by the departmental Vice President/Manager.
 - c. The President and CEO shall have the final decision on the bid selection and must authorize the purchase by signing and dating the bid document before the dealership is notified of the purchase.

E. Passengers in Shelby Energy Vehicles

1. Only the following passengers may ride in a Shelby Energy vehicle:
 - a. Employees
 - b. Family members in route to or attending business meetings or family members involved in community activities as authorized by the President and CEO.
 - c. Business associates/customers who have direct duties in conjunction with the employees’ responsibilities.
 - d. During an emergency, spouses of employees may operate the vehicle when attending Shelby Energy business.
2. The driver and all passengers must wear seatbelts.

F. Care of Shelby Energy Vehicles

1. All vehicles owned by Shelby Energy must be kept in good repair.
2. Damage and malfunction must be reported immediately to the Vice President/Manager.
3. The routine maintenance schedule established by the Vice President/Manager must be followed to assure the vehicle remains safe and in good condition.
4. The vehicle must be cleaned inside and out regularly.
5. No valuable personal property may be stored in a Shelby Energy vehicle.
6. No objectionable materials may be stored in a Shelby Energy vehicle.
7. No one may have drugs or alcohol in any Shelby Energy vehicle.
8. The employee assigned to drive the specific vehicle is responsible for reporting any maintenance requirements because of daily inspections and for keeping the vehicle clean both inside and out. Crew Leaders and Lead Line Technicians are responsible for all vehicles assigned to them and their employees and must ensure a daily inspection for the vehicles.

III. RESPONSIBILITY:

The President and CEO shall be responsible for the administration of this policy.

Adopted: 10/26/1972

Revised: 08/29/1985 05/26/1989 11/18/1999 08/19/2010 9/20/2012
10/16/2014 07/19/2018 12/16/2021 12/28/2023

Reviewed: 07/14/2016 08/27/2020

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 313

PURCHASING OF GOODS AND SERVICES

I. OBJECTIVES:

- A. To establish a purchasing system that ensures a uniform, prudent and effective procurement of goods and services for the efficient operation of Shelby Energy.
- B. To secure the maximum total value for goods and services, consistent with the objective of delivering quality electric and other services to members and in accordance with all applicable regulatory and/or lending agency requirements.
- C. To establish accounting procedures and internal control measures.
- D. To ensure disbursements are supported by sufficient evidentiary matter.
- E. To determine disbursements represent legitimate liabilities for goods and services received at agreed prices.

II. CONTENT:

- A. The procurement of all goods and services shall be administered through designated employees who shall ensure that the most prudent, uniform, effective and professional methods are employed in obtaining maximum value for quality goods and services received.
- B. All purchases, including credit card purchases, equal to or greater than five-hundred dollars (\$500.00), except as specified below, require a purchase order and the signature of a management employee in order to authorize suppliers to provide Shelby Energy with specific goods and services at a stated price, and quantity and within a certain time frame. Such purchase orders shall be considered valid only after confirmed in written form and duly signed by the appropriate Shelby Energy employee. Standard procedure will be to receive no less than two quotes on orders or individual items equal to or greater than five-hundred dollars (\$500.00).

- C. The procurement of certain goods and services and the associated disbursements do not require a purchase order. These goods and services include recurring ordinary course of business disbursements such as utility bills, Kentucky Living Magazine, postage, rental payments for leased equipment, construction and right-of-way work, janitorial, data processing, equipment, maintenance, legal and consulting, pole inspection, purchased power, etc. These items shall be reviewed and approved by the appropriate management employee. Other items that do not normally require a purchase order are vehicle repairs, employee and director functions, annual meeting expenses, petty cash, outside services, dues and subscriptions, meals, travel and lodging, gas and oil, recurring items, loan payments, capital credit retirements, final bill refunds, taxes, insurance, association dues and company memberships.

- D. Regardless of whether a purchase order is used, check disbursements shall not be made by the accounting department unless proper documentation of expenditures accompanies the request, i.e., delivery receipt, invoice or proper management approval.

- E. Field purchases without a purchase order or advance management approval may be made under the following conditions:
 - 1. The urgency of the needed goods prevents procurement through normal methods.
 - 2. Procurement through normal methods by the department Vice President/Manager would yield no greater purchase value, i.e., lower price, better payment terms, etc.
 - 3. The recipient vendor will extend open account credit status for such field purchases.

- F. All Shelby Energy employees who exercise any influence in procurement decisions, or otherwise are in routine contact with suppliers with whom Shelby Energy does business, shall be expected to exhibit the following conduct:
 - 1. Consider first the interest of Shelby Energy.
 - 2. Perform all procurement activities without prejudice, seeking to obtain maximum total value on behalf of Shelby Energy.

3. Pursue honesty and objectivity in all procurement activities.
4. Respect all obligations to suppliers and require that obligations of suppliers to Shelby Energy be fulfilled consistent with good business practices.
5. Accord a prompt and courteous reception, so far as conditions permit, to all suppliers who solicit legitimate business activity with Shelby Energy.

III. RESPONSIBILITY:

The President and CEO shall be responsible for the administration of this policy.

Adopted:	01/22/09			
Revised:	08/19/10	09/20/12	10/16/14	07/19/18
Reviewed:	07/14/16	08/27/20	08/25/22	08/21/24

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP315

“ACCOUNTS PAYABLE”

I. OBJECTIVE:

To verify that all goods and services purchased on the behalf of Shelby Energy Cooperative will be paid in a timely manner by the Finance Department upon receipt of properly authorized and approved invoices, check requests, and with written verification that all disbursements represent legitimate liabilities.

II. CONTENT:

A. Invoices or check requests submitted for payment that are equal to or greater than \$500.00, except as specified below, must be accompanied by a properly executed purchase order for payment to be issued by the Finance Department.

B. The procurement of certain goods and services and the associated disbursements do not require a purchase order. These goods and services include recurring ordinary course of business disbursements such as utility bills, *Kentucky Living Magazine*, postage, rental payments for leased equipment and property, construction and right-of-way work, janitorial, data processing, equipment, maintenance, legal and consulting, pole inspection, purchased power, etc.

C. Other items that do not normally require a purchase order are vehicle repairs, employee and director functions, annual meeting expenses, petty cash, outside services, dues and subscriptions, meals, travel and lodging, gas and oil, loan payments, capital credit retirements, final bill refunds, taxes, insurance, association dues and company memberships.

These items shall be reviewed and approved by the appropriate departmental management or other authorized and designated employee.

D. Notwithstanding the presence of a purchase order, check disbursement will not be made by the Finance Department unless proper documentation of expenditure accompanies the request, i.e., delivery receipt, invoice, other supporting documents or proper staff approval.

- E. All invoices must be reviewed and approved within a reasonable period of time by the responsible employee in order to comply with timely payment of the invoice as provided in Item G. of this policy.
- E. All supporting documents, invoices, or billings received should be stamped, coded and approved by the appropriate employee having authority for the activity and include a check request form if applicable.
- F. Field purchases equal to or greater than \$500.00, without a purchase order, or advance staff approval, may be made under the following conditions:
 - a. The urgency of the needed goods prevents procurement through normal methods,
 - b. The recipient vendor will extend open account credit status for such field purchases, and,
 - c. Procurement through normal methods by the department manager would yield no greater purchase value, i.e., lower price, better payment terms, etc., except that in an emergency situation this paragraph C requirement may be waived upon approval by the SVP of Power Delivery Services.
- G. Five (5) business days should be allowed for the processing of a check. Invoices which have discounts or that may be delinquent and require special attention should be hand delivered to the Finance Department and efforts will be made to pay these as soon as reasonably possible. Checks will be mailed (7) seven to (10) ten business days prior to the invoice due date, when possible, to assist with the timely payment of vendors and the avoidance of late fees by Shelby Energy.
- H. Checks will be routinely processed no less than weekly. However, checks may be processed more often as judged necessary to meet the business needs of Shelby Energy. Checks shall be signed by two authorized employees and mailed the following business day or as soon as business processes reasonably permits. Special check requests will be accommodated as soon as possible by the Finance Department.
- I. All checks issued will be mailed directly to the payee. All enclosures must be included with the check request and any special remittance instructions noted.

Only checks that need to be hand delivered to the vendor will be returned to employees.

III. RESPONSIBILITY

The Chief Financial Officer, with direct cooperation from the President and CEO, is responsible for the administration of this policy.

Adopted: 08/19/2010

Reviewed/

Revised:	07/14/2011	05/24/2013	11/19/2015	11/16/2017
	11/27/2019	12/16/2021	12/28/2023	

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 316

ACCOUNTS RECEIVABLES AND RECEIPTS

I. OBJECTIVES:

- A. To ensure that electric energy sales and non-electric revenue are timely and accurately recorded on behalf of Shelby Energy.
- B. To ensure that receipts for payment of accounts receivables and other revenue are processed and recorded correctly in a secure manner daily.

II. CONTENT:

- A. The following guidelines shall be followed to account for and record transactions:
 - 1. Receipts from payment of member bills shall be posted to the accounts receivable subsidiary account for each member through the cash register system and through batch posting to the consumer accounting software system on a daily basis.
 - 2. Receipts from associated organizations, vendors and others shall have a receipts voucher completed and posted through the cash register system.
 - 3. Receipts from non-electric revenue shall have a receipts voucher completed by the employee accepting payment or receiving it by mail and posted through the cash register system. Examples of such receivables are warehouse sales, sales to employees, sale of scrap materials and contributions in aid of construction.
- B. Secure deposit guidelines for headquarters:
 - 1. All receipts must be placed in a secure area at the end of each workday.
 - 2. Validated receipts must be reconciled by the Billing & Customer Service department each day.
 - 3. A daily deposit of all prior day receipts shall be prepared by the Billing & Customer Service department for delivery to the proper financial institution for credit to the applicable account(s) of Shelby Energy.

- 4. The Manager of the Billing & Customer Service or Accounting & Payroll department shall verify the deposit is secured in a locked bank bag and placed under the control of an authorized employee who is outside the department and who is not associated with the employees who are responsible for preparing the deposit.
 - 5. Should access to the bank bag be necessary after being secured, the authorized employee in charge of making the deposit will serve as witness for any changes that may be necessary.
- C. The Accounting & Payroll Department or an applicable designated backup employee is responsible for posting all transactions reflecting revenue receipts to the general accounting software system and the reconciliation of related accounts receivables on a monthly basis.
 - D. The collections of the accounts receivables will be monitored through the use of aging reports.

III. RESPONSIBILITY:

The President and CEO shall be responsible for the administration of this policy.

Adopted:	08/19/10			
Revised:	09/20/12	10/16/14	09/27/18	9/24/20
Reviewed:	09/14/16	09/22/22	09/26/24	

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 317
DISPOSAL OF SCRAP MATERIAL

I. OBJECTIVES:

- A. To systematically dispose of scrap and junk material in compliance with applicable environmental laws and the standards of sound management principles.
- B. To recover maximum value from any excess, scrap or junk material.

II. CONTENT:

- A. The manager responsible for procurement will obtain pricing quotes for scrap material and available services from no less than two (2) dealers on a periodic basis or as directed by the President and CEO. The manager responsible for procurement and the President and CEO shall evaluate the proposals for purchasing scrap materials and select a dealer for use by Shelby Energy.
- B. The manager responsible for procurement will instruct the Materials Technician regarding the method and place of disposition for all scrap material.
- C. Scrap materials shall be accumulated in a secure area and regarded as an asset of Shelby Energy until sold.
- D. All scrap and junk material shall be disposed of periodically when there is enough scrap material to designate a load.
- E. Scrap is to be graded and sold according to grade.
- F. Payment received for scrap material shall not be made in cash and shall be made payable to Shelby Energy and sent directly to the attention of the accounting department.
- G. Receipts in payment for scrap material will provide the grades and prices received for each type of scrap sold.

- H. Accounting shall receive and process the payment for scrap materials. Copies of receipts for payment shall be provided to the manager responsible for procurement.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy.

Adopted: 08/19/10

Revised: 09/20/12 10/16/14 09/14/16 09/27/18 10/22/20
10/27/22

SHELBY ENERGY COOPERATIVE
Shelbyville, Kentucky

POLICY NO. 318

COLLECTIONS AND WRITE-OFF OF BAD DEBTS

I. OBJECTIVES:

- A. To establish the protocol for the disconnection, collection and reconnection of delinquent accounts.
- B. To minimize the write-off of delinquent accounts.

II. DATA MANAGEMENT:

- A. All accounts will be listed on the 30/60/90-day aging report when they become delinquent.
- B. Amounts due after disconnection of service will be transferred to that member's active account, if available, within four (4) weeks.
- C. Any request for new service will require an Uncollectable Account search. All past-due amounts not discharged in bankruptcy, including those owed by any person(s) living at the service location to be served, will be paid before new service is provided to such person(s).

III. CONTRACTS:

- A. Each delinquent member will be permitted to establish a payment arrangement contract as provided for in the rules and regulations of Shelby Energy.
- B. Shelby Energy is not required to negotiate a partial payment plan with a member who is delinquent under a previous partial payment plan.

IV. DISCONNECTION FOR NON-PAYMENT:

- A. A disconnect notice for all unpaid accounts will be mailed to the delinquent service address fifteen (15) days after the bill was processed and mailed. The notice will inform the member that service may be disconnected if payment is not received by a specific date. This notice must be mailed ten (10) days prior to disconnect.

- B. Any account that is not paid within ten (10) days after mailing the disconnect letter will be disconnected at the earliest possible time.

V. BANKRUPTCY:

- A. A proof of claim will be filed for any unpaid debt in all Chapter 13 and Chapter 11 cases.
- B. The filing of a bankruptcy will result in the automatic application of the deposit to the unpaid debt accrued prior to the filing.
- C. Any pre-petition debt remaining unpaid after application of the deposit cannot be collected if a discharge order is entered, unless voluntarily paid, except that any capital credits shall be applied to the unpaid debt when they would otherwise be refunded.
- D. Shelby Energy may discontinue service within twenty (20) days after a Chapter 7 or Chapter 13 is filed and thirty (30) days after a Chapter 11 bankruptcy is filed if a security deposit of cash, letter of credit, certificate of deposit, surety bond or other security approved by the court has not been established. Staff should contact Shelby Energy's attorney during these time periods for final advice.

VI. MEMBER CRIMINAL ACTIONS AND THEFT OF SERVICE:

- A. All thefts of service will either be referred to the appropriate county attorney for criminal prosecution or referred to the attorney for a written warning to be forwarded to the member providing notice that prosecution may be pursued for any future theft of service.
- B. All fees and charges, resulting from the theft of service, must be paid in full prior to the reconnection of service.

VII. COLLECTION AGENCY:

- A. A collection agency may be used to collect written-off accounts.
- B. Before an account is submitted to the collection agency, efforts are made to collect from the member as follows:
 - 1. A final billing is issued to the member through the last day of service.

2. If payment is not received by the delinquent date of the final bill, a letter is sent to the member requesting payment.
 3. If payment is not received within thirty (30) days after the final bill has been processed, a second letter is sent to the member requesting payment and informing the member that the account will be submitted to a collection agency if not paid by the date indicated.
 4. If payment is not received within sixty (60) days from the date the final bill is processed, the account will be written-off and submitted to the collection agency.
- C. Any account written off for fifty dollars (\$50.00) or more will be reported to the local credit bureaus by the collection agency thirty (30) days after receipt.
- D. If collection action is taken regarding a member's unpaid account, Shelby Energy shall be entitled to collect in such proceedings its reasonable attorney's fees, court costs and collection expenses as provided in the Bylaws of Shelby Energy.

VIII. RESPONSIBILITY:

The President and CEO shall be responsible for the administration of this policy.

Adopted: 08/19/10

Revised: 09/20/12 10/16/14 09/14/16 09/27/18

Reviewed: 09/24/20 09/22/22 09/26/24

SHELBY ENERGY COOPERATIVE
Shelbyville, Kentucky

POLICY NO. 319

PAYROLL PROCESSING

I. OBJECTIVES:

- A. To ensure that payment for wages and salaries is made only to Shelby Energy employees,
- B. Ensure payment is made only at authorized rates, and if appropriate only for time worked,
- C. Ensure payroll transactions are properly authorized,
- D. Ensure payroll payments executed are valid liabilities of Shelby Energy,
- E. Provide for proper internal control procedures,
- F. Ensure payroll deductions are properly authorized and made,
- G. Establish the method by which time is recorded,
- H. Define the pay period,
- I. Define the pay day.

II. CONTENT:

- A. All payroll data shall be authorized in writing by an appropriate and authorized employee. This data includes new hires, terminations, pay rate changes, internal department/district transfers, and verification of time worked.
- B. Each discretionary payroll deduction shall be evidenced by written authorization by the employee affected by such deduction.

- C. Payroll shall be processed out of the general funds bank account. Bank reconciliations of the general funds bank account shall be performed by an authorized employee other than the employee that regularly prepares payroll.
- D. Work Hours and Work Week: The regular office hours of Shelby Energy are Monday through Friday from 7:00 a.m. to 4:00 p.m. The office is closed on Saturdays, Sundays and on specified holidays. The normal pay period for a work week is considered to commence at 12:01 a.m. on Monday and end at 12:01 a.m. the following Monday
- E. Pay Day: Shelby Energy employees are paid every other Friday (“pay day”) for regular hours, and any overtime hours, worked through 12:01 a.m. the Monday immediately prior to the pay day. When a pay day falls on a holiday, employees are paid the day prior to the pay day. Should the day prior to the pay day also be a holiday, then the employees are paid on the Monday following the pay day.
- F. Time worked shall be evidenced by an approved time sheet or by an electronic, self-service portal based on actual hours worked. Percentage-allocations, based on position, will be reviewed and approved by the CEO on a periodic basis but no less than biennially.

III. RESPONSIBILITY:

- A. The President and CEO is responsible for the administration of this policy.

Adopted: 08/19/10

Revised: 09/21/17 09/27/18 10/22/20

Reviewed: 11/21/12 11/20/14 09/14/16 10/27/22

Reference: BP901; BP902

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 320

OUTSTANDING CHECKS

I. OBJECTIVE:

To safeguard funds resulting from outstanding checks which have been issued in the prior calendar year, but have not been paid from the established bank account(s) of Shelby Energy.

II. CONTENT:

- A. During the last quarter of the current calendar year, the Accounting and Payroll department will prepare an unreconciled check register(s) for checks issued from January through December of the prior calendar year.
- B. The purpose for which each outstanding check was issued will be determined and provided to the department VP/Manager that initiated the original check request.
- C. The VP/Manager will make efforts to determine the current location of the payee and forward the check for payment.
- D. If a forwarding address is not available, the checks will be voided, and the funds reimbursed to the applicable bank account.
- E. The final list of voided checks will be presented for review by the Board within the first quarter of each calendar year following preparation of the list.
- F. At no time will any member forfeit the funds from an unreconciled check.
 - 1. Funds for any capital credit check will be placed into the member's gains fund and retained as assigned patronage.
 - 2. Funds for any accounts payable check will be returned to the general funds account from which it was originally issued.

- G. Should a member make a request for payment in the future, a second check will be issued upon proper identification being provided and verification by Shelby Energy that funds have not been paid prior to the request.

III. RESPONSIBILITY

The President and CEO shall be responsible for the administration of this policy.

Adopted:	08/19/10		
Reviewed:	11/21/12	11/20/14	09/14/16
Revised:	09/27/18	10/22/20	10/26/23

SHELBY ENERGY COOPERATIVE
Shelbyville, Kentucky

POLICY NO. 322

TAX COLLECTION AND REMITTANCE

I. OBJECTIVE:

- A. Ensure accurate state, county/school, city and other applicable taxes are collected through the monthly billing process for each member account.
- B. Verify Shelby Energy distribution plant has the correct state, county/school, city and fire and other special district property taxes assessed and applied to correctly calculate annual property taxes.
- C. Ensure taxes collected by Shelby Energy are submitted to the proper agencies as required by state, local and federal regulations.
- D. Ensure Kentucky sales tax is paid for applicable purchases and collected for applicable sales made by Shelby Energy.

II. CONTENT:

- A. The Manager of Engineering (Engineering) shall assure the proper taxing districts are provided with new construction service order information.
- B. The Manager of Billing & Customer Service (Billing) is responsible for assuring accurate tax coding of all member accounts and verification of correct charges for each monthly billing cycle, as processed.
- C. Billing in direct cooperation with Engineering, shall be responsible for reviewing territorial taxing districts, no less than semi-annually.
- D. Billing shall be responsible, no less than semi-annually, for reviewing taxing district requirements and internal system codes for all membership accounts.
- E. During the month-end reconciliation of accounts receivable, the Chief Financial Officer, in direct cooperation with Billing, shall verify applicable taxes are charged correctly.
- F. Billing shall be responsible for validating, recording, organizing, and retaining exempt tax certificates issued for member accounts, and code, appropriately. This information shall be communicated to Accounting upon receipt for commercial and industrial accounts.

- G. Accounting is responsible for verifying state sales tax is calculated, applied to all applicable invoices, and paid by Shelby Energy as appropriate.
- H. Accounting shall be responsible for reconciling all county/local state and franchise taxes monthly and apply exemptions and other exclusions as validated by Billing.
- I. Accounting shall be responsible for submitting remittance to the appropriate tax collecting agencies no later than the due date as established by each agency.
- J. Accounting and Billing shall report directly to the Chief Financial Officer or the President and CEO any significant variances in taxes collected or remitted along with any processes outside the standards as set within this policy or guidelines and requirements of each taxing agency.

III. RESPONSIBILITY:

The President and CEO shall be responsible for the administration of this policy.

Adopted: 08/19/10

Revised: 12/16/2016 11/29/2018 11/19/2021

Reviewed: 11/21/2012 11/20/2014 11/19/2020

SHELBY ENERGY COOPERATIVE
Shelbyville, Kentucky

POLICY NO. 323

PROPERTY DAMAGE REPORTING

I. OBJECTIVE:

To establish the procedure employees must follow in case of an accident or damage involving any vehicle, equipment or property owned by Shelby Energy or by another owner.

II. POLICY:

- A. Any employee involved in a vehicle accident must notify law enforcement immediately.
- B. Call “911” first if there are any persons in need of emergency medical care.
- C. Call the applicable VP/Manager and/or President and CEO to report the accident.
- D. No admission of fault or liability shall be made to anyone at the scene.
- E. Remain at the scene of the accident until released by law enforcement.
- F. Cooperate with the law enforcement officer(s) completely.
- G. Obtain the full identification of any/all witnesses [name, city, state, zip, telephone number, etc.].
- H. Obtain as much information as possible on the other party (or parties) involved [including name, complete address, telephone number, contact person, vehicle license number, insurance carrier information, etc.] in the accident.
- I. Obtain a copy of the Police Report or information where the report can be obtained.
- J. Injured persons or owners of damaged property should be informed of Shelby Energy’s insurance carrier information as listed on the back of vehicle registration cards and provided a name of whom to contact at Shelby Energy for assistance.
- K. Employees shall obey all laws that may be applicable to the accident or damage.
- L. The employee must comply with the Alcohol/Drug Testing Policy of Shelby Energy regarding accidents.
- M. An “Accident Report” shall be completed by the responsible or involved employee for all minor and major damage to vehicles, equipment, and property whether owned by Shelby Energy or others.
- N. The report shall be provided to and signed by the employee’s VP/Manager by close of business on the workday following the occurrence, with copies forwarded to the Operations Manager/Safety Coordinator and to the President and CEO.

- O. In the case of property damages to others, not exceeding \$1,000.00 and with no personal injury to any person, the department VP/Manager and/or Safety Coordinator will make an assessment of the loss and work with owners of the property on an agreeable arrangement for repair or payment and provide a report to the President and CEO on the final arrangement.
- P. A formal report concerning property damage shall be provided no less than quarterly to the Board of Directors by the applicable department VP/Manager.

III. RESPONSIBILITY:

Each employee shall be responsible for following this policy in case of an accident or damage to Shelby Energy property or to the property of another owner.

The President and CEO shall be responsible for administration of this policy and for recommending necessary revisions to the Board of Directors.

Adopted: 08/09/10

Revised: 11/21/12 11/20/14 12/16/16 11/29/18 11/17/22

Reviewed: 11/19/20 11/21/24

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 5: Provide Shelby Energy long-term construction planning program.

Response 5: Please see the attached Construction Work Plan.

ATTACHMENT PSC 1-5



**Power System
Engineering, Inc.**

Full-service consultants



2022-2025 Construction Work Plan

Prepared for:

Shelby Energy Cooperative
KY 30
Shelbyville, KY

Prepared by:

Power System Engineering, Inc.

March 2022

2022-2025 Construction Work Plan

March 2022

Prepared by:
Power System Engineering, Inc.
9403 Kenwood Road, Suite C200
Blue Ash, OH 45242
317-410-3540
Web Site: www.powersystem.org

2022-2025 WORK PLAN

FOR
SHELBY ENERGY COOPERATIVE

KY0030
SHELBYVILLE, KY

Principal Contributors:

**Tom Chambers, P.E.
Rainor Tangvald**

Respectfully Submitted:

**Power System Engineering, Inc.
9403 Kenwood Rd Ste C200
Blue Ash, OH 45242
Phone: 317-410-3540**

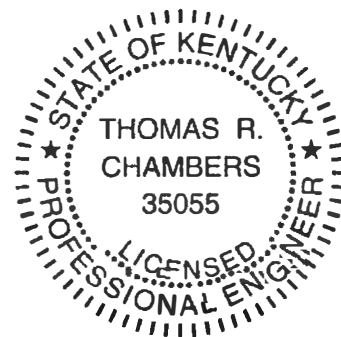
March 29, 2022

I hereby certify that this plan and report was prepared by me or under my direct supervision and that I am a duly Registered Professional Engineer under the laws of the State of Kentucky.



Thomas R. Chambers, P.E.
Regional Lead System Engineer
Power System Engineering, Inc.

Date: 3/29/2022 Reg No. 35055



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1 Executive Summary

1.1 Purpose

The purpose of this report is to outline an orderly plan for carrying out construction and other needed improvements from 2022 through 2025 on the Shelby Energy Cooperative (Shelby or Cooperative) electric distribution system. Complementary to this purpose, it is the Engineer's responsibility to ensure that the proposed projects are reasonable and economically justifiable.

The report will provide the most up-to-date forecast possible for financial requirements for the next four years. The cost estimates provided will assist the Cooperative with the data necessary for completion of their annual business work plans and budgets, as well as be a basis for long-term financial forecasts and load applications.

Reliability and quality of service are the foundation of operation for any electric utility. The function of system planning is to evaluate the existing and projected system configuration, voltage levels and load balance in a manner that strives to increase this reliability and quality of service. Therefore, this study provides recommendations for upgrading the system as necessary to provide adequate service to both new and existing customers in accordance with criteria established by Shelby, RUS, and Power System Engineering (PSE).

System planning is a continuing effort and, to serve its intended purpose, must change dynamically as the governing conditions change. This Construction Work Plan provides Shelby with a current philosophy on those specific improvements which will best meet the present needs of the system. It is recommended that the user of this study periodically compares the actual system load growth and voltage measurements to the projections made before committing to a specific project.

1.2 Financial Results

The proposed distribution plant investment summary can be seen in Table 1-1 for system improvement projects, age and condition projects, member service costs, and miscellaneous distribution equipment.

Table 1-1 Summary of Plant Investments

CONSTRUCTION COST SUMMARY						
	Estimated Cost (\$)				2022-2025 Total (\$)	Percent of Total (%)
	2022	2023	2024	2025		
100-New Line Extensions	1,652,357	1,748,911	1,855,186	1,967,715	7,224,169	23.09
200-New Tie Lines	380,860	0	0	8,340	389,200	1.24
300-Conversions and Line Changes	1,118,180	1,109,415	1,789,838	1,051,546	5,068,979	16.20
400-New Substations	0	0	0	0	0	0.00
500-Substation Changes	0	0	0	0	0	0.00
600-Misc. Distribution Equipment						
601-Transformers	132,892	142,199	152,104	162,643	589,838	
601-Meters	234,336	246,053	310,027	325,528	1,115,945	
602-Service Changes	76,714	81,355	86,277	91,497	335,843	
603-Sectionalizing Equipment	71,178	78,474	86,517	95,385	331,554	
604-Voltage Regulators	216,068	226,871	238,215	250,125	931,279	
605-Capacitors	0	0	0	0	0	
606-Poles	2,092,109	2,196,715	2,306,551	2,421,878	9,017,253	
607-Miscellaneous	99,011	103,996	109,196	114,656	426,859	
608-Conductor Replacements	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>4,500,000</u>	
600-Total	4,047,309	4,200,663	4,413,886	4,586,713	17,248,571	55.14
700-Other Distribution Items						
702-Outdoor Lights	<u>313,240</u>	<u>328,902</u>	<u>345,347</u>	<u>362,614</u>	<u>1,350,103</u>	
700-Total	313,240	328,902	345,347	362,614	1,350,103	4.32
Total Proposed Work	7,511,945	7,387,891	8,404,257	7,976,928	31,281,022	100.00
Less CIAC (100 Category)	249,441	261,913	275,009	288,760	1,075,123	
Less CIAC (602 Category)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	
Total Proposed Work Financed	7,262,504	7,125,978	8,129,248	7,688,169	30,205,898	

The proposed distribution plant capital expenditures from 2022-2025 are projected to increase at an average annual rate of 4.6 percent, which is above the nine-year average annual rate of 3.9 percent experienced since 2011.

1.3 Design Loads

The methodology for the development of the system and substation design loads is discussed in detail in Section 3 of this report. Overall, the design loads were established by considering the most current Load Forecast, historical demand data, Shelby Energy staff perceptions, financial forecasts, and a newly developed small area load forecasting methodology. Individual substation design load represents the 2025/26 winter peak conditions. This Construction Work Plan is

designed to accommodate approximately 140 MW of non-coincident peak demand and to serve approximately 18,445 consumers in 2025.

1.4 Recommendations

The following recommendations concern the future expansion of the Shelby distribution system.

1.4.1 General

1. Adopt the proposed plan as a general guide for making future system improvements.
2. Before major construction is completed, give careful consideration to the alternatives and recommended contingency projects.
3. Periodically examine the planning criteria and system development to ensure that any dynamic conditions are recognized.
4. Periodically review the overall system regarding customer service, reliability, and changing industry requirements.
5. Schedule system improvements by developing construction work plans based on actual prevailing conditions.
6. Review the system's overcurrent protection on a regular basis so that device ratings are adequate.

1.4.2 Financial

1. Incorporate the results of this study into an updated financial forecast.
2. Perform a strategic forecast examining the long range financial alternatives.

This report should provide a valuable guide for future system development, as well as serve as a useful tool in planning future financial requirements. Construction of facilities proposed in this study should be initiated based on load growth conditions as they actually develop. In this manner, the planning report should continue to provide overall coordination for system development, even though local changes in load growth or system conditions may require some departure from the proposed plans.

1.5 Reference Material

The following reports were referenced to assist in the completion of this Construction Work Plan.

- 2020 Load Forecast developed by East Kentucky Power Cooperative
- 2017 Construction Work Plan prepared by Distribution System Solutions

2 Existing System Review and Load Analysis

2.1 Service Area

Shelby is a rural electric utility with headquarters located in Shelbyville, KY. The service area is located east of Louisville, and includes significant portions of Carroll, Henry, Shelby, and Trimble counties, as well as parts of surrounding counties not served by other municipal or investor-owned utilities.

The area's economy is based on agriculture and manufacturing sales. Shelby will continue to benefit from commercial and residential growth around Shelbyville, as well as expansion from Louisville. Most of the residential growth is in the southern portion of the system around Shelbyville.

2.2 Power Supply

Shelby Energy purchases its power and energy requirements from East Kentucky Power Cooperative (EKPC) with headquarters in Winchester, KY. EKPC is responsible for obtaining the necessary transmission facilities for Shelby. The facilities are not limited to those owned and operated only by EKPC; the transmission systems of Kentucky Utilities (KU) and Louisville Gas & Electric (LGE) can also be considered as a possible source of supply to future substations.

EKPC owns thirteen substations which receive delivery at 69kV. These are Bedford, Bekaert, Budd, Campbellsburg, Clay Village, Defoe, Jericho, Logan, Long Run, Milton, New Castle, Southville, and Veechdale. Two substations, Bekaert and Logan, have more than one transformer. The substations are served at 69 kV and vary in size from 11,200 to 15,000 kVA.

2.3 Distribution System Performance

As of December 2020, the Shelby distribution system had 1,894 miles of overhead conductor and 273 miles of underground cable serving 17,038 members, which corresponds to 7.86 members per mile. The system is operated at both 7.2/12.47 kV and 14.4/24.94 kV grounded wye. Overhead conductor size ranges from 8A to 336 ACSR. Underground conductor size ranges from 1/0 to 500 MCM.

A review of the June 28, 2021 Review Ratings Summary (Form 300) has found the system to be well maintained.

2.3.1 Losses

Estimated energy losses during the past 5 years have averaged 3.35 percent. This percentage in losses is below the guidelines established in RUS Bulletin 45-4 for system load density characteristics similar to Shelby. Energy losses are estimated indirectly by subtracting the amount of energy sold from the amount of energy purchased. Some of the year-to-year variation results from differences which occur between the time when billing meters are read at the consumer's location and at the substations.

2.3.2 Power Factor

A power factor policy was developed by EKPC, which requires member cooperatives to maintain an average monthly power factor greater than 90% lagging at each substation. All of the Shelby substation average monthly power factors are within the EKPC power factor requirements with the exception of Budd. Budd generally hovers at 90% and can drop to just below this threshold during peak times.

2.3.3 Pole Inspections

A pole inspection program is important effort to identify poles in poor condition, as well as to generally prolong the life of poles by application of proper treatment. RUS 1730B-121 (Wood Pole Inspection and Maintenance) recommends that 10% of poles be inspected on a 10 year interval for decay zone 3, or approximately 3,900 poles per year. Additional guidelines are provided which describe how to spot check and prioritize different areas for pole inspection when initially developing a pole inspection program.

2.3.4 Reliability

Service reliability is defined in this plan by SAIFI and SAIDI, which are defined in IEEE 1366-2003, Guide for Electric Power Distribution Reliability Indices. SAIFI is defined as the system average number of outages per customer per year. SAIDI represents the system average outage duration per customer per year.

Shelby maintains detailed outage records that track outages by time, duration, location, and cause.

Outage records for the Cooperative are kept in accordance with RUS Bulletin 1730A-119. The average minutes per member for the period between January 2016 and December 2020 are illustrated in Table 2-1.

Table 2-1 Annual SAIDI

Year	Power Supply	Major Event	Planned	All Other	Total
2016	10	40.3	7.9	117.3	175.5
2017	7	293.3	9.3	96.6	406.2
2018	24	249.9	4.3	113.9	392.1
2019	0	49.8	5.9	114.7	170.4
2020	0	19.9	7.7	104.3	131.9
5 Yr. Avg.	8.20	130.64	7.02	109.36	255.22

When subtracting the power supply and major event contributions, service interruptions for the past five years have averaged 116 minutes per consumer per year. Detailed outage records are maintained as recommended in RUS Bulletin 161-1. Several design and planning guidelines have been established for this Work Plan which should aid in achieving a reliable system design and provide further reductions in the number of outage hours per member. These guidelines are discussed in Section 3, Planning Criteria.

It is recommended that Shelby continue to monitor and record outages to the best and most accurate extent possible. The following list contains some general recommendations.

1. Record the location of an outage as specifically as possible. An input field should be created on the outage recording tickets and spreadsheet to indicate the location of the nearest member to the fault. Since the NISC billing database contains a link by account number to the Milsoft software line section number, areas of frequent outages may be determined and used for reliability review. In addition to the nearest member to the fault, the circuit number should be recorded. If this is too difficult, the recorded fault location can be linked to a circuit, as the NISC database contains a link between member number and circuit derived from the Milsoft software.
2. Hold additional training sessions to discuss outage recording practices to ensure accuracy and consistency. This will lead to more useful remediation efforts.
3. Establish benchmarks for future reliability targets using RUS and IEEE guidelines. Set benchmarks to be much more stringent than current RUS recommendations.
4. Continue to log Power Supplier outages so that EKPC can be consulted on transmission reliability issues and policy violations.

2.3.5 System Protection

A system protection study was prepared by Hi-Line Engineering in 2015 for the entire system.

2.3.6 Construction Program Status

The previous construction work plan identified 18 different 300 code projects. Completion status of each project can be seen in Table 2-2 below.

Table 2-2 Previous CWP Project Status

Project Code	Substation	Carryover from Previous CWP	Status
356	Clay Village	Carryover	Completed
357	Clay Village	Carryover	Completed
308*	Clay Village	Carryover	In Progress
383	Defoe	-	In Progress
384	Logan 2	--	In Progress
332*	Milton	Carryover	Cancelled
372	Milton	Carryover	Completed
363	New Castle	Carryover	Carryover
313	New Castle	Carryover	Completed
380	New Castle	--	Carryover
330*	Southville	Carryover	In Progress
367	Southville	Carryover	Completed
368	Southville	Carryover	Completed
381	Southville	--	Carryover
382	Southville	--	Completed
370	Southville	Carryover	Completed
331*	Southville	Carryover	Completed
369	Southville	Carryover	Completed

2.4 Load Analysis Purpose & Procedure

The electric load forecasting process is one of the most critical steps in the planning process. This forecast not only needs to indicate non-coincident peak demand growth for each substation on the system but should also provide an indication of where the growth will occur. The load projections are then used in the various circuit analyses to indicate where there may be planning criteria violations, and therefore needed system improvements, which is the objective of this plan.

Analysis of the present system and the impact of historical loads during periods of peak demand is also a very important step. It is necessary to properly allocate the consumer loads to an engineering model to reflect the most accurate representation of the conditions during a recent substation non-coincident peak. In this planning effort, the load additions and member distributions in each substation area are forecasted through newly developed methodologies, while the load allocation process uses historical, measured values to create a more accurate system model. Therefore, the iterative load allocation process is most important to allow anticipated, but somewhat dynamic, loads to be applied to an accurately modeled system.

The historical load allocation process used a database consisting of each member's monthly energy usage as well as measured peak demands from large power load accounts. Presently, significantly more data is available for each member due to advancements in technology, such as automatic

meter reading (AMR). One example of this data is kW demand measurements for each hour or day, which can be used in new load allocation processes.

The results of the historical and present load allocation processes are compared to actual measured system data. If there are major discrepancies between calculated results and measurements, this step indicates which method produces more accurate results, so that the differences can be investigated and resolved. This allows for verification that a correct engineering model is being used to match the existing system conditions.

Newly developed forecasting methodologies for member and load additions in small geographic planning areas will produce the most accurate system model. Furthermore, the data and results from outside agencies' studies are used in the forecasting process and load distribution to small areas of the system.

2.5 Historical Loads

During the past five years, the average number of members served by Shelby has increased by 1.52 percent annually. Energy sales during the past five years have decreased at an annual rate of 1.28 percent. A breakdown of the number of consumers and energy sales for 2020 is shown below.

Table 2-3 2020 Consumers and Energy Sales

Consumer Classification	Dec. 31 No. of Consumers	Percent of Total (%)	Energy Sales (MWH)	Percent of Total (%)
Residential	16,315	96%	241,278	51%
Seasonal	120	1%	662	0%
Irrigation	-	0%	-	0%
Commercial, 1000 kVA or less	559	3%	82,080	17%
Commercial, over 1000 kVA	11	0%	149,931	32%
Public Lighting	33	0%	146	0%
Public Authorities	-	0%	-	0%
Sale for Resale	-	0%	-	0%
Total	17,038	100%	474,097	100%

Total energy sales from rural residential and seasonal members account for approximately 50 percent of total sales. The small commercial consumers sized 1,000 kVA or less account for 17 percent of the energy usage. The large commercial group accounts for about 32 percent of the total energy sales. The remaining sales are from public street and highway lighting.

Table 2-4 is a substation summary indicating substation historical, peak demands experienced during the five-year period of 2016-2020.

Table 2-4 2020 Substation Load Data

Substation	Season	2015	2016	2017	2018	2019	2020
Bedford	W	8,269	8,186	9,371	9,285	7,951	8,274
Bekaert 1	S	9,999	11,445	11,111	10,305	10,702	8,726
Bekaert 2	S	9,262	13,749 ^P	6,513	6,526	6,655	6,386
Bekaert 3	S/F/P	5,146 ^F	5,345 ^S	5,303 ^P	12,868 ^P	5,837 ^F	5,267 ^S
Budd	S	9,225	8,582	8,703	7,621	7,024	6,174
Campbellsburg	W	10,439 ^P	10,087	12,820	11,979	10,688 ^P	11,023
Clay Village	W	12,886 ^P	13,005	10,870	10,417	8,942	10,481
Defoe	W	--	--	6,005	5,533	5,029 ^P	5,109
Jericho	W	10,865	10,429	12,601	11,631	10,646 ^P	10,818
Logan 1	W	6,488	6,098	6,288	6,808 ^P	10,798	5,931
Logan 2	W	7,569	6,718	8,730	8,801	8,248 ^P	8,931
Long Run	S	4,455	4,680	4,573 ^W	4,634	4,463	4,862
Milton	W	6,795	6,549	7,842	7,698	6,589 ^P	6,435
New Castle	W	7,164	6,908	7,276	7,033	6,029 ^P	5,899
Southville	W	7,295 ^P	7,708	8,741	8,222	7,259 ^P	8,038
Veechdale	S	3,137	3,421	4,186	4,589	4,712	4,236

2.6 Load Forecast

EKPC created a load forecast for Shelby in November, 2020. The results indicate that a uniform annual growth rate will occur in the energy usage per member, peak demand, and energy sales per the forecasting methodology used.

The EKPC system forecast results consider economy, population trends, industrial development, electric price, household income, weather, and changes to appliance efficiency. This scenario is believed to be the most probable and realistic for system planning purposes. According to the EKPC 2020 Load Forecast, Shelby is projected to peak at approximately 140 MW, should an extreme minimum temperature of -5°F occur.

Table 2-5 PSE System Load Forecast

	Actual	Projected				Annual Increase
	2020	2022	2023	2024	2025	2022-2025
No. of Consumers Served (Average)	17,038	17,588	17,869	18,155	18,445	1.60%
Peak Demand (kW) ¹	111,538	122,269	128,016	134,032	140,332	4.70%
1. Non-coincident sum of substations Winter season peak						

2.7 Design Load

The design load represents the sum of the yearly non-coincident substation peak demands, independent of month. This was developed by assuming substation peak demand in 2021 is equal to the average of the preceding two years.

The design loads for the individual substations are shown in the following table.

Table 2-6 2025 Substation Design Loads

Substation	Season	2020	2021	2022	2023	2024	2025	Substation Loading
Bedford	W	8,270	8,684	9,119	9,576	10,056	10,560	65%
Bekaert 1	S	7,680	8,273	8,912	9,600	10,341	11,140	69%
Bekaert 2	S	6,390	6,498	6,608	6,719	6,833	9,450	59%
Bekaert 3	W	5,240	5,318	5,396	5,476	5,557	18,410	67%
Budd	W	5,960	6,377	6,824	7,301	7,812	8,360	52%
Campbellsburg	W	11,020	11,572	12,152	12,761	13,400	14,070	87%
Clay Village	W	10,480	10,899	11,335	11,789	12,260	12,750	58%
Defoe	W	5,110	5,315	5,528	5,750	5,980	6,220	28%
Jericho	W	10,820	11,306	11,813	12,344	12,898	13,480	83%
Logan 1	W	5,930	6,227	6,538	6,865	7,208	7,570	50%
Logan 2	W	8,930	9,152	9,380	9,614	9,853	3,230	20%
Long Run	W	4,410	4,520	4,633	4,749	4,868	4,990	23%
Milton	W	6,440	6,825	7,233	7,666	8,124	8,610	53%
New Castle	W	5,900	6,137	6,383	6,639	6,905	7,180	45%
Southville	W	8,040	8,281	8,530	8,786	9,049	9,320	58%
Veechdale	S	4,240	4,451	4,673	4,906	5,150	6,907	25%
System (Sum of Subs)		114,860	119,835	125,057	130,539	136,295	152,247	--
NOTES:								
Bekaert 2 includes 2,500 kW of EKPC temporary construction power								
Bekaert 3 includes Ardmore Subdivision, Discovery Subdivision, 2MW residential load and load transfer from Logan #2								
Logan 1 includes 1,500 kW residential and sewer load, and 1,500 kW Albach Industrial Development								
Veechdale includes 1,500 kW apartment load								

2.8 Member and Load Distribution

The anticipated member and load additions developed using the previously described processes were distributed throughout the system. Reference studies by outside agencies, historical growth patterns in particular areas, as well as input Shelby staff were used to locate areas of load growth.

3 Distribution System Design Criteria

3.1 General

The criteria below were agreed upon between Shelby Energy, Power System Engineering, and the RUS General Field Representative

- The minimum acceptable primary distribution voltage is 118 volts (120 volt base)
- Equipment loading should be limited to the following ratings:
 - Substation Transformers 80% (monitored in conjunction with EKPC)
 - Distribution Transformers 130% winter; 100% summer
 - Voltage Regulators 130% winter; 100% summer
 - Reclosers and Fuses 75% winter; 75% summer
- Primary conductors loaded to greater than 75% of their thermal rating should be reviewed. Conductors serving as tie lines between substations should not be loaded to greater than 85% of their rating during switching operations.
- Single phase lines loaded to greater than 40 amps should be reviewed.
- Aged conductor in poor condition should be replaced as needed, based upon discussion with Shelby engineering and operations personnel.
- New primary conductor should be selected based on a combination of projected growth and capacity of the line, minimum primary voltage realized downline, and an economic evaluation. Generally, new primary overhead conductors will be 1/0 ACSR, 4/0 ACSR, and 336 ACSR, while new primary underground cable will be 1/0 Al UG or 500 MCM Al UG.

4 Recommended Plan

4.1 General

The recommended construction identified in this study is based on improving the present distribution system to provide adequate service through 2025 according to forecasted non-coincident peak demands. The reasons for new substations, existing substation capacity upgrades, and distribution primary line improvements are explained in detail.

A three-letter substation identifier followed by a three-digit construction item number identify the items. They are further described by one or more reason codes, to justify their decision (e.g. additional backup capacity, replacement of aged conductor, etc.).

4.2 System Improvements (Code 200 & 300)

This section contains a discussion of recommendations for distribution system improvements required during the next four years. A construction requirements work list and cost estimate including proposed primary line construction by substation and circuit is shown in Sections 5 of this report. Unit construction costs are summarized in Exhibit 6-1. Other changes in open points, circuit boundaries, and phasing that are associated with line construction are shown on the Proposed Work Plan Diagram in Appendix C.

The following is a discussion of proposed system improvements by substation area.

SYSTEM IMPROVEMENTS – RUS CODE 200

NEW LINE NARRATIVES

BEKAERT 3

Code BEK3-206

Estimated Cost: \$132,890

Year: 2022

Description of Proposed Construction:

Project BEK3-206 is the construction of 0.97 miles of three-phase 336 ACSR out of a new feeder exit from the Bekaert 3 substation so that a portion of Logan may be transferred to Bekaert 3.

Reason for Proposed Construction:

This construction is required to facilitate the transfer of a significant portion of Logan service area to a new feeder on the relatively lightly loaded Bekeart substation, as well as serve to retire distribution line serving a train switch yard.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 200

NEW LINE NARRATIVES

BEKAERT 3

Code BEK3-207

Estimated Cost: \$21,920

Year: 2022

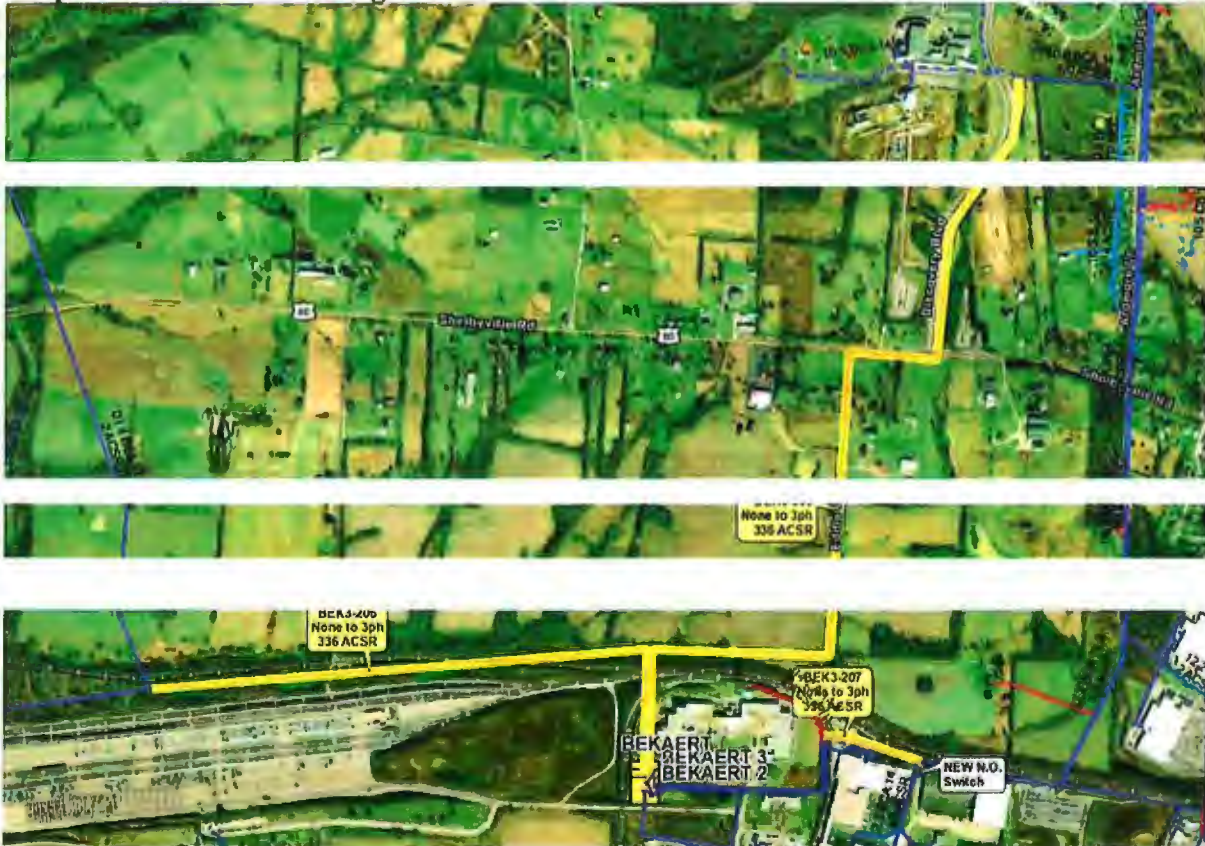
Description of Proposed Construction:

Project BEK3-207 is the construction of 0.16 miles of three-phase 336 ACSR out of a new feeder exit from the Bekaert 3 substation so that a portion of Logan may be transferred to Bekaert. This is part of a larger initiative of several projects intended to facilitate a significant load transfer to Bekaert 3.

Reason for Proposed Construction:

This construction is required to facilitate the transfer of a significant portion of Logan service area to a new feeder on the relatively lightly loaded Bekaert substation, as well as serve the new Ardmore subdivision from a more local source.

Proposed Construction Image:



SYSTEM IMPROVEMENT – RUS COD 2 0

NEW LINE NARRATIVES

BEKAERT 3

Code BEK3-208

Estimated Cost: \$226,050

Year: 2022

Description of Proposed Construction:

Project BEK3-208 is the construction of 1.65 miles of three-phase 336 ACSR starting at the new Bekaert 3 substation so that a portion of Logan may be transferred to Bekaert. This is part of a larger initiative of several projects intended to facilitate a significant load transfer to Bekeart 3.

Reason for Proposed Construction:

This construction is required to facilitate the transfer of a significant portion of Logan service area to a new feeder on the relatively lightly loaded Bekeart substation, as well as serve the new Discovery subdivision from a more local source.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 200

NEW LINE NARRATIVES

LOGAN

Code LOG-210

Estimated Cost: \$8,340

Year: 2025

Description of Proposed Construction:

Project LOG-210 is the installation of 0.12 miles of single-phase 1/0 ACSR along Henry Veech Road.

Reason for Proposed Construction:

This project will allow for the retirement of line in private right and improve asset accessibility while maintaining service to existing members.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

BEDFORD

Code BED-317

Estimated Cost: \$58,320

Year: 2024

Description of Proposed Construction:

Project BED-317 is the construction of 0.54 miles of three-phase 1/0 ACSR along Perkinson Lane.

Reason for Proposed Construction:

These projects address single phase current in excess of 40A and additionally allows for the retirement of cross country line in rugged terrain between Perkinson Lane and Bray Ridge Road.

Proposed Construction Image:



LINE CONVERSION NARRATIVES

BEKAERT 3

Code BEK3-301

Estimated Cost: \$43,758

Year: 2025

Description of Proposed Construction:

Project BEK3-301 is the conversion of 2.1 miles of vee-phase 1/0 ACSR to three-phase 1/0 ACSR along Dover Road.

Reason for Proposed Construction:

The addition of a third phase allows for the members to be better divided, improving voltage, improving load balance, and reducing demand per phase on a vee-phase line. This will affect 162 members.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

CAMPBELLSBURG

Code CAM-302

Estimated Cost: \$284,606

Year: 2025

Description of Proposed Construction:

Project CAM-302 is the conversion of 2.03 miles of single-phase #2 ACSR to three-phase 1/0 ACSR along Long Branch Fork Rd.

Reason for Proposed Construction:

This project improves voltage and load balance and current carrying capacity.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

CAMPBELLSBURG

Code CAM-303

Estimated Cost: \$208,386

Year: 2024

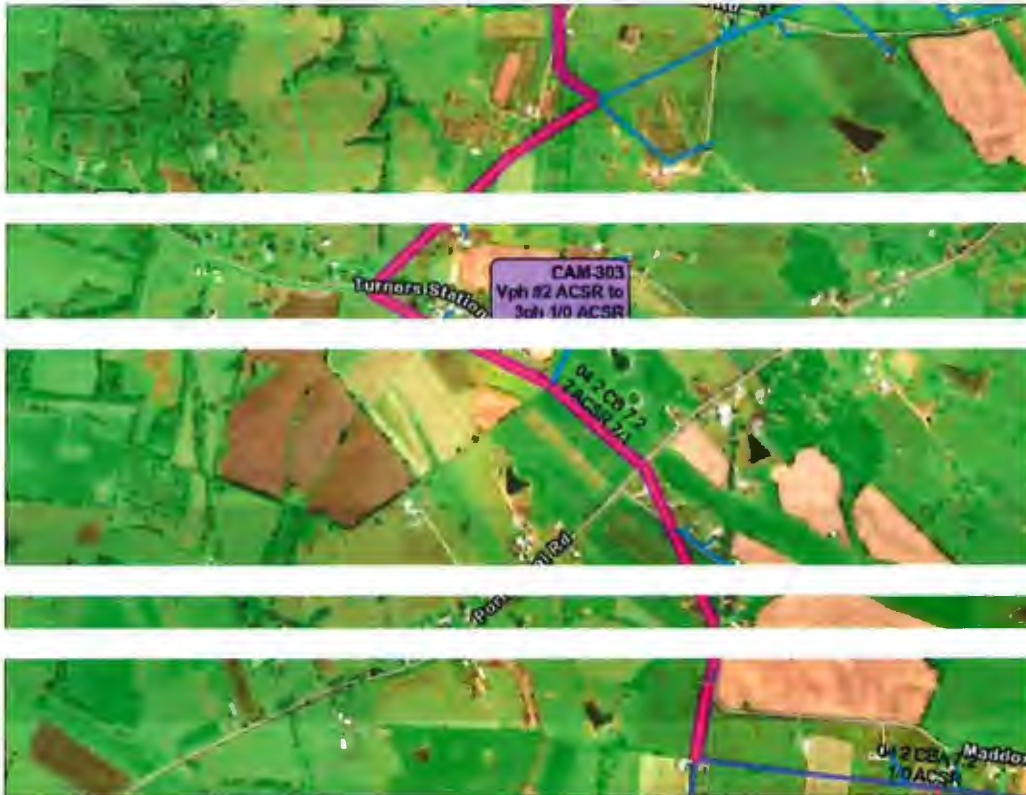
Description of Proposed Construction:

Project CAM-303 is the conversion of 1.53 miles of vee-phase #2 ACSR to three-phase 1/0 ACSR along Vance Road. This project should be performed in conjunction with CAM-304. These projects effect 147 members.

Reason for Proposed Construction:

These projects are part of an initiative to both address low voltage as well as single phase loading in excess of 40A.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 3 0

LINE CONVERSION NARRATIVES

CAMPBELLSBURG

Code CAM-304

Estimated Cost: \$181,560

Year: 2024

Description of Proposed Construction:

Project CAM-304 is the conversion of 1.36 miles of single-phase #2 ACSR to three-phase 1/0 ACSR along Gullion Run Road. This project should be performed in conjunction with CAM-303. These projects effect 147 members.

Reason for Proposed Construction:

These projects are part of an initiative to both address low voltage as well as single phase loading in excess of 40A.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 30

LINE CONVERSION NARRATIVES

CAMPBELLSBURG

Code CAM-305

Estimated Cost: \$363,600

Year: 2025

Description of Proposed Construction:

Project CAM-305 is the conversion of 2.00 miles of three-phase 1/0 ACSR to three-phase 336 ACSR along Montford Lane. This is a radial feeder out of Campbellsburg and is projected to be loaded in excess of 90% of its rating.

Reason for Proposed Construction:

Upgrading this conductor will improve the strength of the system and will affect approximately 700 members.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

CAMPBELLSBURG

Code CAM-306

Estimated Cost: \$79,182

Year: 2025

Description of Proposed Construction:

Project CAM-306 is the conversion of 3.8 miles of vee-phase #2 ACSR to three-phase #2 ACSR along Turkey Run Road. This project will affect 134 members.

Reason for Proposed Construction:

This project is primarily driven by addressing predicted voltage as low as 114V on the primary.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – U ODE 0

LINE CONVERSION NARRATIVES

CAMPBELLSBURG

Code CAM-307

Estimated Cost: \$82,800

Year: 2022

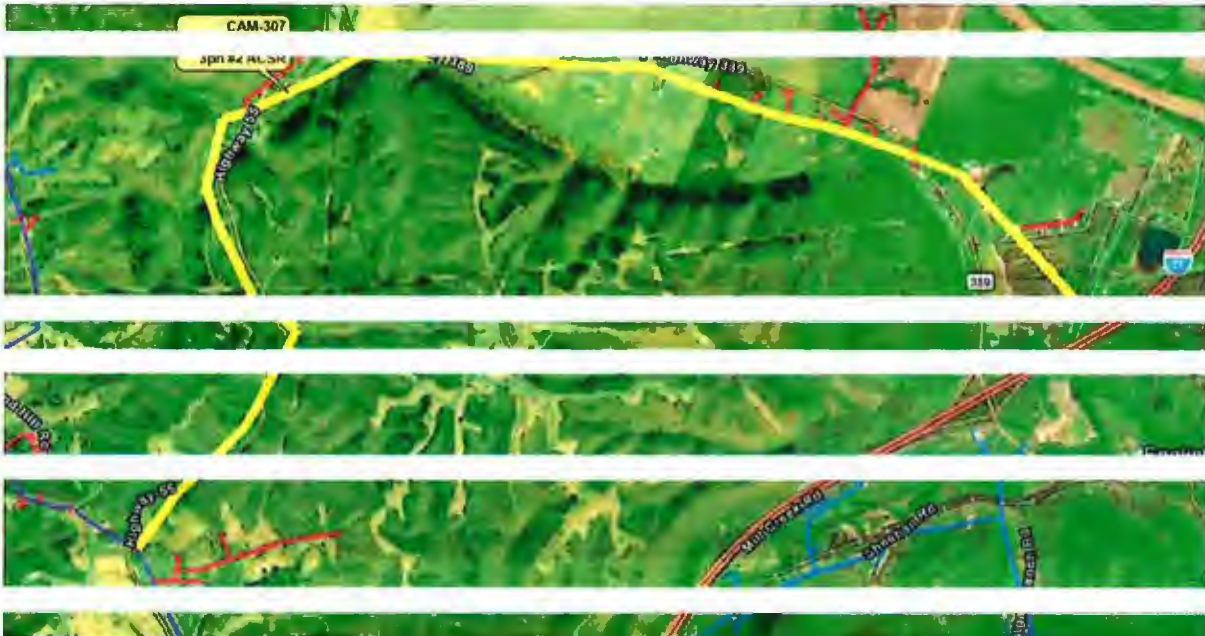
Description of Proposed Construction:

Project CAM-307 is the conversion of 4.6 miles of vee-phase #2 ACSR to three-phase #2 ACSR along Highway 55. This project will affect 123 members.

Reason for Proposed Construction:

This project is primarily driven by addressing predicted voltage as low as 111V on the primary, and relatively high loading on the existing vee-phase configuration.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

CLAY VILLAGE

Code CLA-308#

Estimated Cost: \$290,400

Year: 2022

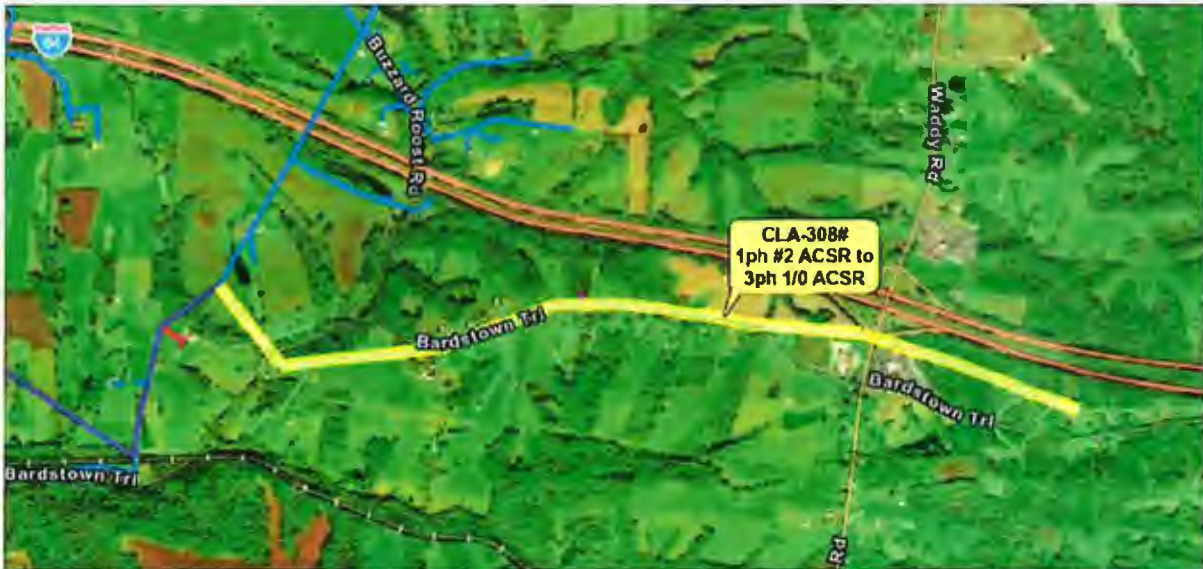
Description of Proposed Construction:

Project CLA-308# is the conversion of 2.4 miles of single-phase #2 ACSR to three-phase 1/0 ACSR along Bardstown Trail.

Reason for Proposed Construction:

This is a carryover project intended to improve voltage and to reduce single phase loading.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

CLAY VILLAGE

Code CLA-309

Estimated Cost: \$803,184

Year: 2024

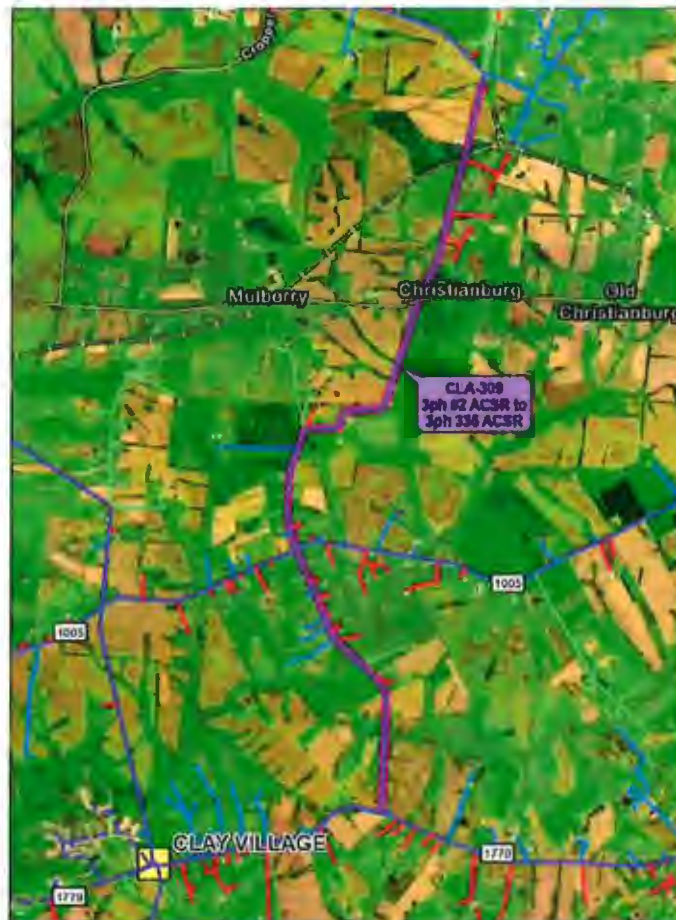
Description of Proposed Construction:

Project CLA-309 is the conversion of 4.64 miles of three-phase #2 ACSR to three-phase 336 ACSR along Beards Lane. This project should be performed in conjunction with DEF-383#, a carryover project that will complete the feeder between these substations.

Reason for Proposed Construction:

This is a more significant project intended to improve the capacity and reliability between Clay Village and Defoe.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

JERICHO

Code JER-310

Estimated Cost: \$280,400

Year: 2024

Description of Proposed Construction:

Project JER-310 is the conversion of 2.0 miles of single-phase #2 ACSR to three-phase 1/0 ACSR.

Reason for Proposed Construction:

This project will increase current carrying capacity.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

JERICHO

Code JER-316

Estimated Cost: \$389,475

Year: 2024

Description of Proposed Construction:

Project JER-316 is the conversion of 2.25 miles of three-phase 3/0 ACSR to three-phase 336 ACSR along Pendleton Road.

Reason for Proposed Construction:

This project is necessary in order to increase current capacity and improve system voltage.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CO E

LINE CONVERSION NARRATIVES

LOGAN 1

Code LOG-311

Estimated Cost: \$75,609

Year: 2024

Description of Proposed Construction:

Project LOG-311 is the conversion of 3.81 miles of vee-phase overhead 12.47kV #2 ACSR to 24.9kV 3ph #2 ACSR, starting near Fisherville Road and continuing along Ollie Brown Road. This conductor largely serves a subdivision and residential area.

Reason for Proposed Construction:

This project is intended to address low voltage experienced at the end of this long radial feeder.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS CODE 300

LINE CONVERSION NARRATIVES

NEW CASTLE

Code NEW-315

Estimated Cost: \$644,397

Year: 2023

Description of Proposed Construction:

Project NEW-315 is the conversion of 5.07 miles of single-phase #2 ACSR to single-phase, vee-phase and three-phase 1/0 ACSR along Point Pleasant Road and Castle Highway.

Reason for Proposed Construction:

This project is necessary to divide load for improved load balance, improve voltage and service reliability.

Proposed Construction Image:



SYSTEM IMPROVEMENTS – RUS ODE 300

LINE CONVERSION NARRATIVES

NEW CASTLE

Code NEW-363#

Estimated Cost: \$382,310

Year: 2022

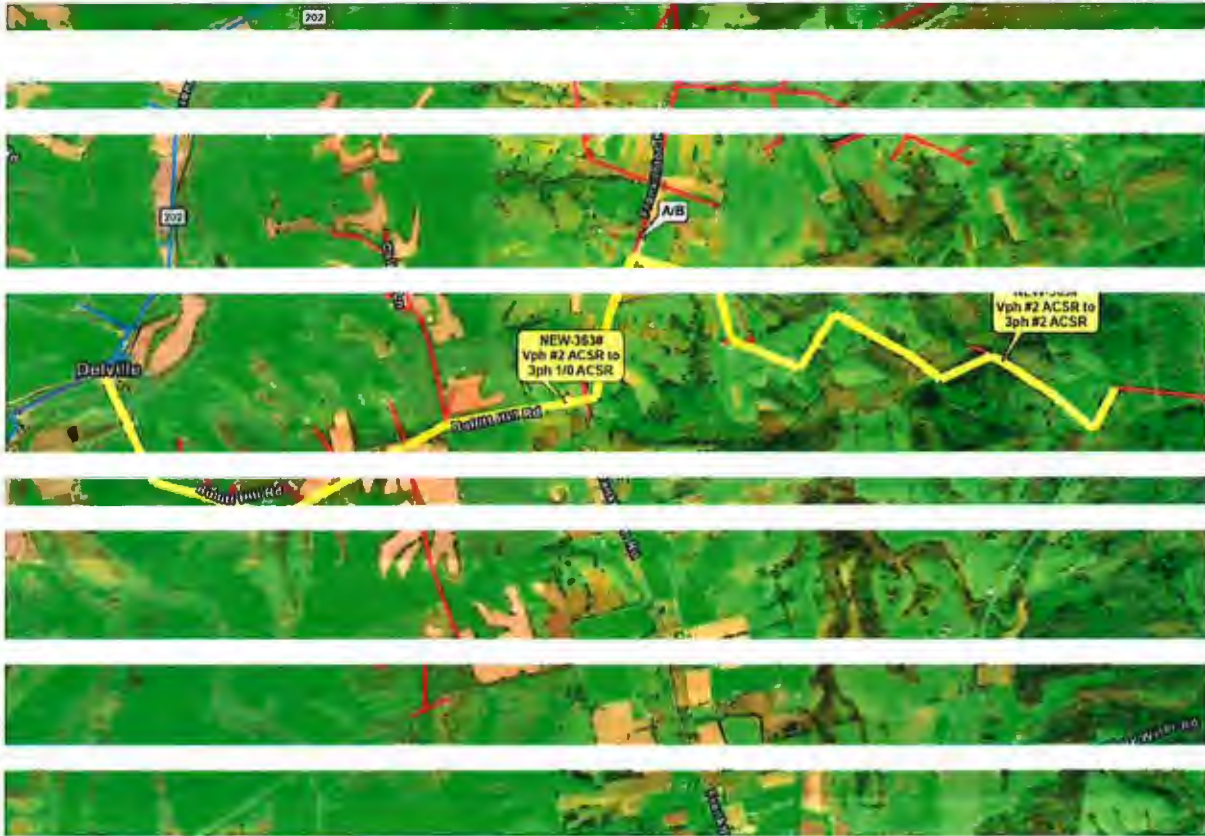
Description of Proposed Construction:

Project NEW-363# is the conversion of 5.18 miles of vee-phase #2 ACSR, with 2.74 miles converting to three-phase #2 ACSR along Bullitt Hill and 2.44 miles converting to three-phase #2 ACSR along Baugh Lane.

Reason for Proposed Construction:

This project is a carryover from the previous work plan to remove all vee-phase line in this area. This will help to alleviate low voltage at the end of this line, approximately 15 miles from the substation.

Proposed Construction Image:



4.3 Sectionalizing

Shelby last had a formal sectionalizing study performed 2015. Periodic review of system sectionalizing is recommended to ensure that changes in fault current, load current, and system configuration are properly accounted for. As specific protective device review and recommendations are beyond the scope of this construction work plan, cost estimates represent a continuation of past annual expenditure at an appropriate rate of inflation

4.4 Voltage Regulation

Low voltage is often corrected through the addition of voltage regulators. A general rule is to refrain from using more than two voltage regulators in series. In instances when additional benefits could be realized, low voltage areas will be corrected through alternative means, such as conductor change-outs and system re-structuring.

4.5 New Line Extensions

New line extensions to serve new members (Code 100) were estimated based on a combination of historic annual new members from 2010 to 2020. For 2021 and beyond, the number of new members is projected out over the horizon of this construction work plan.

4.6 Miscellaneous Distribution Equipment

This section describes the various RUS 601-608 Codes.

601 - Transformers and Meters

This category includes new and upgraded (increased capacity) transformers and meters for new or existing overhead and underground services and new transformers for voltage conversion (12 kV to 25 kV, etc.).

602 - Service Change

This category includes all installations for changes in service capacity to a single consumer, including service conductor, secondary conductor, primary conductor (including single-phase to three-phase), conversion of secondary to primary, and increasing the number of service conductors. This code also includes replacing existing services for change in capacity.

603 - Line Sectionalizing Equipment

This code includes all assemblies associated with a line sectionalizing installation, including the sectionalizing equipment (breakers, reclosers, sectionalizers, or fuses) and associated equipment such as switches, arrestors, and platforms. Substation breakers, reclosers, etc., should be under Code 500 for additions and changes.

604 - Regulators

This code includes all assemblies associated with initial voltage regulation installations, including regulators or auto-boosters, pole top assemblies, fuses, switches, arrestors, platforms, support

poles, guys, anchors, and grounding assemblies. This includes line regulators only; substation regulators should be under Code 500 for additions and changes.

605 – Capacitors

This code includes all assemblies associated with line capacitor installations, including capacitors, racks, fuses, switches, arrestors, platforms, controls, and cabinets. Substation capacitors should be under Code 500 for additions and changes.

606 – Pole Replacements/Additions

This category includes all costs where the predominant item is related to the pole change-out due to the condition of the pole.

Code 607- Miscellaneous Replacements

Code 607 includes all costs associated with replacement of plant items such as guys, anchors, crossarms, switches, insulator strings, etc. where pole change-out due to the condition of the pole is not the predominant cost involved. This code excludes poles covered under Code 606 and conductor covered under Code 608.

Code 608- Conductor Replacements

This code includes costs associated with construction to replace aged, deteriorating overhead or underground line sections (except service wires) and includes all associated structure changes. These costs can be included as a lump sum on RUS Form 740c, with supporting data included either in the CWP or in a separate report.

4.7 Other Distribution Items

This section describes the various RUS 702-705 Codes.

700 – Outdoor Lights

This category includes costs associated with purchase and installation of lights. This includes line extensions (when required) to service the lights, as well as the cost of installation and material for all associated equipment. Also included are plant replacements, conversions, and improvements necessary in providing outdoor light service.

Code 704- Load Management/SCADA

Feasibility and other support data are to be included under this code.

Code 705 - Automated Meter Reading Equipment

This code includes all costs associated with AMR systems, except meters and retrofits included under Code 601.

5 Construction Costs

This section shows all relevant costs over the planning period, broken down by RUS loan application codes. The following tables provide additional details and support.

5.1 Cost Estimate Summary

A summary of the cost estimate by RUS loan application code for 2022-2025 is found in Table 5-1 below.

Table 5-1 Cost Estimate Summary

CONSTRUCTION COST SUMMARY						
	Estimated Cost (\$)				2022-2025 Total (\$)	Percent of Total (%)
	2022	2023	2024	2025		
100-New Line Extensions	1,652,357	1,748,911	1,855,186	1,967,715	7,224,169	23.09
200-New Tie Lines	380,860	0	0	8,340	389,200	1.24
300-Conversions and Line Changes	1,118,180	1,109,415	1,789,838	1,051,546	5,068,979	16.20
400-New Substations	0	0	0	0	0	0.00
500-Substation Changes	0	0	0	0	0	0.00
600-Misc. Distribution Equipment						
601-Transformers	132,892	142,199	152,104	162,643	589,838	
601-Meters	234,336	246,053	310,027	325,528	1,115,945	
602-Service Changes	76,714	81,355	86,277	91,497	335,843	
603-Sectionalizing Equipment	71,178	78,474	86,517	95,385	331,554	
604-Voltage Regulators	216,068	226,871	238,215	250,125	931,279	
605-Capacitors	0	0	0	0	0	
606-Poles	2,092,109	2,196,715	2,306,551	2,421,878	9,017,253	
607-Miscellaneous	99,011	103,996	109,196	114,656	426,859	
608-Conductor Replacements	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>1,125,000</u>	<u>4,500,000</u>	
600-Total	4,047,309	4,200,663	4,413,886	4,586,713	17,248,571	55.14
700-Other Distribution Items						
702-Outdoor Lights	<u>313,240</u>	<u>328,902</u>	<u>345,347</u>	<u>362,614</u>	<u>1,350,103</u>	
700-Total	313,240	328,902	345,347	362,614	1,350,103	4.32
Total Proposed Work	7,511,945	7,387,891	8,404,257	7,976,928	31,281,022	100.00
Less CIAC (100 Category)	249,441	261,913	275,009	288,760	1,075,123	
Less CIAC (602 Category)	0	0	0	0	0	
Total Proposed Work Financed	7,262,504	7,125,978	8,129,248	7,688,169	30,205,898	

5.2 New Line Extensions (Code 100)

Table 5-2 New Line Extensions (Code 100)

NEW LINE EXTENSIONS (Code 100)							
	Actual		Work Plan Estimate				
	2019	2020	2022	2023	2024	2025	Total
Service Extensions for New Members (100)							
1. Number of New Members Connected							
a. Overhead 1 Ph	108	132	106	107	108	109	430
b. Underground 1 Ph	193	205	248	250	253	256	1007
c. Overhead 3 Ph	2	2	2	2	2	2	8
d. Underground 3 Ph	0	1	2	2	2	2	8
Total	303	340	358	361	365	369	1453
2. Total Length Built Per Year (mi)							
a. Overhead 1 Ph	13.3	16.2	12.3	12.5	12.6	12.7	50.1
b. Underground 1 Ph	14.4	11.3	11.8	11.9	12.0	12.2	47.9
c. Overhead 3 Ph	1.7	0.9	0.7	0.7	0.7	0.7	2.8
d. Underground 3 Ph	0.0	1.0	1.1	1.1	1.1	1.1	4.4
Total	29.3	29.3	25.9	26.1	26.4	26.7	105
2. Average Cost per Build (before CIAC)							
a. Overhead 1 Ph	5,697	4,880	5,663	5,946	6,243	6,555	6,102
b. Underground 1 Ph	5,625	3,534	3,805	3,995	4,195	4,405	4,100
c. Overhead 3 Ph	71,864	10,673	26,040	27,342	28,709	30,144	28,059
d. Underground 3 Ph	-	55,817	28,176	29,584	31,064	32,617	30,360
3. Cost of New Members							
a. Overhead 1 Ph (before CIAC)	615,316	644,199	600,263	636,223	674,277	714,546	2,625,309
b. Underground 1 Ph (before CIAC)	1,085,567	724,376	943,662	998,836	1,061,363	1,127,646	4,131,507
c. Overhead 3 Ph (before CIAC)	143,728	21,347	52,080	54,684	57,418	60,289	224,471
d. Underground 3 Ph (before CIAC)	0	55,817	56,351	59,169	62,127	65,234	242,881
Total Cost (before CIAC)	1,844,611	1,445,738	1,652,357	1,748,911	1,855,186	1,967,715	7,224,169
Member CIAC	<u>299,038</u>	<u>209,332</u>	<u>249,441</u>	<u>261,913</u>	<u>275,009</u>	<u>288,760</u>	<u>1,075,123</u>
Total Cost (after CIAC)	1,545,573	1,236,406	1,402,915	1,486,998	1,580,177	1,678,955	6,149,045

5.3 New Tie-Lines (Code 200)

Table 5-3 New Tie-Lines (Code 200)

NEW TIE LINES (CODE 200)							
Project Code	Year	Substation-Circuit	Project Description	Reason Code(s)	Miles	Estimated Cost (\$)	
BEK3-206	2022	Bekeart 3 New	3ph 336 ACSR	C, R	0.97	132,890	
BEK3-207	2022	Bekeart 3 New	3ph 336 ACSR	C, R	0.16	21,920	
BEK3-208	2022	Bekeart 3 New	3ph 336 ACSR	C, R	1.65	226,050	
LOG-210	2025	Logan 1 RC-1-3	1ph 1/0 ACSR	R	0.12	8,340	
Total for all Years					March 16, 2022	2.90	389,200
Cost 200 by Year							
					2022	2.78	380,860
					2023	0.00	0
					2024	0.00	0
					2025	0.12	8,340
<i>Total</i>					<i>Total Cost Code 200 by Year</i>	2.90	389,200
Reason Code(s)							
A	To replace Aged and deteriorated overhead line in poor Condition.						
B	To improve Backup between circuits and substations.						
C	To provide additional Capacity						
D	To Divide the load for improved load balance, voltage and reliability.						
F	To accommodate Future load						
R	To improve service Reliability						
U	To replace old 175 Mil or 220 Mil bare concentric neutral Underground cable in poor condition.						
S	Single-ph current over 40A						
Cu	Copper Replacement						
V	To improve Voltage						

5.4 Conversions and Line Changes (Code 300)

Table 5-4 Conversions and Line Changes (Code 300)

CONVERSION AND LINE CHANGES (CODE 300)							
Project Code	New Year	Substation-Circuit	Project Description	Reason Code(s)	Miles	Estimated Cost (\$)	
BED-317	2024	Bedford RC -5-3	Conversion to 3ph 1/0 ACSR	R, S	0.54	58,320	
BEK3-301	2025	Bekeart 3 NEW	Vph 1/0 ACSR to 3ph 1/0 ACSR	S, V	2.10	43,758	
CAM-302	2025	Cambellsburg RC-4-1	1ph #2 ACSR to 3ph 1/0 ACSR	S	2.03	284,606	
CAM-303	2024	Cambellsburg RC-4-2	Vph #2 ACSR to 3ph 1/0 ACSR	S, V	1.53	208,386	
CAM-304	2024	Cambellsburg RC-4-2	1ph #2 ACSR to 3ph 1/0 ACSR	S, V	1.36	181,560	
CAM-305	2025	Cambellsburg RC-4-1	3ph 1/0 ACSR to 3ph 336 ACSR	C, V	2.00	363,600	
CAM-306	2025	Cambellsburg RC-4-1	Vph #2 ACSR to 3ph #2 ACSR	V	3.80	79,182	
CAM-307	2022	Cambellsburg RC-4-1	Vph #2 ACSR to 3ph #2 ACSR	S, V	4.60	82,800	
CLA-308#	2022	Clay Village RC-2-4	1ph #2 ACSR to 3ph 1/0 ACSR	V	2.40	290,400	
CLA-309	2024	Clay Village RC-2-2	3ph #2 ACSR to 3ph 336 ACSR	B	4.64	803,184	
DEF-383#	2023	Defoe RC-16-3	3ph #2 ACSR to 3ph 336 ACSR	Carryover	2.82	465,018	
JER-310	2025	Jericho RC-11-3	1ph #2 ACSR to 3ph 1/0 ACSR	S	2.00	280,400	
JER-316	2024	Jericho RC-11-1	3ph 3/0 ACSR to 3ph 336 ACSR	C, V	2.25	389,475	
LOG-311	2024	Logan 1 RC-1-3	12.47 kV Vph #2 ACSR to 24.9 kV 3ph #2 ACSR; Vph #2 ACSR, 6A to 3ph #2 ACSR	C, S, V	3.81	148,913	
LOG-313#	2022	Logan 2 RC-1-5	3ph #2 ACSR to 3ph 336 ACSR	B	2.31	362,670	
NEW-315	2023	New Castle RC-3-2	1ph #2 ACSR to 1ph, Vph, 3ph 1/0 ACSR	D, R, V	5.07	644,397	
NEW-363#	2022	New Castle RC-3-1	Vph #2 ACSR to 3ph 1/0 ACSR, #2 ACSR	S, V	5.18	382,310	
Total for all Years				March 21, 2022	48.44	5,068,979	
Cost 300 by Year							
					2023	14.49	1,118,180
					2024	7.89	1,109,415
					2025	14.13	1,789,838
					<u>11.93</u>	<u>1,051,546</u>	
Total Total Cost Code 300 by Year					48.44	5,068,979	
Reason Code(s)							
A	To replace Aged and deteriorated overhead line in poor Condition						
B	To improve Backup between circuits and substations						
C	To provide additional Capacity.						
D	To Divide the load for improved load balance, voltage and reliability.						
F	To accommodate Future load						
R	To improve service Reliability.						
U	To replace old 175 Mil or 220 Mil bare concentric neutral Underground cable in poor condition						
S	Single phase current over 40A						
Cu	Copper (Cu) Replacement.						
V	To improve Voltage						

5.5 Code 600 Items

Table 5-5 Miscellaneous Distribution Equipment (Code 601-606)

MISCELLANEOUS DISTRIBUTION EQUIPMENT (Code 601-606)							
	Actual		Work Plan Estimate				Total
	2019	2020	2022	2023	2024	2025	
Transformer Data (601)							
1. Number of New Transformers							
a. Overhead 1 Ph	--	--	240	243	246	249	978
b. Padmounted 1 Ph	--	--	155	157	159	161	632
c. Padmounted 3 Ph	--	--	<u>13</u>	<u>14</u>	<u>15</u>	<u>16</u>	58
e. Total	--	--	408	414	420	426	1,668
2. Average Cost per Unit							
a. Overhead 1 Ph	--	--	232	244	256	269	250
b. Padmounted 1 Ph	--	--	413	434	455	478	445
c. Padmounted 3 Ph	--	--	1,013	1,063	1,116	1,172	1,091
3. Total Cost							
a. Overhead 1 Ph	--	--	55,729	59,247	62,977	66,932	244,702
b. Padmounted 1 Ph	--	--	64,000	68,067	72,380	76,955	281,185
c. Padmounted 3 Ph	--	--	<u>13,164</u>	<u>14,885</u>	<u>16,746</u>	<u>18,755</u>	63,285
e. Total Cost	--	--	132,892	142,199	152,104	162,643	589,172
Meter Data (601)							
1. Number of Meters	1,000	1,000	1,000	1,000	1,200	1,200	4,400
2. Average Installed Cost	<u>213</u>	<u>213</u>	<u>234</u>	<u>246</u>	<u>258</u>	<u>271</u>	<u>1,010</u>
7. Total Meter Cost	0	212,550	234,336	246,053	310,027	325,528	1,115,945

MISC. DISTRIBUTION EQUIPMENT (Code 601-606) - (Continued)							
	Actual		Work Plan Estimate				Total
	2019	2020	2022	2023	2024	2025	
Service Changes (602)							
1. Number of Increases							
1. Number of New Units	42	32	28	28	28	29	113
4. Average Cost per Unit (\$)	<u>4,607</u>	<u>1,881</u>	<u>2,760</u>	<u>2,898</u>	<u>3,043</u>	3,195	<u>2,974</u>
5. Total Cost (\$)	193,506	60,188	76,714	81,355	86,277	91,497	335,843
Line Sectionalizing Equipment (603)							
1. Number of New Units	251	158	44	46	49	51	190
4. Average Cost per Unit (\$)	<u>574</u>	<u>1,568</u>	1,614	<u>1,695</u>	1,779	<u>1,868</u>	<u>6,957</u>
5. Total Cost (\$)	144,094	247,699	71,178	78,474	86,517	95,385	331,554
Line Regulators (604)							
1. Number of New Units	1	0	7	7	7	7	28
2. Average Cost per Unit (\$)	<u>91,488</u>	<u>0</u>	<u>30,867</u>	<u>32,410</u>	<u>34,031</u>	<u>35,732</u>	<u>133,040</u>
3. Total Cost (\$)	91,488	0	216,068	226,871	238,215	250,125	931,279
Line Capacitors and/or Reactors (605)							
1. Number of New Units	0	0	0	0	0	0	0
2. Average Cost per Unit (\$)	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>	<u>0</u>
3. Total Cost (\$)	0	0	0	0	0	0	0
Pole Replacements and/or Additions and Associated Hardware (606)							
1. Number of Poles Replaced	189	289	605	605	605	605	2,419
2. Average Installed Cost Per Pole (\$)	<u>3,468</u>	<u>3,227</u>	<u>3,460</u>	<u>3,633</u>	<u>3,815</u>	<u>4,005</u>	<u>14,913</u>
3. Total Cost (\$)	655,494	932,708	2,092,109	2,196,715	2,306,551	2,421,878	9,017,253

Table 5-6 Miscellaneous Equipment Replacements (Code 607)

MISCELLANEOUS REPLACEMENTS (CODE 607)					
Project Code	Year	Substation-Circuit	Project Description	Miles	Estimated Cost (\$)
607.22	2022	System	Miscellaneous Plant Equipment Replacement Work		99,044
607.23	2023	System	Miscellaneous Plant Equipment Replacement Work		103,996
607.24	2024	System	Miscellaneous Plant Equipment Replacement Work		109,196
607.25	2025	System	Miscellaneous Plant Equipment Replacement Work		114,656
Total Cost Code 607 by Year					426,891
Code 607 - (Excludes Poles covered under Code 606 and Conductor covered under Code 608). Includes all costs associated with replacement of plant items such as guys, anchors, crossarms, switches, insulator strings, etc. where pole change-out due to condition of pole is not the predominant cost involved.					

Table 5-7 Conductor Replacements (Code 608)

CONDUCTOR REPLACEMENTS (CODE 608)					
Project Code	Year	Substation-Circuit	Project Description	Miles	Estimated Cost (\$)
Non-Site Specific OH and UG Plant Replacement Work					
608.22	2022	System	Non-Site Specific Plant Replacement Work	9.00	1,125,000
608.23	2023	System	Non-Site Specific Plant Replacement Work	9.00	1,125,000
608.24	2024	System	Non-Site Specific Plant Replacement Work	9.00	1,125,000
608.25	2025	System	Non-Site Specific Plant Replacement Work	9.00	1,125,000
Total Cost Code 608 by Year for Non-Site Specific Projects				36.00	4,500,000
Code 608 - Includes costs associated with construction to replace aged-deteriorating overhead or underground line sections (except service wires) and includes all associated structure changes. These costs can be included as a lump sum on RUS Form 740c, with supporting data included either in the CWP or separate report.					

5.6 Code 700 Items

Table 5-8 Other Distribution Items (Code 700)

OTHER DISTRIBUTION ITEMS (Code 700)							
	Actual		Work Plan Estimate				Total
	2019	2020	2022	2023	2024	2025	
Outdoor Lights (702)							
1. Number of Lights	467	409	429	429	429	429	1716
2. Average Installed Cost (\$)	<u>642</u>	<u>616</u>	<u>730.16</u>	<u>766.67</u>	<u>805.00</u>	845.26	<u>786.77</u>
3. Total Cost (\$)	299,839	251,892	313,240	328,902	345,347	362,614	1,350,103

6 Exhibits

Exhibit 6-1 Unit Cost Estimates

UNIT COST ESTIMATES ⁽¹⁾								
I. Distribution								
<i>Overhead Tie Line (14.4/24.9 kV)</i>								
	Cost Per Mile (\$)							
	1Ø				3Ø			
Size (ACSR)	2022	2023	2024	2025	2022	2023	2024	2025
1/0	60,000	63,000	66,200	69,500	108,000	113,400	119,100	125,100
4/0	N/A	N/A	N/A	N/A	126,000	132,300	138,900	145,800
336 KCMIL	N/A	N/A	N/A	N/A	137,000	143,900	151,100	158,700
<i>Underground Tie Line (Jacketed 25 kV 345 MIL)</i>								
	Cost Per Mile (\$)							
	1Ø				3Ø			
Size (AL)	2022	2023	2024	2025	2022	2023	2024	2025
1/0	63,800	67,000	70,400	73,900	110,000	115,500	121,300	127,400
4/0	N/A	N/A	N/A	N/A	115,500	121,300	127,400	133,800
500 MCM	N/A	N/A	N/A	N/A	165,000	173,300	182,000	191,100
<i>Overhead to Overhead Conversion (14.4/24.9 kV)</i>								
					Cost Per Mile (\$)			
Existing	New				2022	2023	2024	2025
1Ø	1Ø-1/0 ACSR				73,000	76,700	80,500	84,500
1Ø	VØ-1/0 ACSR				86,000	90,300	94,800	99,500
1Ø	3Ø-1/0 ACSR				121,000	127,100	133,500	140,200
1Ø	3Ø-4/0 ACSR				139,000	146,000	153,300	161,000
VØ	VØ-1/0 ACSR				85,000	89,300	93,800	98,500
VØ	3Ø-1/0 ACSR				123,500	129,700	136,200	143,000
VØ	3Ø-4/0 ACSR				141,500	148,600	156,000	163,800
3Ø	3Ø-1/0 ACSR				128,000	134,400	141,100	148,200
3Ø	3Ø-4/0 ACSR				146,000	153,300	161,000	169,100
3Ø	3Ø-336 KCMIL				157,000	164,900	173,100	181,800
<i>Overhead to Underground Conversion (Jacketed 25 kV 345 MIL)</i>								
					Cost Per Mile (\$)			
Existing	New				2022	2023	2024	2025
1Ø	1Ø-1/0 AL				76,800	80,600	84,600	88,800
1Ø	3Ø-1/0 AL				123,000	129,200	135,700	142,500
1Ø	3Ø-4/0 AL				128,500	134,900	141,600	148,700
3Ø	3Ø-1/0 AL				130,000	136,500	143,300	150,500
3Ø	3Ø-4/0 AL				135,500	142,300	149,400	156,900
3Ø	3Ø-500 MCM				185,000	194,300	204,000	214,200
⁽¹⁾ Costs include an allowance for engineering, legal, and overhead expenses.								

UNIT COST ESTIMATES (Cont.) ⁽¹⁾			
I. Distribution (Cont.)			
<i>Retirement of Overhead Line</i>			
Existing	Cost Per Mile (\$)		
	1ø	Vø	3ø
Size (ACSR)	2022-2025	2022-2025	2022-2025
N/A	13,000	15,500	20,000
<i>Primary Equipment-Distribution</i>			
Item	Size	Cost Per Item (\$)	
Capacitors ⁽²⁾		Estimated Cost (\$)	
3-50 kVAR units with 6 unit pole mounted rack, factory assembly		2,750	
3-100 kVAR units with 6 unit pole mounted rack, factory assembly		3,100	
3-150 kVAR units with 6 unit pole mounted rack, factory assembly		4,250	
3-200 kVAR units with 6 unit pole mounted rack, factory assembly		5,300	
3 switches		4,600	
VAR Control		1,600	
Regulators (Per Phase) ⁽²⁾	100 Amp	15,000	
	150 Amp	15,800	
	219 Amp	16,700	
⁽¹⁾ Costs include an allowance for engineering, legal, and overhead expenses.			
II. Economic Parameters (Distribution Line)			
Cost of Purchased Power:			
Standard Demand Charge		\$ 6.02 Per kW Per Month	
Energy Charge - On Peak		\$ 0.049379 Per kWh	
Energy Change - Off Peak		\$ 0.040654 Per kWh	
Fixed Charge Rate			
Total Cost of Capital		1.80%	
Tax Rate		0.07%	
Depreciation Rate		4.35%	
O&M Rate		6.00%	
Long Term Inflation Rate - Construction		5.0% per year	
Long Term Inflation Rate - Power Supply		1.5% per year	
⁽¹⁾ Costs include an allowance for engineering, legal, and overhead expenses.			
⁽²⁾ Does not include the cost of a new pole.			

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 6: Concerning Shelby Energy's construction projects, for each project started during the last five calendar years, provide the information requested in the format contained in Schedule C. For each project, include the amount of any cost variance and delay encountered, and explain in detail the reasons for such variances and delays.

Request 6: Please see the Excel spreadsheet uploaded separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 7: Provide the information shown in Schedule D for each construction project in progress, or planned to be in progress, during the 12 months preceding the test year.

Response 7: Please see the Excel spreadsheet provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 8: Provide, in the format provided in Schedule E, an analysis of Shelby Energy's Construction Work in Progress (CWP) as defined in the Uniform System of Accounts for each project identified in Schedule D.

Response 8: Please see the Excel spreadsheet provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 9: Provide a calculation of the rate or rates used to capitalize interest during construction for the three most recent calendar years. Explain each component entering into the calculation of the rate(s).

Response 9: Shelby Energy did not capitalize any interest for construction projects for the three most recent calendar years.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 10: Provide the following monthly account balances for the test year for the total company and Kentucky jurisdiction operations:

- a. Plant in service (Account No. 101);
 - b. Plant purchased or sold (Account No. 102);
 - c. Property held for future use (Account No. 105);
 - d. Completed construction not classified (Account No. 106);
 - e. Construction work in progress (Account No. 107);
 - f. Depreciation reserve (Account No. 108);
 - g. Materials and supplies (include all accounts and subaccounts);
 - h. Computation and development of minimum cash requirements;
 - i. Balance in accounts payable applicable to amounts included in utility plant in service;
 - j. Balance in accounts payable applicable to amounts included in plant under construction;
- and:
- k. Balance in accounts payable applicable to prepayments by major category or subaccount.

Response 10(a)-(g) and (i)-(k): Please see the Excel file provided separately.

Response 10(h): Minimum cash balance is determined on a monthly basis based on the needs of the cooperative. Shelby Energy utilizes its lines of credit with National Rural Utilities Cooperative Finance Corporation ("CFC") to manage cash flow needs.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 11: Provide a reconciliation and detailed explanation of each difference, if any, in Shelby Energy's capitalization and net investment rate base for the test year

Response 11: Please see the Application, Exhibit 15.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 12: Provide the journal entries relating to the purchase of utility plant acquired as an operating unit or system by purchase, merger, consolidation, liquidation, or otherwise currently included in rate base. Also provide a schedule showing the calculation of the acquisition adjustment at the date of purchase or each item of utility plant, the amortization period, and the unamortized balance at the end of the test year.

Response 12: There have been no acquisitions of an operating unit or system since Shelby Energy's last rate case.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 13: Provide a copy of Shelby Energy's most recent depreciation study. If no such study exists, provide a copy of Shelby Energy's most recent depreciation schedule. The schedule should include a list of all facilities by account number, service life, and accrual rate for each plant item, the methodology that supports the schedule, and the date of schedule was last updated.

Response 13: Please see the Application, Exhibit 20.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 14: Provide Shelby Energy's cash account balances at the beginning of the test year and at the end of each month during the test year for total company and Kentucky jurisdictional operations.

Response 14: Please see the Excel file provided separately.

**ATTACHMENTS
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SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 15: Provide the average number of customers on Shelby Energy's system by rate schedule for the test year and two most recent calendar years.

Response 15: Please see the Excel file provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 16: Provide a schedule, in the format provided in Schedule F, of electric operations net income, per kWh sold, per company books for the test year and three calendar years preceding the test year.

Response 16: Please see the Excel file provided separately.

**ATTACHMENTS
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SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 17: Provide the comparative operating statistics as shown in Schedule G.

Response 17: Please see the Excel file provided separately.

**ATTACHMENTS
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AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 18: Provide the information requested in Schedule H for budgeted and actual numbers of full- and part-time employees by employee group, by month, and by year; and regular wages, overtime wages, and total wages by employee group, by month, for the test year and three most recent calendar years preceding the test year. Explain any variance exceeding 5 percent. Complete the information requested in Schedule H1.

Response 18: Please see the Excel file uploaded separately.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 19: State whether Shelby Energy through an outside consultant or otherwise, performed a study or survey to compare its wages, salaries, benefits, and other compensation to those of other utilities in the region, or to other local or regional enterprises since Shelby Energy's last base rate case.

a. If comparisons were performed, provide the results of the study or survey, including all workpapers and discuss the results of such comparisons. State whether any adjustments to wages, salaries, benefits, and other compensation in the rate application are consistent with the results of such comparisons.

b. If comparisons were not performed, explain why not.

Response 19(a)-(b): Shelby Energy utilizes an outside consultant to perform a salary study.

The salary study has been provided under seal pursuant to a Motion for Confidential Treatment.

ATTACHMENT
FILED UNDER SEAL
PURSUANT TO A
MOTION FOR
CONFIDENTIAL
TREATMENT

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 20: Provide the most recent wage, compensation, and employee benefits studies, analyses, or surveys conducted since Shelby Energy's last base rate case or that are currently utilized by Shelby Energy.

Response 20: Please see the response to Item 19.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 21: For each employee group, state the amount, percentage increase, and effective dates for general wage increases and, separately, for merit increases granted in the past three calendar years.

Response 21: Bargaining employees received negotiated annual raises per the contract of 2.44% on November 1, 2021, 2.69% on November 1, 2022, and 2.9% on November 1, 2023. Non-bargaining employees generally receive pay raises on November 1 of each year based on performance evaluations. Percentage increases are assigned to specific ratings on the performance evaluations. Shelby Energy also evaluates employees in comparison to market data from the annual wage and benefit study and makes additional adjustments to pay raises if necessary. Pay raises may also result from employees being promoted to new positions. See the attached schedule in Excel for more information regarding non-bargaining employees' annual raises for the period from 2021 to 2023.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 22: Provide a schedule reflecting the salaries and other compensation of each executive officer for the test year and three most recent calendar years. Include the percentage annual increase and the effective date of each increase, the job title, duty and responsibility of each officer, the number of employees who report to each officer, and to whom each officer reports. For employees elected to executive office status since the test year in Shelby Energy's most recent rate case, provide the salaries for the persons they replaced.

Response 22: Please see the Excel file provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 23: Provide a listing of all health care plan categories, dental plan categories, and vision plan categories available to corporate officers individually and to groups defined as Directors, Managers, Supervisors, Exempt, Non-Exempt, Union, and Non-Union Hourly employees (e.g., single, family). Include the associated employee contribution rates and employer contribution rates of the total premium cost for each category, and each plan's deductible(s) amounts.

Response 23: Please see the Excel spreadsheet provided separately that lists the medical, dental, and vision plans offered by Shelby Energy, including the premium share between employee and employer, and each plan's deductible amounts.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 24: Provide all current labor contracts and the most recent labor contracts previously in effect.

Response 24: Please see attached labor contracts with International Brotherhood of Electrical Workers, Local Union 2100 for the years 2021 through 2024 and years 2024 through 2029.

ATTACHMENT PSC 1-24

AGREEMENT

BETWEEN

SHELBY ENERGY COOPERATIVE, INC.

AND

**INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL
UNION 2100**

EFFECTIVE DATES: September 2, 2021, through September 1, 2024

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AGREEMENT

THIS AGREEMENT, made and entered into as of this _____ day of _____ 2021, by and between SHELBY ENERGY COOPERATIVE, INC. (hereinafter referred to as the "Cooperative"), and INTERNATIONAL BROTHERHOOD OF ELECTRICAL WORKERS, LOCAL UNION 2100 (hereinafter referred to as the "Union").

ARTICLE 1

PREAMBLE

Statement of Principles and Union Responsibilities

The Union recognizes the responsibilities imposed on it as the bargaining agent for the employees covered by this Agreement and realizes that in order to provide maximum opportunities for continuing employment, good working conditions and good wages, the Cooperative must be in a strong marketing position, which means that it must provide quality services to its customers at the lowest possible costs and otherwise be able to operate its business efficiently, economically and competitively. The Union assumes its full responsibility in the attainment of these goals. The Union therefore agrees that it will cooperate with the Cooperative and support its efforts to assure a full day's work on the part of employees and require employees to recognize and abide by the rules and regulations, board policies and operating procedures established by the Cooperative. The Union will actively work to avoid absenteeism and any other practices which hurt or interfere with production and the efficient operation and management of the Cooperative in its efforts to operate and manage the business covered by this Agreement as efficiently and economically as possible, improve services and products, preserve equipment, prevent accidents and strengthen good will between the Cooperative and its employees, as well as with its suppliers and customers. The Union further recognizes that the

Cooperative has certain definite and stringent obligations and responsibilities to its customers and suppliers and the Union agrees that it will fully cooperate with the Cooperative in the performance and discharge of these obligations and responsibilities. The Cooperative recognizes its responsibilities to the Union and employees and herein pledges to cooperate with the Union and strive toward a harmonious relationship between labor and management of the Cooperative.

ARTICLE 2

RECOGNITION

The Cooperative recognizes the Union as the exclusive bargaining representative for all full-time and regular part-time employees employed by the Cooperative at its Shelbyville, Kentucky, facility, including the Crew Leaders, Lead Line Technicians, Line Technicians, Apprentice Line Technicians, Material Technician/Warehouse employees, but excluding all other employees, confidential employees, clerical employees, managers, guards and supervisors as defined by the National Labor Relations Act, as amended. It is the intention of the parties hereto that the bargaining unit covered by this Agreement shall be as established by the National Labor Relations Board in its "Certification of Representative" in Case No. 9-RC-18225, and this Article is included herein solely for the purpose of discharging the Cooperative's obligation under the law to recognize the Union.

ARTICLE 3

MANAGEMENT PREROGATIVES

The operation, control and management of the Cooperative's facilities and operations, and all business and activities of the Cooperative in connection therewith which are covered or affected by this Agreement, and the supervision and direction of the working forces at such facilities, operations and business are and shall continue to be solely and exclusively the functions and prerogatives of the management of the Cooperative. All of the rights, functions

and prerogatives of management which the Cooperative had prior to entering into this Agreement with the Union are reserved and retained exclusively to the Cooperative and shall not be questioned by the Union or any employee covered by this Agreement at any time or in any manner. In no event shall any right, function or prerogative of the Cooperative ever be deemed or construed to have been modified, diminished or impaired by any past practice or course of conduct, or otherwise, than by an explicit provision of this Agreement. Specifically, but without limiting or affecting the generality of the foregoing, it is distinctly understood and agreed that this Agreement does not affect and shall not be deemed or construed to impair or limit in anyway the Cooperative's right in its sole discretion and judgment, to determine the nature and extent of the business to be carried on by the Cooperative; determine the suppliers and customers with whom it will deal, and the prices at which and terms upon which its materials, equipment and supplies will be purchased, leased or otherwise acquired and its services and products will be sold; determine the size and composition of the working force covered by this Agreement, and assignment of work, and policies affecting the selection of employees; establish and enforce quality, production, construction and service standards for its employees, services and products; establish new departments; discontinue existing departments; introduce new and improved equipment, facilities and service methods; establish and change production and work performance standards; change, combine, establish or discontinue jobs or operations, set wage rates for such jobs or operations, and determine when and if vacancies in the working force shall be filled; determine the means and methods by which production and services will be made; determine the hours of operation; subcontract or procure from others any work of the business as the Cooperative may from time-to-time deem advisable or necessary, whenever and as often as, and to such extent as the Cooperative may deem necessary and advisable; and discontinue temporarily or permanently, in whole or in part, any operations of the business of the

Cooperative covered or affected by this Agreement. The Cooperative shall also have the right from time-to-time to make and enforce such reasonable rules applicable to employees covered by this Agreement, including rules concerning health and safety, alcohol and substance abuse, and to enforce, change, abolish or modify existing rules applicable to employees covered by this Agreement, as it may from time-to-time deem necessary or advisable, except as specifically limited herein.

ARTICLE 4

SUBCONTRACTING

It is understood by the Cooperative and the Union that, for the Cooperative to satisfy the demands of its customers and to successfully operate the business, contracting and/or subcontracting of work is necessary from time to time. It is therefore agreed by the Union that the Cooperative may, within its exclusive discretion, engage contractors for all construction, delivery, service and operations functions, and any and all other functions which it, in its exclusive discretion, deems necessary or desirable, with the exception that the Cooperative will not use this subcontracting clause to subcontract work while any employee who is fully qualified and capable of performing such work has any recall right, except in the case of an emergency. Subcontracting of work will not cause the direct layoff of bargaining unit employees. The exception in the preceding sentence shall not prohibit the Cooperative from subcontracting work to be performed by an employee recalled from layoff pending the employee's return to work from recall. Finally, neither this subcontracting provision nor any other provision of this Agreement shall limit, restrict, or prohibit the Cooperative from subcontracting or continuing to subcontract any work the Cooperative subcontracted prior to the execution of this Agreement.

ARTICLE 5

DISCIPLINE AND DISCHARGE

SECTION 1.

The Cooperative shall have the right to discipline and discharge employees during their probationary period without cause and without recourse by the Union or by such probationary employee to the grievance procedure of this Agreement.

SECTION 2.

Discipline and discharge of employees will be at the sole discretion of the Cooperative. However, such discipline and discharge will only be administered for just cause (which shall include the “Rules of Conduct” adopted and implemented in accordance with Article 3 of this Agreement.)

SECTION 3.

It is agreed that in the event an employee is given any disciplinary action, including a warning notice, one (1) copy of the warning notice will be given to the employee, one (1) copy will be sent to the Union Office and one (1) copy will be retained in the employee's personnel file. A warning notice or notices for any cause may constitute a basis for discharge for any subsequent infraction and it is understood and recognized by the parties hereto that certain infractions, including those specified in Section 2 of this Article, may, at the Cooperative's sole discretion, result in immediate discharge without warning. It is further understood and recognized that in any event the Cooperative may, in its sole discretion, discharge an employee who receives three (3) warning notices for any cause or combination of causes in a rolling twelve (12) month period.

SECTION 4.

Apprentice Employees: For the purposes of the Agreement, an apprentice may be terminated, without recourse, for the following reasons:

1) The employee fails to complete the Apprentice Lineman training and obtain the job classification of a qualified Journeyman Lineman (Line Technician) within the designated time as determined by the Cooperative; or

2) the Safety Committee informs the CEO that the employee is unable or unwilling to carry out the field portion of their duties in an acceptable manner. Any Apprentice Line Technician serving on the Safety Committee will not participate in any review process.

ARTICLE 6

VOLUNTARY UNION MEMBERSHIP AND CHECKOFF

SECTION 1.

All present and future employees of the Company covered by this Agreement on the date of execution of this Agreement shall have the right to remain, but shall not be required to remain, members of the Union. All employees covered by this Agreement who are hired after the date of execution of the Agreement shall have the right to become but shall not be required to become members of the Union.

The parties agree that if, during the term of this Agreement, KRS 336.130(3) (“Kentucky Right to Work Act”) is repealed, in its entirety, by the Commonwealth of Kentucky, if a new public act invalidates KRS 336.130(3), if it becomes unenforceable in any way, or if the language contained in the agreement expiring September 1, 2018 becomes lawful for any other reason, the language of the agreement expiring September 1, 2018 shall replace the current language without need for any bargaining.

SECTION 2.

Thirty-one (31) days after the effective date of this Agreement, the Union shall furnish to the Cooperative a true and correct list of those employees covered by this Agreement who are members of the Union.

SECTION 3. Checkoff.

The Cooperative agrees to deduct each month, from the paychecks of all employees who are covered by this Agreement, all periodic dues and initiation fees owing to the Union by the employees, provided, however, that such employees shall have voluntarily signed and submitted a written authorization which shall conform to and be in accordance with all applicable Federal and State laws.

All monies deducted by the Cooperative shall be forwarded to the Business Manager/Financial Secretary of the Union.

It is understood and agreed that any monies collected by the Cooperative for the Union will be taken out of the paycheck for the first pay period of the month and remitted to the Union before the 30th day of the same month.

The Cooperative will recognize authorizations for deductions from wages, if in compliance with State and Federal law, to be transmitted to the Union. No such authorization shall be recognized if in violation of State or Federal law. No deduction shall be made which is prohibited by applicable law. This provision is subject to whatever shop rule is promulgated by the Cooperative with respect to garnishments or other wage deductions.

SECTION 4.

If for any reason an employee does not work during the first pay period of any month in which the checkoff is made, the Cooperative shall make deductions for the above purpose from such employee's wages out of the next succeeding pay period in which he works.

SECTION 5.

It is understood and agreed that the Cooperative shall not be obligated or required to discharge an employee for failure to make payments.

SECTION 6.

In consideration of the adoption by the Cooperative of the Union Security and Voluntary

Checkoff provisions, the Union agrees to indemnify and hold the Cooperative harmless from and against any and all liability, loss, cost, damage, of every kind suffered, incurred or imposed upon the Cooperative because of any claim, demand, action, unfair labor practice charge, or any other legal or administrative proceedings, including attorney's fees and court costs, because any employee is discharged or other action taken, as a result of the provisions of this Article.

ARTICLE 7

NO STRIKE-NO LOCKOUT

The Union and employees agree that during the term of this Agreement neither the Union, its officers, agents or members shall authorize, instigate, aid, condone or engage in any work stoppage, strike of any kind or description, including so-called sympathy strikes, or otherwise interrupt, impede or restrict services of the Cooperative or engage in any activity which would tend to cause an interruption or delay in the accomplishment of the work and business of the Cooperative.

The Union and employees further agree that during the term of this Agreement the Union, its officers, agents or members will not honor or recognize any picket line or picketing in any form, including recognition of picket lines or picketing out of so-called sympathy, by any union at the Cooperative, or any facility or operation of the Cooperative, regardless of where it is located. Any employee who engages in any conduct prohibited by this Section, or who fails or refuses to comply with any provision of this Section, shall be subject to appropriate discipline, including discharge by the Cooperative. Further, the Cooperative shall be under no obligation to bargain with the Union concerning employees who are on strike or concerning the subject of any strike so long as the strike continues.

The Cooperative shall not lock out members of the Union during the term of this Agreement.

Nothing in the Article will require an employee to endanger Cooperative equipment, property or the employee's personal safety, however, if an employee believes the Cooperative's equipment, property or their personal safety are threatened, they must notify the Cooperative and the local law enforcement officials immediately. Failure to give such notices will be conclusively presumed to prove that no such threat existed, and the employee will be disciplined or discharged as set out above, with no recourse.

ARTICLE 8

PROBATIONARY EMPLOYEES

All new or rehired employees shall be placed on probation and shall be classified as temporary help during the first one hundred twenty (120) actual working days actually worked of their employment with the Cooperative. During such period the Cooperative may discharge or otherwise discipline, lay off, transfer or assign such employees with or without cause, and such actions shall not be subject to the grievance procedure.

If the new or rehired employee will be participating in the apprenticeship program, they shall start their Training Books and the Apprenticeship Program no later than 120 days from their hire date.

Probationary employees who complete their probationary period will be classed as regular employees and their date of hire shall be from the first day of hiring.

ARTICLE 9

HOURS OF WORK AND OVERTIME

SECTION 1.

A full-time employee's regular work week shall be forty (40) hours, Monday through Friday, 7:00 a.m. to 3:30 p.m. subject to change by the Cooperative when, as determined at the sole discretion of the Cooperative, requirements dictate—but after notice to the Union-- but shall not be less than eight (8) hours, excluding a maximum thirty (30) minute lunch break. If the

Cooperative determines a schedule change is necessary, the Cooperative and the Union agree to re-evaluate the situation no more than every thirty (30) days. The lunch break includes travel to the place where lunch is purchased and travel to return to the work site. In addition, employees shall receive two (2) fifteen (15) minute breaks during a full eight (8) hour shift. The Cooperative retains the sole discretion to determine when any employee(s) shall take his breaks. Employees may be required to leave work prior to the end of their shift in the case of strikes or other work stoppages, disciplinary suspension of an employee, acts of God. In such event, the employee shall only be compensated for the hours they were initially scheduled to work.

SECTION 2.

Overtime shall be paid for all hours actually worked in excess of eight (8) in a workday or forty (40) hours in any one (1) work week at the rate of one and one-half (1½) times the employee's regular straight-time hourly rate (only paid holidays, jury duty, bereavement leave and vacation days shall count as time worked for the purposes of over-time pay). Overtime under this Section shall be computed on a weekly (Sunday through Sunday) basis. There shall be no pyramiding of overtime or any premiums.

Employees shall be paid at the rate of one and one-half (1½) times their regular straight-time hourly rate for all hours worked on Saturday, so long as the employee has previously actually worked a minimum of forty (40) hours during such week, except as set out above.

Employees will be paid at the rate of one and one-half (1 ½) times their regular straight-time hourly rate for all hours actually worked when performing work for other electric utilities. Employees will be paid at the rate of two (2) times their regular straight-time hourly rate for all hours worked in excess of sixteen (16) consecutive hours in a work day and for work performed on Sunday.

SECTION 3.

If an outage occurs that in the opinion of management is considered a major outage situation or has been declared as such by either a County or State official, employees may be authorized by management to work up to a maximum of twenty-four (24) hours straight from their first call-out. At no time will employees work beyond sixteen (16) hours without prior authorization by management.

All employees will then be given a minimum rest period of eight (8) hours. If said rest period falls within the normal workday, (Monday-Friday, 7:00 a.m. to 3:30 p.m.), the employees will be paid at their regular straight-time pay rate.

After the initial twenty-four (24) hour work period, employees will be put on a schedule of sixteen (16) hours worked followed by eight (8) hours of rest. Employees returning from the rest period will start at the straight time pay rate unless the start time is outside the regular workday hours as defined in Article 9, Section 1.

The Cooperative has the right to start employees on rest time prior to completing twenty-four (24) hours of work and may extend the rest period beyond eight (8) hours to ensure that employees are rested and available throughout the duration of the outage. Employees have the right to request, and will be granted, rest time prior to working twenty-four (24) hours. At no time will employees work beyond sixteen (16) hours without prior approval by management.

ARTICLE 10

DUTY AND CALL-OUT PAY

SECTION 1.

The daily call-out rotation will consist of two (2) employees and will be posted yearly. These two (2) employees will be available and will be called on every call-out. If additional help is required, the employees on the over-time list will be called in order of ascending over-time hours (lowest first, etc.) until such time as the required help is obtained.

SECTION 2.

Employees required to work between the hours of 12:00 a.m. and 5:00 a.m., Monday through Friday, shall be granted equal hours in rest time based on the hours actually worked within that time frame. Rest time is to be taken during normal work hours and at the end of the work day or as approved by management. If the employee is called to work at 5:00 a.m. or later, the employee shall not be granted rest time during their normal shift.

If an employee has a company vehicle and is assigned rest time at the beginning of the work day, the vehicle must be returned to the Cooperative prior to the beginning of that work day.

If an employee accumulates four (4) hours or more of rest time for any given day and wants to take additional time off to complete that work day, the employee can use available vacation leave or sick leave time. If an employee accumulates less than four (4) hours of rest time for any given day and wants to take additional time off to complete that work day, the employee can use available vacation leave.

Employees eligible for the rest period shall not be called out again until the completion of their rest period.

Work shall be defined as actual time working, the two (2) hours for call-out time is not considered into the calculation of hours worked unless the full two (2) hours were actually worked.

SECTION 3.

If an employee is paid for rest time during regular work hours and requests to use a portion of sick or vacation leave to complete the workday but fails to report on call-out when contacted afterwards, up to four (4) hours of the regular shift, the employee shall forfeit the sick leave or vacation and shall be charged unpaid leave unless planned sick leave or vacation is scheduled or the employee makes a doctor's visit and provides a written doctor's excuse to his/her supervisor when reporting to work the following workday.

SECTION 4.

The over-time list will be updated at the end of each calendar month. Employees on the call-out roster shall receive one (1) hour of pay at time and one-half (1 ½) their regular rate of pay for actually serving call-out duty for each day served.

SECTION 5.

The employee is responsible for covering their scheduled days of duty or may trade duty. The duty must be traded equally; one (1) day for one (1) day. Traded duty between employees is the responsibility of those employees and the duty must be covered by each employee as traded.

Prior notice to and written approval from management is required for an on-call employee to trade on-call duty days. The employee requesting the trade, must work the on-call duty days(s) for which they have traded.

SECTION 6.

A substitute bargaining unit employee will be assigned by the Cooperative for on-call duty when the regularly scheduled employee is on unplanned sick leave. When the regularly

scheduled employee with assigned duty is taking a full work week of vacation, that duty will be owned by the employee and must be worked unless reassigned by the employee based on the following:

- a) If a holiday falls within the week of vacation, it will be considered a full work week.
- b) The duty may be traded in accordance with Article 10 Section 5.
- c) The duty may be given to another qualified employee by utilizing the current month's low overtime list applicable to the date of vacation. Prior notice to and written approval from management is required.

SECTION 7.

When an employee has completed his regularly scheduled workday, left the Cooperative's headquarters and in route to his home, but is called in to report to work more than two (2) hours prior to the beginning of his next regularly scheduled shift, he will be guaranteed two (2) hours work at his regular over-time hourly rate of pay. During this two (2) hour period the employee must respond to any re-callouts by the Cooperative. There will be no overlap of the two (2) hour minimum or overtime pay by any employee. If an employee has not left the Cooperative's headquarters, the time worked will be paid as regular overtime and not be classified as "call-out" duty. An employee shall not be required to remain longer than the time required to perform the emergency work existing during the period of such call-outs.

Any work assigned before the end of a regularly scheduled workday will be considered regular overtime and will not be subject to the minimum two (2) hour callout provision. If however, the Cooperative determines the rotation system is not efficiently or effectively covering call-out sufficiently or maintaining a balance in the overtime hours, then the Cooperative shall have the right to change from the rotation system.

SECTION 8.

Employees on vacation will only be called out after the Cooperative has made an effort to call out all other employees. Such employees will not have vacation time charged for the hours worked during scheduled vacation.

ARTICLE 11

WORK ASSIGNMENTS

Notwithstanding any of the provisions of this Agreement, there shall be no limitation or restriction upon the nature, extent and kind of work which employees who are not covered by this Agreement may perform, nor shall there be any limitation or restriction as to the times or occasions on which employees who are not covered by this Agreement may perform such work. Neither shall there be any limitation or restriction upon the nature, extent and kind of work which employees in the bargaining unit may be required to perform, nor shall there be any limitation or restriction as to the time or occasions on which bargaining unit employees shall be required to perform any work in a safe manner.

ARTICLE 12

GRIEVANCE PROCEDURE

SECTION 1.

A grievance, as referred to in this Agreement, is a dispute arising out of the interpretation or application of any one or more specific provisions of this Agreement. A written grievance must designate the specific provision(s) alleged to have been violated. No grievance alleging general violation of the Agreement or Articles of the Agreement will be accepted or processed by the Cooperative. Such grievance will be void and not subject to further processing or appeal.

Grievances shall be processed in accordance with the procedures set forth below.

STEP 1. The aggrieved employee shall present his grievance in writing to his immediate supervisor within four (4) days after the cause of such grievance becomes known or could reasonably be expected to have been known. If he so desires, the aggrieved employee may be accompanied by his Union Steward.

STEP 2. If the grievance is not settled in Step 1, it may be appealed by the employee within three (3) working days to the President and CEO (or designated representative in event of absence), who shall meet with the Union's Business Representative and the aggrieved employee. The President and CEO (or designated representative in event of absence) will give a written answer to the grievance within thirty (30) days of the initiation of Step 2 by the Union.

STEP 3. If the grievance is not satisfactorily settled in Step 2 and if the grievance is otherwise arbitrable under this Agreement, it may be referred to arbitration in strict accordance with the provisions of this Agreement pertaining to arbitration, provided that if the Union fails to notify the Cooperative in writing by Registered Mail within ten (10) days after the Cooperative gives its answer in writing to a grievance at Step 2 of the grievance procedure of the Union's desire to arbitrate the grievance, then the Union shall be conclusively presumed to have accepted the Cooperative's answer and said grievance shall not thereafter be arbitrable.

SECTION 2.

The grievance procedure is subject to the following rules and conditions:

(a) A settlement satisfactory to the Union at any step in the grievance procedure shall be binding on it and the employee or employees making the complaint.

(b) Saturdays, Sundays and holidays are excluded in computing the time limits specified in this Article.

(c) All meetings conducted pursuant to the provisions of Step 1 and Step 2 of this

Article shall be conducted at times when the aggrieved employee and others, including the Steward, are not regularly scheduled to work or at a time mutually agreed to between the Cooperative and the Union. Neither party shall have more than a total of three (3) persons present, including the aggrieved employee, except, by mutual consent, the parties may agree to a greater number.

(d) Employees will not leave their work to investigate, present or discuss grievances.

(e) This grievance procedure constitutes the sole and exclusive means of resolving controversies. Pending the raising, processing and/or settlement of a grievance, all employees will continue to work in a normal manner, and there shall be no slowdown, stoppage or other interference with work or operations as discussed and set forth in the Article of this Agreement entitled "No Strike - No Lockout."

(f) Infrequently, due to the nature of the subject matter, the Cooperative or the Union may request that Step 1 of the grievance procedure be waived. In such cases Step 1 of the grievance procedure may be waived provided there is mutual agreement by the Cooperative and the Union to do so.

(g) Any time the Cooperative offers a settlement with regard to any grievance, there will be a Union Official present. "Union Official" shall mean the employee's Steward or the Union's Business Manager.

(h) Any grievance of any kind which has been presented under the grievance procedure set forth herein which is not appealed to the next step within the applicable time specified above and any grievance which has not been presented under the grievance procedure set forth herein within the time period for presentation of grievances shall be considered settled and shall not be subject to further discussion or appeal.

SECTION 3.

The Cooperative shall not be required or obligated under the terms of this Agreement or otherwise to submit to the grievance procedure any claim or cause of action which it may have or assert on account of any alleged violation of this Agreement by the Union or any employee or employees covered by this Agreement.

SECTION 4.

No grievance may be filed or considered which is based in whole or in part on an occurrence happening prior to the execution of or after the term of this Agreement. A grievance which is timely filed over an issue which occurred before the Agreement expired will be processed as though the Agreement were still in effect.

SECTION 5.

The provisions of this Agreement covering grievance procedure and arbitration are completely unrelated to and independent of the provisions of the Article of this Agreement entitled “No Strike – No Lockout” clause. In the event the Cooperative claims that a grievance filed hereunder is not arbitrable, whether or not such claim be ultimately sustained, such claim shall not in any way affect or excuse the Union or any employee or employees covered by this Agreement from the provisions of the Article entitled “No Strike – No Lockout” and their respective obligations and duties thereunder.

SECTION 6.

In the event any grievance which is otherwise arbitrable under the terms of this Agreement shall be arbitrated, selection of an arbitrator shall first be attempted by the Union and the Cooperative attempting to agree on an arbitrator, and, if they cannot agree upon a selection, the Federal Mediation and Conciliation Service shall be asked to furnish a panel consisting of at least seven (7) names of arbitrators. One person selected by the Union and one person selected

by the Cooperative shall select a single arbitrator from the panel by alternately striking a name until such time as only one (1) name remains. The Cooperative and the Union will alternate in striking the first name from the list. The Cooperative will strike the first name in the first arbitration case and the Union will strike the first name in the second arbitration case, etc. The Cooperative and the Union shall each have the right to reject one (1) panel.

SECTION 7.

No more than one grievance shall be submitted to any one arbitrator unless the Cooperative and the Union agree otherwise in writing. The Arbitrators selected shall have power to receive relevant testimony from the parties to the dispute and hear such witnesses as they may desire to present. The parties may, if they so desire, be represented by counsel in all proceedings held before the Arbitrator. The Cooperative shall bear the costs of preparing and presenting its case to the Arbitrator and the Union shall bear the costs of preparing and presenting its case to the Arbitrator. All other expenses of arbitration, such as, but not limited to the Arbitrator's fee, and the hiring of a space in which the arbitration proceedings are held, shall be divided equally between the Cooperative and the Union.

SECTION 8.

The function of the Arbitrator shall be of a judicial, rather than a legislative, nature. The Arbitrator shall not have authority to add to, ignore or modify any of the terms or provisions of this Agreement. The Arbitrator shall not substitute his judgment for the Cooperative's judgment and where matters of judgment are involved he shall be limited to deciding whether or not the Cooperative acted arbitrarily, capriciously or in bad faith. The Arbitrator shall not decide issues which are not directly involved in the case submitted to him. In any discharge or disciplinary suspension case where the Arbitrator decides that the aggrieved employee should be awarded any back pay, the Cooperative shall be entitled to full credit on such awards for the employee's

gross interim earnings, unemployment compensation benefits, worker's compensation benefits received or receivable and any other compensation he receives from any form of employment during the period he was not working for the Cooperative. Subject to the foregoing qualifications and limitations, the Arbitrator's award shall be final and binding upon the Cooperative, the Union and the aggrieved employee or employees.

SECTION 9.

Only the Union shall have the right to prosecute grievances under this Agreement and only the Union shall have the right to take to arbitration any grievance which is otherwise arbitrable under this Agreement. If the Union fails, refuses or declines to prosecute a grievance on behalf of an employee, or on behalf of a group of employees hereunder, such employee or employees who filed such grievance or on whose behalf it has been filed shall be conclusively bound thereby and both the Union and the aggrieved employee or employees shall thereafter be prohibited from reviving or further prosecuting said grievance.

ARTICLE 13

PAY PERIOD

Shelby Energy employees will be paid every other Friday ("Pay Day") for regular hours, and any overtime hours, worked through 12:01 a.m. the Monday immediately prior to the Pay Day. When a Pay Day falls on a holiday, employees will be paid the day prior to the Pay Day. Should the day prior to the Pay Day also be a holiday, the employees will be paid on the Monday following the Pay Day.

ARTICLE 14

ASSIGNMENT OF OVERTIME

Overtime work shall be assigned to the employee(s) where the overtime exists. The duty crew and those employees currently working overtime will be utilized to assist the duty crew.

All other overtime assignments shall be determined by an established on-duty roster and/or overtime list with the understanding that during major outage or emergency situations, all Cooperative personnel, contractor employees or mutual-aid assistance from other cooperatives may be utilized to serve the members of the Cooperative. The Cooperative will endeavor to divide overtime work within a classification equally. In order to assist management in equalizing overtime, the on-duty roster and current overtime list will be used for Scheduled Overtime and an Out of Town Overtime roster will be utilized for out of town work.

ARTICLE 15

RATES FOR NEW JOB CLASSIFICATIONS

Recognizing that during the term of this Agreement the Cooperative may install new equipment or change work methods resulting in the creation of new job classifications, the Cooperative shall establish rates for such new classifications in line with the Cooperative's wage scale for like work and notify the Union's representative in writing. If after ten (10) days the Union does not question the rate established for the new classification, it shall become the established rate for the job.

ARTICLE 16

INSPECTION PRIVILEGES

The Local Union Business Manager or designated representative of the Union, the name of whom shall be furnished to the Cooperative in writing, shall have access to the Cooperative's establishment during working hours for any legitimate purpose in connection with the administration of this Agreement, provided he notifies the President and CEO (or designated representative in event of absence) of the Cooperative beforehand and obtains permission. The Cooperative will not unreasonably withhold such permission. The Union hereby agrees that its agents and representatives will not cause any interruption of the Cooperative's working schedule

or interfere with the work of employees or otherwise abuse these visitation privileges when on its premises. Union representatives will follow the procedures of other visitors to the Cooperative and sign in at the reception area and be accompanied by a management employee or other designated representative while on Cooperative property. In the event of a change of agents, the Cooperative will be immediately notified in writing.

ARTICLE 17

SENIORITY

SECTION 1.

Seniority of employees covered by this Agreement shall be determined by the Cooperative on the basis of length of continuous service with the Cooperative from the last date of hire.

SECTION 2.

An employee's seniority, qualifications, ability, skill, work record, and adaptability to perform the work involved, as determined by the Cooperative, shall apply in the case of layoff, recall from layoff, and promotions. It is agreed that in the case of layoff no employee, regardless of his seniority, may displace any other employee unless he is at that time able to perform the work of the employee being displaced to the satisfaction of the Cooperative. An employee who displaces another employee pursuant to the provisions of this Section shall be paid at the hourly rate of pay for that job classification as set forth in Appendix A. When the working force is being increased after a layoff, the Cooperative will apply the same standards as it originally applied for layoff when the employees are being recalled. The Union shall possess the right to grieve and/or take to arbitration the issue of whether the Cooperative has acted arbitrarily, capriciously, or in bad faith in its application of the above factors.

SECTION 3.

When there is to be a reduction/layoff in the workforce, the Cooperative will notify the Union as to the classification(s) and number of employees to be affected. All probationary, seasonal, part-time, and casual employees shall be laid off before any employees who have established seniority are affected.

SECTION 4.

The Cooperative will, when it determines it to be practicable, give employees one (1) week notice prior to layoff.

SECTION 5.

Seniority, qualifications, ability, skill, work record, and adaptability to perform the work involved, as determined by the Cooperative, shall be the controlling factors in promotion of employees, and where in the Cooperative's exclusive judgment, these factors are equal between two (2) or more employees, seniority will control.

SECTION 6.

All job vacancies in jobs which the Cooperative decides to fill will be posted for bid for at least ten (10) full working days. Until the Cooperative has selected an employee to regularly fill such job vacancy, the vacant job may be filled in any manner the Cooperative sees fit. The Cooperative will take final action with respect to all job openings within two (2) weeks after the posting is taken down. Employees shall be permitted to bid on jobs even if in a lower classification and shall accept the applicable pay scale and a successful job bidder shall not thereafter bid for any other posted job for six (6) months. If no employee in the unit who bids on the job is selected, using the criteria set out in this Sections 5 and 6, then the Cooperative may hire a new employee(s) from outside the work force.

If the Cooperative creates more than one (1) reporting location, there will be no bidding within the Apprentice, Crew Leader, Lead Line Technician Line or Material/Warehouse classifications, unless the employee lives or commits to relocate within fifteen (15) miles of such location. Such relocation must occur within six (6) months of being awarded the job and, if not, the employee will be removed from that job.

The progression within the Line classifications will be as follows:

Apprentice-Level 1

Apprentice-Level 2

Apprentice-Level 3

Apprentice-Level 4

Line Technician

Lead Line Technician

Crew Leader

Promotion from level-to-level within the Apprentice classification and to Line Technician, Lead Line Technician and/or Crew Leader will be at the sole discretion of the Cooperative.

SECTION 7.

An employee shall lose his seniority and his status as an employee shall cease for any of the following reasons:

- (a) If an employee quits or is discharged.
- (b) If an employee is in layoff status for more than six (6) months.
- (c) If an employee, after having been laid off, when notified of recall by the

Cooperative by certified mail sent to the employee's last address appearing on the Cooperative's records, fails by the end of the seventh (7th) day following the day of receipt of such notification to notify the Cooperative of his/her acceptance and intent to return to work, or such employee

fails to report for work on or before the beginning of the fourteenth (14th) calendar day following the day the employee received the Company's notification of recall. It shall be the employee's responsibility to keep the Cooperative informed of his/her current address.

(d) If an employee is absent from work for one (1) day without reporting to the supervisor before the regular workday begins, unless prevented from doing so because of being hospitalized or physically unable to do so. The burden of proving such circumstances existed is on the employee making the claim. Progressive discipline will be administered beginning with a (1) written warning; (2) a three (3) day suspension without pay, and (3) discharge. Discipline will be administered on a rolling twelve (12) month basis.

(e) If an employee has retired.

SECTION 8.

Seasonal, temporary, part-time and casual employees are excluded from the bargaining unit covered by this Agreement and are not entitled to any of the benefits and privileges provided for in this Agreement.

SECTION 9.

If, and when, employees in the bargaining unit covered by this Agreement are promoted or transferred to jobs outside the bargaining unit they will retain and accumulate seniority for a period of twelve (12) months, during which period such employees will have the right to return to a job in the bargaining unit, provided they have the seniority to do so and a bargaining unit job is open and available. At the end of said twelve (12) month period, if the employee remains in the job outside of the bargaining unit, he will lose all seniority rights under this Agreement.

SECTION 10.

A seniority list shall be made up by the Cooperative within thirty (30) days after the date this Agreement becomes effective. A copy shall be furnished to the Business Manager or his

designee and a copy posted on the Union Bulletin Board. This list shall be open for correction for a period of thirty (30) days thereafter and if an employee does not make a protest in writing to the Cooperative, with a copy to the Union, within such thirty (30) day period after the posting of such list, his seniority shall be brought up-to-date on January 31 of each year thereafter.

SECTION 11.

In the event a job vacancy is posted, in accordance with Section 6 of this Article, and no employees bid on the job and the Cooperative decides not to fill the vacancy by hiring a new employee from outside the work force, then the Cooperative may assign employees to the position on a permanent basis. Such assignment will be by seniority within the classification involved, with the least senior employee(s) being required to perform that job.

SECTION 12.

If it is necessary for an employee to perform work in a higher rated classification for a period of five (5) consecutive days or less, excluding holidays then the Cooperative will upgrade the willing qualified senior employee on the crew.

If it is necessary for an employee to perform work in a higher rated classification for a period of more than a five (5) day period, the Cooperative will assign the willing qualified employee.

If it is necessary for the Cooperative to fill a vacancy due to a short notice request or call in with less than twenty-four (24) hour notice, Management has the sole discretion to fill that vacancy with a qualified employee.

ARTICLE 18

MEDICAL AND BEREAVEMENT LEAVE

SECTION 1.

“Leave,” as that term is used in this Agreement, shall mean time off taken by an employee who has accumulated leave time for purposes of bereavement, illness or other medical condition,

including maternity, and shall be used only as provided in this Article.

SECTION 2.

Sick Leave shall be earned and taken in accordance with Board Policy No. 905, except employees are not eligible for sick leave until they have completed one hundred twenty (120) actual working days of employment, actually worked.

Regular, full-time employees shall be awarded sick leave at the rate of eight (8) hours per month at the end of the month and may accumulate an unlimited amount of sick leave to help guard against prolonged illness or injury. Sick leave will be awarded during all periods of leave except during periods of leave without pay.

In the event of death occurring within the employee's immediate family, up to four (4) days personal absence with pay will be granted for bereavement. The absence will not be charged against sick leave. Any additional time off will be charged against the employee's sick leave or vacation leave, as designated by the employee. The employee must notify their manager as soon as possible of the need for funeral leave.

In the event of the death of an aunt, uncle, niece or nephew, full-time employees will be allowed one (1) day absence with pay for bereavement. The absence shall not be charged against the employee's sick leave. Any additional time off will be charged against the employee's sick leave or vacation leave, as designated by the employee. Employee must notify their manager as soon as possible of the need for funeral leave.

SECTION 3.

To receive compensation under this Article, before his/her shift begins, an employee must notify his immediate supervisor of the necessity for absence, except in the rare instances when the employee is completely physically unable to give the required notice (i.e., unconscious or totally incapacitated). To receive compensation for planned, non-emergency, sick leave under this Article and to accommodate the planning of work and service to customers, an employee must notify

his/her immediate supervisor as soon as possible after the employee has scheduled such sick leave.

An employee who has been absent from work for three (3) consecutive workdays because of illness or accident must notify and advise his supervisor in writing regarding the anticipated duration of his/her continued absence. Such written notice must be from the employee's attending physician.

SECTION 4.

Any employee found to have falsified the reason for leave or who has abused the leave provision by falsification or misrepresentation shall, in the Cooperative's sole discretion, thereupon be subject to disciplinary action, including discharge. In addition, such employee will restore to the Cooperative amounts paid to him to which he was not entitled.

ARTICLE 19

JURY DUTY

An employee who is required to serve and perform jury duty shall be compensated at his regular straight-time hourly rate by the Cooperative for a maximum of thirty (30) regularly scheduled workdays (up to a maximum of eight (8) hours per workday) per year on a rolling twelve (12) month basis. Any amount received as juror's fees by an employee performing jury duty and being compensated under this Article shall be tendered and released to the Cooperative. To receive compensation under this Article, an employee must provide to the Cooperative valid proof of such jury duty and the amount received as juror's fees. Whenever the employee is temporarily excused from such jury duty by the Court on a scheduled workday he shall advise his immediate supervisor as promptly as possible and report to the Cooperative and stand ready to work immediately if requested by the Cooperative. The receipt of notice to report for jury duty must be reported immediately to the employee's immediate supervisor.

ARTICLE 20

MILITARY SERVICE

Employees inducted into the Armed Forces of the United States shall be re-employed according to the provisions of the Vietnam Era Veterans Readjustment Assistance Act of 1974, as amended (VEVRA), and the Uniformed Services Employment and Reemployment Rights Act of 1994, as amended (USERRA). Any and all benefits under this Agreement which require working as a condition of earning such benefits and such other benefits as health, medical and other insurance shall not be due to such employees, unless specifically required by statute.

ARTICLE 21

HOLIDAYS

SECTION 1.

Employees shall be paid eight (8) hours pay at their regular straight time rate for the following holidays:

New Year's Day	Thanksgiving Day
Martin Luther King, Jr. Day	Friday after Thanksgiving
Memorial Day	Christmas Eve
Fourth of July	Christmas Day
Labor Day	Floating Holiday*

* The "Floating" Holiday is added the first pay period of January for the employee to use as regularly scheduled vacation.

SECTION 2.

To receive holiday pay, an employee must have worked their regularly scheduled hours on the workday immediately preceding the holiday and the workday immediately after the holiday or have either of these days charged to pre-approved vacation, funeral leave, jury duty or authorized

sick leave. To receive authorized sick leave pay and holiday pay, the employee must provide written documentation that the employee was seen and treated by a medical provider (hospital/clinic/physician's office).

SECTION 3.

In addition to the above allowance, an employee will be compensated for hours actually worked on the above listed holidays, except the Floating Holiday, at one and one-half (1 ½) times his regular straight time rate.

SECTION 4.

Holidays falling on Saturday shall be recognized on the previous scheduled workday and holidays falling on Sunday shall be recognized on the following scheduled workday.

SECTION 5.

In the event a holiday falls during an employee's vacation, the employee shall not have vacation time charged for the holiday.

ARTICLE 22

VACATION

The earning, accumulation and scheduling of vacation will be as follows:

- A. New employees, after successfully completing one hundred and twenty (120) workdays of training and continuous employment, will have forty (40) hours of vacation time placed on the books which may be taken thereafter, upon approval of the department manager.
- B. Regular full-time employees earn vacation days as follows, based on their employment date:
 - 1. Ten (10) working days earned per year through five (5) years of continuous service.
 - 2. Ten (10) working days earned per year plus one (1) additional working

day per year added for six (6) through fourteen (14) years of continuous service.

3. The maximum earned vacation, twenty (20) working days, will be earned at fifteen (15) years of continuous service.
4. Vacation is not to be taken during the annual meeting, employee development day, lineman's rodeo, safety day and first aid/CPR training.
5. Cooperative management will retain the official version of the vacation calendar, and a copy of the calendar will be posted in the operations department for easy access by employees.

a.) When employees need to add, cancel or revise vacation days, a *Vacation Request/Change Form* must be completed, signed by the employee and approved with signature by the department manager.

b.) Upon signature approval by the manager, the employees will update the copy of the calendar located in the operations department, and the manager will update the official calendar.

C. Maximum carryover at the end of the calendar year will be equal to annual vacation earned, plus five (5) working days. Example: An employee who earns twenty (20) working days of vacation may carry over twenty-five (25) working days at year end.

D. Vacation will be scheduled as follows:

1. The Union shall provide a holiday rotation roster no later than the 1st of November, annually.
2. The Cooperative shall provide a duty roster, which incorporates the holiday rotation, no less than one (1) week prior to vacation selection.
3. Selection of five (5) working days of vacation by each employee based

upon seniority followed by repeated selections until all employees have their planned and/or eligible vacation selected.

2. All vacation planned for the following calendar year will be selected by the 15th of December, annually. All eligible vacation for the following calendar year not selected by the 15th of December will be scheduled based on availability and management approval.
 3. No more than three (3) employees will be permitted to schedule vacation on the same dates.
- E. In the event one of the Cooperative's regularly scheduled holidays falls within the employee's scheduled vacation, such holiday will not be charged against the employee's vacation time.
- F. Employees who have earned twenty (20) working days of vacation per year may take five (5) working days in bonus pay during a designated time in the month of December.
- G. Vacation leave will be credited and available in total on January 1 of each applicable year based on the years of service the employee will attain that year. While vacation leave is credited on January 1, the leave is earned throughout the year. Any vacation days taken and not earned must be repaid to the Cooperative should the employee separate employment. The Cooperative will deduct any overpayment of vacation from the employees last paycheck.
- H. In the case of a person on compulsory military leave, the numbers of years which determine the vacation earned will continue uninterrupted and the time while on military leave will count toward the number of years of continuous service to determine the amount of vacation earned.

ARTICLE 23

GROUP INSURANCE

SECTION 1.

The Cooperative shall have the right to change insurance carriers or programs at any time so long as the group insurance coverage is not substantially reduced.

SECTION 2.

The contracts between the Cooperative and insurance carriers will govern in all matters related to the insurance plans provided for herein. The exact coverage and the conditions for the coverage of such insurance will be determined by the terms and conditions of the policy or contract, and the Cooperative will not be liable under any circumstances as an insurer of any of the benefits to employees.

SECTION 3.

Any employee covered by this Agreement who is off work for more than six (6) months-- other than for vacation or a leave of absence approved in writing by the CEO of the Cooperative-- will lose entitlement to all benefits provided for in this Agreement and any insurance contributions made by the Cooperative will terminate. In order for any such benefits to continue, the employee, if eligible, will be required to make the contributions previously made by the Cooperative in accordance with the Consolidated Omnibus Budget Reconciliation Act of 1985, and, if not made by the employee, such benefits will terminate.

SECTION 4.

Employees shall contribute thirteen (13) percent of the total premium for the health insurance provided by the Cooperative for the duration of this agreement.

SECTION 5.

(1) If an employee's spouse is employed by another employer where health insurance is available, then such spouse must obtain health insurance from that employer and it shall be

primary for such spouse. If the spouse is not eligible to obtain the health insurance, under the provisions of HIPPA, at the time the employee is eligible for health insurance under the Cooperative's plan, then upon a certification from the spouse's employer and its health insurance provider (whether insured or self-insured) that the spouse is not eligible under the provisions of HIPPA until a later date, the spouse will be eligible to be covered under the Cooperative's health insurance program until the earliest date on which such employee's spouse is eligible for insurance provided by their employer.

(2) Dependents will be covered by the health insurance of the employee or the spouse with such dependents being covered by the spouse whose Birthday falls earliest in the calendar year.

(3) A spouse who loses insurance from their employer will be added to the Cooperative's health insurance program within (30) days of notice of termination of such coverage.

(4) An employee who has a spouse/dependent covered by the Cooperative's health insurance program shall certify in writing annually, or as determined by the Cooperative, that the spouse continues to be unemployed or is not eligible for health insurance from their employer and dependents are eligible for coverage based on plan requirements.

SECTION 6.

The Cooperative may reopen for negotiations Article 23 of this Agreement with respect to health and medical insurance if Federal or State health care reform legislation is enacted, and if either of the below situations occur:

(1) Legislation requires the Cooperative to make payments above that required to provide the specified coverage set forth in this Article; or

(2) The legislation would allow the Cooperative to realize a cost reduction in replacing its current plan with that provided for in such legislation.

ARTICLE 24

PENSION PLAN

SECTION 1.

Employees hired on or before September 2, 2009 shall receive the NRECA Pension Plan. The instruments composing the Pension Plan will govern in all matters related to it. The exact terms and conditions for coverage, retirement, etc. will be determined by the terms and conditions of such instruments and the Cooperative will not, under any circumstances, be liable for any benefits to the employees. New employees hired on and after September 3, 2009 will not be eligible for or participate in such plan.

For the term of this Agreement, the Cooperative shall pay for such employees the full contribution rates (Cooperative and employee contributions) required under the NRECA Pension Plan. The current so-called multiplier will be 1.7. In no case will the Cooperative maintain or provide Pension Plan benefits to employees who have not completed their probationary period.

SECTION 2.

All employees of the Cooperative are eligible to participate in the Cooperative's 401(k) Plan as outlined below:

Employees hired on and before September 2, 2009, that contribute one percent (1%) or more of his/her gross wages, the Cooperative will contribute two percent (2%) of his/her gross wages. Employee's hired on or after September 3, 2009, that contribute one percent (1%) of his/her gross wages, the Cooperative will contribute six percent (6%) of his/her gross wages. Each additional one percent (1%) that is contributed by the employee, the Cooperative will contribute an additional one percent (1%) up to a maximum of twelve percent (12%) match as outlined in the following table:

Employee Contribution (gross wage)	Cooperative Contribution (gross wage)
1%	6%
2%	7%
3%	8%
4%	9%
5%	10%
6%	11%
7%	12%

The instruments composing the 401(k) Plan will govern in all matters related to it. The exact terms and conditions for coverage, contributions, withdrawal, retirement, etc. will be determined by the terms and conditions of such instruments and the Cooperative will not, under any circumstances, be liable for any benefits to the employees.

ARTICLE 25

MISCELLANEOUS

SECTION 1. Clothing.

The Cooperative will provide employees with thirteen (13) sets of uniforms per year and pay for the laundry of such uniforms. In addition, the Cooperative will provide an additional six hundred and seventy-five (\$675.00) per year for employees to purchase tools or other work-related apparel, etc. Each employee will receive advanced payment no later than October 2nd of each year and this amount will cover the annual contract period for that year. New employees will have the total amount prorated and receive an advanced payment based on the number of days remaining in the annual contract period at the time of employment.

Employees will be personally responsible for ordering the above items and orders will be delivered to their home or other personal location of their choice. Employees are responsible for the costs of the Cooperative logo being placed on apparel and will use only authorized vendors for which the Cooperative has established to meet national requirements for the logo.

Outer wear such as coats, jackets, hats caps, etc. worn by employees must have the Cooperative's logo and must be visible at all times while working. Employees will not wear apparel that have other logos. All uniforms, clothing and other apparel shall be clean and well maintained, as determined by the Cooperative.

Employees will be required to sign an *Allowance Form* that states payment will be reimbursed by the employee should they leave employment of the Cooperative prior to the end of the contract period of each year. The reimbursement to the Cooperative will be prorated based on the number of days remaining in the annual contract period at the time of termination.

SECTION 2. Boot Allowance

The Cooperative will pay each employee a two hundred-fifty-dollar (\$250) boot allowance the first pay period in January. The first payment will start in January 2022 and will continue each year thereafter.

Employees will be required to sign an *Allowance Form* that states payment will be reimbursed by the employee should they leave employment of the Cooperative prior to the end of the year. The reimbursement to the Cooperative will be prorated based on the number of days remaining in the year at the time of termination.

SECTION 3. Climbing Equipment and Accessories.

The Cooperative specifically retains the sole discretion to determine the equipment bargaining unit employees shall use to perform their work. The Cooperative will issue advanced

payment of seven hundred and fifty dollars (\$750.00) to new employees for the purchase or ownership of belt, hooks, hand tools or appropriate outer wear and work-related accessories to wear with uniforms.

New employees will be required to sign an *Allowance Form* that states full amount of the advanced payment will be reimbursed by the employee should they leave employment of the Cooperative prior to actually working twelve (12) months.

This is in addition to Article 25, Section 1 for newly hired employees. Should the employee complete the Apprenticeship Program, the belt and hooks will belong to the employee for the duration of his employment. Any such replacement climbing equipment and/or hand tools shall conform to all applicable rules and regulations as determined by the Cooperative's safety representative.

Each employee will furnish the initial set of hand tools. The Cooperative will replace such climbing equipment and/or hand tools that are broken or worn to a point of being unsafe. Such equipment must be returned by the employee as a condition of having it replaced.

SECTION 4. Driver's License.

Crew Leaders, Lead Line Technicians, Line Technicians, Service Technicians, Apprentice Technicians and any other employees who drive or operate Cooperative vehicles or equipment shall maintain an active, Kentucky driver's license with a Class A Commercial Driver's License ("CDL") certification. The Cooperative will pay for the required CDL portion of the license. Loss or revocation of a driver's license or a CDL for a "Major Violation" under the CDL Regulations will result in the termination of the employee. If it is a "Serious Violation" under the CDL Regulations, then the disciplinary action can be, in the Cooperative's discretion, up to and including termination of employment.

SECTION 5. Union Bulletin Board.

The Cooperative will provide a bulletin board for posting of official Union bulletins and

job postings. Nothing, however, shall be posted on such bulletin board which is derogatory to any individual or which is libelous or obscene, or which deals with any matter that is subject to the grievance-arbitration procedure set forth in this Agreement. Only official matters which relate directly to members of the bargaining unit at the Cooperative may be posted on the bulletinboard.

SECTION 6. Cellular Telephones.

The Cooperative will reimburse each bargaining unit employee eighty-five dollars (\$85.00) each month towards the cost of cellular telephone service as required for all bargaining unit job positions. The telephones shall be the property of the employees who are required to have the telephone available at all times, excluding vacation, and answer it when called. Guidelines for the cellular telephones are as follows:

a) At the personal expense of each bargaining unit employee, the employee shall purchase, maintain and replace the telephone as required to have a cellular telephone available as stated above.

b) Features of the cellular telephone shall include the following:

1. Coverage for Shelby Energy Cooperative service territory;
2. Coverage for the residence of the employee;
3. Voicemail capabilities, and
4. Texting capabilities.

c) The Cooperative shall not be responsible for any over time or other wage opportunities lost by a bargaining unit employee resulting from the lack of cellular telephone coverage or a defective/inoperable device.

d) The employee shall provide the cellular telephone number to appropriate management, in writing, via the *Cellular Information Form* as soon as the information is available.

e) Should a cellular telephone number change or an alternate number be necessary, the employee shall submit the information, in writing, via the Cellular Information Form to

appropriate management as soon as the information is available to assist with timely revisions with the answering service provider.

f) The employee shall obey all local, state, federal and Cooperative Regulations, policies and guidelines when using the cellular telephone.

g) Reimbursement to the bargaining unit employee shall be included with payroll each month. A partial month of reimbursement for a cellular telephone shall be prorated based on the number of days applicable to the date of employment or the date of termination.

SECTION 7. Prescription Safety Eyewear

A reimbursement of up to one hundred dollars (\$100.00) for the cost differential on safety features that apply to prescription eyewear will be paid to bargaining unit employees based on the following:

- a) The reimbursement will apply annually;
- b) The employee will provide an itemized receipt from the eyewear vendor;
- c) The request for reimbursement must be submitted to the Cooperative's human resource's representative for payment;
- d) Should the proper information not be provided to the human resource's representative, the employee shall be required to wear the eyewear safety guards provided by the Cooperative.

ARTICLE 26

NON-DISCRIMINATION

The Cooperative and the Union agree that the provisions of this Agreement shall be applied to all employees without discrimination on the basis of age (over age 40), disability (as defined and provided for in the Americans with Disabilities Act of 1990), sex, race, color, religion or national origin or status as a Vietnam Veteran.

Whenever the words "he", "him" or "his" are used herein, those words shall be deemed to

include the feminine gender as well.

ARTICLE 27

WAGE RATES AND CLASSIFICATIONS

SECTION 1. Moves into Lower-Rated Positions.

All employees, whether employed as of the ratification date of this Agreement or not, who are demoted to a lower rated classification (determined by reference to Regular Classified Rates) after the ratification of this Agreement shall receive the rate of the job classification to which they are demoted to or to which they have bumped.

SECTION 2. Rates.

Wage rates for all classifications within the bargaining unit are set forth in Appendix A.

ARTICLE 28

STEWARDS

The Union shall have the right to designate a Chief Steward and an Assistant Chief Steward from employees in the bargaining unit. Such designation of the person to be steward shall be communicated to the President and CEO (or designated representative in event of absence) of the Cooperative within seven (7) days. Any change in the steward shall be communicated to the Cooperative in the same way and within the same period as set forth above. Employees shall not engage in any Union activities during working hours. All Union activities, including the discussion of grievances, whether or not with management, and other activities incidental to collective bargaining, shall take place at times mutually convenient to the Cooperative and the Union.

The Company shall compensate an employee only for the regular straight-time hours actually lost by such employee because of the employee's documented participation in the contractual grievance procedure, K.O.S.H.A. inspections, and the arranged meetings, as outlined below:

- a) For the time spent by Shop Stewards, Chief Stewards and other employees authorized by this agreement to participate in the processing of a grievance under the terms of the grievance procedure set forth in Article 12.
- b) For time spent by a Union member who is requested by the Company or K.O.S.H.A. to attend opening or closing conferences or the walk around of a K.O.S.H.A. inspection of a company facility.
- c) For time spent in arranged Company authorized meetings with Company representatives.

Union business except as specifically provided herein, shall not be conducted during employee's working time unless specifically authorized by the Company.

Union members who are excused from work for the conduct of Union business, and who are not eligible for compensation by the Company for time so spent, shall, upon request by the Union, be compensated by the Company for straight-time hours spent. The Union will reimburse the Company for these hours upon proper notice. The Company's obligation under this section shall be suspended if, after thirty (30) calendar days from demand for proper reimbursement, such reimbursement is not received by the Company. Any contested amount of reimbursement is all that may be withheld by the Union to avoid the suspension of such obligation.

ARTICLE 29

EFFECT OF LAW

All provisions of this Agreement shall be subordinate and subject to any statute or law that may be applicable, whether now in effect or hereinafter enacted. If any provision of this Agreement or application of this Agreement to any employee is contrary to law, then such provision or application shall not be deemed valid except to the extent permitted by law, but all other provisions or applications of this Agreement shall continue in full force and effect.

ARTICLE 30

ENTIRE AGREEMENT

SECTION 1.

This Agreement sets out the entire understanding between the Cooperative and the Union with respect to the unit of employees described in this Agreement. Neither party intends to be bound or obligated except to the extent that it has expressly so agreed herein, and this Agreement shall be strictly construed. The Union shall not use or attempt to use in any arbitration or legal proceeding of any kind under this Agreement or in which involves this Agreement any concession or change in the language or position which the Cooperative made or agreed to in the course of the negotiations for this Agreement, and evidence of any such concession or change in the language or position on the Cooperative's part shall be inadmissible. This Agreement applies only to the collective bargaining unit defined in this Agreement. None of the benefits, rights or privileges accorded by this Agreement to the Union or to any employee covered by this Agreement shall survive the expiration or termination of this Agreement.

SECTION 2.

It is distinctly understood and agreed by the Union that the Cooperative shall not be obligated, contractually or otherwise, to continue in effect any custom, practice or benefit unless it has contractually obligated itself to do so by clear and explicit language in this Agreement.

SECTION 3.

The Cooperative and the Union agree that the agreements reached to settle grievances that were posted for arbitration under the Agreements effective from September 2, 2009 through September 1, 2021 shall remain in effect as though fully set forth in the new Agreement effective September 2, 2021 through September 1, 2024.

ARTICLE 31

COLLECTIVE BARGAINING

The Cooperative and the Union each acknowledge that this Agreement has been reached as a result of collective bargaining in good faith by both parties hereto, and that both parties hereto have had the unlimited opportunity during negotiations to submit and discuss proposals on all subjects which are bargainable matters. While it is the intent and purpose of the parties hereto that each of them shall fully perform all obligations by them to be performed in accordance with the terms of this Agreement, the Union agrees that the Cooperative shall not be obligated to bargain collectively with the Union during the term of this Agreement on any matter pertaining to rates of pay (except as provided in Article 15, "Rates of Pay for New Classifications"), wages, hours of employment, or other conditions of employment, and the Union hereby specifically waives any right which it might otherwise have to request or demand such bargaining and acknowledges that the Cooperative's obligations during the term of this Agreement shall be limited to the performance and discharge of its obligations under this Agreement.

ARTICLE 32

DURATION OF AGREEMENT

The effective date of this Agreement is September 2, 2021. This Agreement shall be in full force and effect for the entire period from September 2, 2021 through September 1, 2024, and from year-to-year thereafter, unless either party hereto shall at least sixty (60) days prior to September 1, 2024, or the 1st day of September in any year thereafter, notify the other party in writing of its intention and desire to terminate this Agreement. If proper notice is given and the parties, after negotiation, fail to reach agreement on the proposed changes, this Agreement may

be terminated by either party upon ten (10) days written notice delivered to the other at any time after the date upon which this Agreement would have otherwise terminated if no notice for termination had been given. Such ten (10) days notice must be given before any lockout or strike may occur.

IN TESTIMONY WHEREOF, the Cooperative and the Union by their respective officers and representatives hereunto duly authorized, have signed this Agreement on the day, month and year first set forth above.

SHELBY ENERGY COOPERATIVE, INC


INTERNATIONAL BROTHERHOOD OF
ELECTRICAL WORKERS ,
LOCAL UNION 2100

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 25: Provide each medical insurance policy that Shelby Energy currently maintains.


Response 25: Please see attached.

ATTACHMENT PSC 1-25

 The Summary of Benefits and Coverage (SBC) document will help you choose a health plan. The SBC shows you how you and the plan would share the cost for covered health care services. **NOTE: Information about the cost of this plan (called the premium) will be provided separately. This is only a summary.** For more information about your coverage, or to get a copy of the complete terms of coverage, call 1-844-209-0071. For general definitions of common terms, such as allowed amount, balance billing, coinsurance, copayment, deductible, provider, or other underlined terms see the Glossary. You can view the Glossary at www.MyAmeriBen.com or call 1-844-209-0071 to request a copy.

Important Questions	Answers			Why This Matters:
What is the overall deductible?		Network	Non-Network	Generally, you must pay all of the costs from <u>providers</u> up to the <u>deductible</u> amount before this <u>plan</u> begins to pay. If you have other family members on the <u>plan</u> , each family member must meet their own individual <u>deductible</u> until the total amount of <u>deductible</u> expenses paid by all family members meets the overall family <u>deductible</u> .
	Per participant:	\$600	\$1,200	
	Per family:	\$1,800	\$3,600	
Are there services covered before you meet your deductible?	Yes. <u>Preventive care</u> services when performed in <u>network</u> and benefits where a <u>co-payment</u> applies.			This <u>plan</u> covers some items and services even if you haven't yet met the <u>deductible</u> amount. But a <u>copayment</u> or <u>coinsurance</u> may apply. For example, this <u>plan</u> covers certain <u>preventive services</u> without <u>cost sharing</u> and before you meet your <u>deductible</u> . See a list of covered <u>preventive services</u> at https://www.healthcare.gov/coverage/preventive-care-benefits/ .
Are there other deductibles for specific services?	No.			You don't have to meet <u>deductibles</u> for specific services.
What is the out-of-pocket limit for this plan?	Co-Insurance Out-of-Pocket Maximum			The <u>out-of-pocket limit</u> is the most you could pay in a year for covered services. If you have other family members in this <u>plan</u> , they have to meet their own <u>out-of-pocket limits</u> until the overall family <u>out-of-pocket limit</u> has been met.
		Network	Non-Network	
	Per participant:	\$1,900	\$4,500	
	Per family:	\$3,800	\$9,000	
	Overall Out-of-Pocket Maximum			
		Network	Non-Network	
	Per participant:	\$7,150	Unlimited	
Per family:	\$14,300	Unlimited		
What is not included in the out-of-pocket limit?	Premiums, <u>balance-billed</u> charges, health care this <u>Plan</u> doesn't cover, charges in excess of benefit maximums, charges in excess of maximum			Even though you pay these expenses, they don't count toward the <u>out-of-pocket limit</u> .

	allowed amounts, pre-certification penalties, and non-medically necessary services.	
Will you pay less if you use a <u>network provider</u>?	<p>Yes, for medical: Anthem. See www.anthem.com or call 1-833-835-2714 for a list of <u>network providers</u>.</p> <p>Yes, for prescription drugs: Navitus and Pillar Rx. For a list of retail and mail pharmacies, log on to www.navitus.com or call 1-866-378-4755.</p> <p>Yes, for specialty drugs: Lumicera. To contact, call 1-855-847-3553.</p>	This <u>plan</u> uses a <u>provider network</u> . You will pay less if you use a <u>provider</u> in the <u>plan's network</u> . You will pay the most if you use an <u>out-of-network provider</u> , and you might receive a bill from a <u>provider</u> for the difference between the <u>provider's</u> charge and what your <u>plan</u> pays (<u>balance billing</u>). Be aware, your <u>network provider</u> might use an <u>out-of-network provider</u> for some services (such as lab work). Check with your <u>provider</u> before you get services.
Do you need a <u>referral</u> to see a <u>specialist</u>?	No.	You can see the <u>specialist</u> you choose without a <u>referral</u> .

 All **copayment** and **coinsurance** costs shown in this chart are after your **deductible** has been met, if a **deductible** applies.

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
If you visit a health care <u>provider's</u> office or clinic	Primary care visit to treat an injury or illness	\$30 co-payment, deductible waived	30% co-insurance after deductible	Co-payment applies to the office visit only. All other services performed will apply to their applicable benefit level. You may have to pay for services that aren't preventive. Ask your <u>provider</u> if the services you need are preventive. Then check what your <u>plan</u> will pay for.
	<u>Specialist</u> visit	\$30 co-payment, deductible waived	30% co-insurance after deductible	
	<u>Preventive care/screening/immunization</u>	No Charge	Up to \$500 per Year: No charge Charges in Excess of \$500: 30% co-insurance, deductible waived	
If you have a test	<u>Diagnostic test</u> (x-ray, blood work)	Diagnostic Inpatient/Outpatient Professional Services: 10% co-insurance after deductible Lab and X-Ray Inpatient Professional Services:	30% co-insurance after deductible	_____none_____

* For more information about limitations and exceptions, see the plan or policy document at www.MyAmeriBen.com

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
		10% co-insurance after deductible Lab and X-Ray Outpatient Professional Services: No charge Office Visit/Independent Lab: No charge		
	Imaging (CT/PET scans, MRIs)	10% co-insurance after deductible	30% co-insurance after deductible	Includes computed tomographic (CT) studies, coronary CT angiography, MRI/MRA, nuclear cardiology, nuclear medicine, SPECT scans, and PET scans (excluding services rendered in an emergency room setting). Pre-certification is required.

* For more information about limitations and exceptions, see the plan or policy document at www.MyAmeriBen.com

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
<p>If you need drugs to treat your illness or condition More information about <u>prescription drug coverage</u> is available at www.navitus.com</p>	Generic drugs	<p>Retail (34-Day Supply): \$15 co-payment, deductible waived</p> <p>Mail Order (90-Day Supply): \$30 co-payment, deductible waived</p> <p>OTC Non-Sedating Anti-Histamines: 20% co-insurance</p> <p>OTC Proton Pump Inhibitors and Preventive Rx: No charge</p>	Not Covered	<p>Retail/Mail Order Prescriptions: Up to ninety (90) day supply.</p> <p>Specialty Prescriptions: Up to thirty-four (34) day supply.</p> <p>Not all <u>prescription drugs</u> are covered. To determine if a specific drug is covered under your <u>plan</u>, log into your account at www.navitus.com.</p>
	Preferred brand drugs	<p>Retail (34-Day Supply): \$30 co-payment, deductible waived</p> <p>Mail Order (90-Day Supply): \$60 co-payment, deductible waived</p>	Not Covered	
	Non-preferred brand drugs	<p>Retail (34-Day Supply): \$60 co-payment, deductible waived</p> <p>Mail Order (90-Day Supply): \$120 co-payment, deductible waived</p>	Not Covered	
	<u>Specialty drugs</u>	<p>Retail (34-Day Supply): 20% co-insurance up to</p>	Not Covered	

* For more information about limitations and exceptions, see the plan or policy document at www.MyAmeriBen.com

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
		a \$100 maximum Retail/Mail Order (90-Day Supply): Not Covered		
If you have outpatient surgery	Facility fee (e.g., ambulatory surgery center)	10% co-insurance after deductible	30% co-insurance after deductible	Pre-certification is required.
	Physician/surgeon fees	10% co-insurance after deductible	30% co-insurance after deductible	
If you need immediate medical attention	<u>Emergency room care</u>	True Medical Emergency: \$100 co-payment deductible waived for facility, no charge for physician Non-Emergency Care: \$100 co-payment, deductible waived		<u>Co-payment</u> is waived if admitted.
	<u>Emergency medical transportation</u>	10% co-insurance after network deductible		Pre-certification is required for non-emergent air ambulance and chartered flights.
	<u>Urgent care</u>	\$30 co-payment, deductible waived	30% co-insurance after deductible	_____none_____
If you have a hospital stay	Facility fee (e.g., hospital room)	10% co-insurance after deductible	30% co-insurance after deductible	Pre-certification is required.
	Physician/surgeon fees	10% co-insurance after deductible	30% co-insurance after deductible	
If you need mental health, behavioral health, or substance abuse services	Outpatient services	Office Visit: \$30 co-payment, deductible waived All Other Outpatient Services: 10% co-insurance after deductible	30% co-insurance after deductible	Intensive psychiatric day treatment and partial hospitalization are included in this benefit.
	Inpatient services	10% co-insurance after deductible	30% co-insurance after deductible	Residential treatment facility services are included in this benefit. Pre-certification is required for inpatient stays.
If you are pregnant	Office visits	\$30 co-payment, deductible waived	30% co-insurance after deductible	Dependent daughter pregnancy is not covered.

* For more information about limitations and exceptions, see the [plan](#) or policy document at www.MyAmeriBen.com

Common Medical Event	Services You May Need	What You Will Pay		Limitations, Exceptions, & Other Important Information
		Network Provider (You will pay the least)	Non-Network Provider (You will pay the most)	
	Childbirth/delivery professional services	10% co-insurance after deductible	30% co-insurance after deductible	Cost-sharing does not apply for <u>preventive services</u> . Depending on the type of services, a <u>co-payment</u> , <u>co-insurance</u> , or <u>deductible</u> may apply. Maternity care may include tests and services described elsewhere in the SBC (i.e. ultrasound).
	Childbirth/delivery facility services	10% co-insurance after deductible	30% co-insurance after deductible	
If you need help recovering or have other special needs	<u>Home health care</u>	10% co-insurance after deductible	30% co-insurance after deductible	Pre-certification is required.
	<u>Rehabilitation services</u>	10% co-insurance after deductible	30% co-insurance after deductible	Pre-certification is required for physical therapy and occupational therapy in excess of eighteen (18) visits per calendar year per therapy type.
	<u>Habilitation services</u>	10% co-insurance after deductible	30% co-insurance after deductible	
	<u>Skilled nursing care</u>	10% co-insurance after deductible	30% co-insurance after deductible	Benefit Maximum: Sixty (60) days per sickness or injury per plan participant, combined with rehabilitation facilities. Pre-certification is required.
	<u>Durable medical equipment</u>	10% co-insurance after deductible	30% co-insurance after deductible	Pre-certification is required for <u>DME</u> purchases and rentals in excess of \$3,000.
	<u>Hospice services</u>	10% co-insurance after deductible	30% co-insurance after deductible	_____none_____
If your child needs dental or eye care	Children's eye exam	Not covered	Not covered	_____none_____
	Children's glasses	Not covered	Not covered	_____none_____
	Children's dental check-up	Not covered	Not covered	_____none_____

Excluded Services & Other Covered Services:

Services Your Plan Generally Does NOT Cover (Check your policy or plan document for more information and a list of any other excluded services.)

- | | | |
|--|---|--|
| <ul style="list-style-type: none"> • Acupuncture • Cosmetic Surgery • Dental Care (Adult) | <ul style="list-style-type: none"> • Infertility Treatment • Long-Term Care • Non-Emergency Care When Traveling Outside the U.S. | <ul style="list-style-type: none"> • Routine Eye Care (Adult) • Weight-Loss Programs |
|--|---|--|

Other Covered Services (Limitations may apply to these services. This isn't a complete list. Please see your plan document.)

- | | | |
|---------------------|--|---|
| • Bariatric Surgery | • Hearing Aids – limited to \$5,000 every five (5) | • Routine Foot Care – for treatment of metabolic or |
|---------------------|--|---|

* For more information about limitations and exceptions, see the plan or policy document at www.MyAmeriBen.com

<ul style="list-style-type: none"> Chiropractic Care – limited to \$1,000 per calendar year 	<ul style="list-style-type: none"> years Private Duty Nursing – not covered when plan participant is in a hospital or other qualified treatment facility 	<ul style="list-style-type: none"> peripheral-vascular disease
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Your Rights to Continue Coverage: There are agencies that can help if you want to continue your coverage after it ends. The contact information for those agencies is: Department of Labor’s Employee Benefits Security Administration at 1-866-444-EBSA (3272) or www.dol.gov/ebsa/healthreform. You may also contact the Isolved at 1-800-594-6957. Other coverage options may be available to you too, including buying individual insurance coverage through the Health Insurance Marketplace. For more information about the Marketplace, visit www.HealthCare.gov or call 1-800-318-2596.

Your Grievance and Appeals Rights: There are agencies that can help if you have a complaint against your plan for a denial of a claim. This complaint is called a grievance or appeal. For more information about your rights, look at the explanation of benefits you will receive for that medical claim. Your plan documents also provide complete information to submit a claim, appeal, or a grievance for any reason to your plan. For more information about your rights, this notice, or assistance, contact: Department of Labor’s Employee Benefits Security Administration at 1-866-444-EBSA (3272) or www.dol.gov/ebsa/healthreform.

You may also contact the third party administrator (TPA) to assist the plan administrator with claims adjudication. The TPA’s name, address, and telephone number are:

AmeriBen
 Attention: Appeals Coordination
 P.O. Box 7186
 Boise, ID 83707
 1-844-209-0071

Does this plan provide Minimum Essential Coverage? Yes

Minimum Essential Coverage generally includes plans, health insurance available through the Marketplace or other individual market policies, Medicare, Medicaid, CHIP, TRICARE, and certain other coverage. If you are eligible for certain types of Minimum Essential Coverage, you may not be eligible for the premium tax credit.

Does this plan meet the Minimum Value Standards? Yes

If your plan doesn’t meet the Minimum Value Standards, you may be eligible for a premium tax credit to help you pay for a plan through the Marketplace.

Language Access Services:

- Spanish (Español): Para obtener asistencia en Español, llame al 1-844-209-0071.
- Tagalog (Tagalog): Kung kailangan ninyo ang tulong sa Tagalog tumawag sa 1-844-209-0071.
- Chinese (中文): 如果需要中文的帮助, 请拨打这个号码 1-844-209-0071.
- Navajo (Dine): Dinek'ehgo shika at'ohwol ninisingo, kwijigo holne' 1-844-209-0071.

To see examples of how this plan might cover costs for a sample medical situation, see the next section.

PRA Disclosure Statement: According to the Paperwork Reduction Act of 1995, no persons are required to respond to a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is **0938-1146**. The time required to complete this information collection is

* For more information about limitations and exceptions, see the plan or policy document at www.MyAmeriBen.com

estimated to average **0.08** hours per response, including the time to review instructions, search existing data resources, gather the data needed, and complete and review the information collection. If you have comments concerning the accuracy of the time estimate(s) or suggestions for improving this form, please write to: CMS, 7500 Security Boulevard, Attn: PRA Reports Clearance Officer, Mail Stop C4-26-05, Baltimore, Maryland 21244-1850.

* For more information about limitations and exceptions, see the plan or policy document at www.MyAmeriBen.com

About these Coverage Examples:



This is not a cost estimator. Treatments shown are just examples of how this plan might cover medical care. Your actual costs will be different depending on the actual care you receive, the prices your providers charge, and many other factors. Focus on the cost sharing amounts (deductibles, copayments and coinsurance) and excluded services under the plan. Use this information to compare the portion of costs you might pay under different health plans. Please note these coverage examples are based on self-only coverage.

Peg is Having a Baby
(9 months of in-network pre-natal care and a hospital delivery)

- The plan's overall deductible \$600
- Specialist co-payment \$30
- Hospital (facility) cost sharing 10%
- Other cost sharing 10%

This EXAMPLE event includes services like:
Specialist office visits (*prenatal care*)
Childbirth/Delivery Professional Services
Childbirth/Delivery Facility Services
Diagnostic tests (*ultrasounds and blood work*)
Specialist visit (*anesthesia*)

Total Example Cost	\$12,700
---------------------------	-----------------

In this example, Peg would pay:

<i>Cost Sharing</i>	
Deductibles	\$600
Copayments	\$30
Coinsurance	\$1,100
<i>What isn't covered</i>	
Limits or exclusions	\$0
The total Peg would pay is	\$1,730

Managing Joe's type 2 Diabetes
(a year of routine in-network care of a well-controlled condition)

- The plan's overall deductible \$600
- Specialist co-payment \$30
- Hospital (facility) cost sharing 10%
- Other cost sharing 10%

This EXAMPLE event includes services like:
Primary care physician office visits (*including disease education*)
Diagnostic tests (*blood work*)
Prescription drugs
Durable medical equipment (*glucose meter*)

Total Example Cost	\$5,600
---------------------------	----------------

In this example, Joe would pay:

<i>Cost Sharing</i>	
Deductibles	\$0
Copayments	\$800
Coinsurance	\$0
<i>What isn't covered</i>	
Limits or exclusions	\$0
The total Joe would pay is	\$800

Mia's Simple Fracture
(in-network emergency room visit and follow up care)

- The plan's overall deductible \$600
- Specialist co-payment \$30
- Hospital (facility) cost sharing 10%
- Other cost sharing 10%

This EXAMPLE event includes services like:
Emergency room care (*including medical supplies*)
Diagnostic test (*x-ray*)
Durable medical equipment (*crutches*)
Rehabilitation services (*physical therapy*)

Total Example Cost	\$2,800
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In this example, Mia would pay:

<i>Cost Sharing</i>	
Deductibles	\$600
Copayments	\$200
Coinsurance	\$100
<i>What isn't covered</i>	
Limits or exclusions	\$0
The total Mia would pay is	\$900

The plan would be responsible for the other costs of these EXAMPLE covered services.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 26: Provide detailed descriptions of all early retirement plans or other staff reduction programs Shelby Energy has offered or intends to offer its employees during the test year. Include all cost-benefit analyses associated with these programs.

Response 26: Shelby Energy does not offer any early retirement plan or staff reduction programs currently or during the test period.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 27: Provide a complete description of Shelby Energy's other post-employment benefit package(s) provided to its employees.

Response 27: Shelby Energy offered retiree medical insurance coverage for employees hired before July 1, 1996. Shelby Energy does not have any active employees that were hired prior to July 1, 1996. Please see attached Board Policy No. 920 Medical Insurance for Active Employees Hired Before July 1, 1996.

ATTACHMENT PSC 1-27

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

POLICY NO. 920

MEDICAL INSURANCE FOR ACTIVE EMPLOYEES HIRED BEFORE JULY 1, 1996

I. OBJECTIVE:

To establish Shelby Energy's policy concerning the payment of medical insurance premiums for employees, (hereinafter "the employee"), while in active status and hired before July 1, 1996.

(See Policy No. 923 for active employees hired after July 1, 1996.)

II. CONTENT:

- A. Shelby Energy participates in the Kentucky Rural Electric Cooperative Corporation's Self-Funded Employee Medical Plan (hereinafter "the Plan") for all regular, full-time employees.
- B. Effective January 1, 2006, the employee may participate or continue participation in the Plan by paying a portion of monthly insurance premium as determined annually upon review of the medical insurance plan. Shelby Energy will pay the remainder of the premium.
- C. Death of an Active Employee, which death did not result from a job-related accident:
 - 1. If an employee dies while in active status with 20 or more years of active service, 100% of the insurance premium for the employee's surviving spouse and dependent children will be paid by Shelby Energy until the spouse dies or remarries, whichever first occurs, and the dependent children are no longer eligible for coverage under Shelby Energy's plan document in effect at the time.
 - 2. If an employee dies while in active status with 15 years but less than 20 years' active service, the surviving spouse and dependent children may elect to continue the insurance, in which case two-thirds (2/3) of the insurance premium for coverage in effect at the time of the death of the employee will be paid by Shelby Energy until the surviving spouse reaches age 65, dies or remarries, whichever first occurs, and the

dependent children are no longer eligible for coverage under Shelby Energy's plan document in effect at the time. At age 65, with no remarriage, the surviving spouse may remain in Shelby Energy's medical insurance plan if the surviving spouse elects to pay the total cost of the insurance premium.

3. If an employee dies while in active status with 10 years but less than 15 years' active service, the surviving spouse and dependent children may elect to continue the insurance, in which case one-half (1/2) of the insurance premium for coverage in effect at the time of the death of the employee will be paid by Shelby Energy until the spouse reaches age 65, dies or remarries, whichever first occurs, and the dependent children are no longer eligible for coverage under Shelby Energy's plan document in effect at that time. At age 65, with no remarriage, the surviving spouse may remain in Shelby Energy's medical insurance plan if the surviving spouse elects to pay the total cost of the insurance premium.
4. If an employee dies while in active status with less than 10 years' active service, the surviving spouse and dependent children may elect to continue the insurance by paying the total cost of the premium until the surviving spouse reaches age of 65, dies or remarries, whichever first occurs.
5. When this coverage ceases, a COBRA Notice for coverage will be issued.
6. Any changes in benefits provided by the insurance coverage itself will apply to surviving spouse and dependent children of deceased employees on the same basis as active employees and subject to the specifications of the insurance policy.
7. Should an individual who has had medical insurance continued by Shelby Energy become eligible for coverage under any other medical insurance plan not requiring contribution, Shelby Energy's policy covering the individual shall become the secondary coverage.
8. The terms 'spouse' and 'dependent children' as used in this policy shall have the meaning as defined by Shelby Energy's insurance plan document in effect at the time coverage is requested.

D. Death of an Active Employee, which death resulted from a job-related accident:

1. If an employee dies while in active status, as the result of a job-related accident, Shelby Energy will pay the total cost of the insurance premium for the surviving spouse and dependent children, for five (5) years or until the surviving spouse reaches age 65, dies or remarries, whichever first occurs, but in no event will coverage for the surviving spouse cease until the employee's youngest dependent child, determined as of the date of the employee's death, reaches age 26.
 2. "Job-related accident" as used in this policy shall be defined as those accidents for which Kentucky Workers' Compensation benefits are payable to the employee and shall specifically not include accidents which occur while traveling to and from home and work.
 3. Any changes in the benefits provided by the insurance coverage itself will apply to surviving spouse and dependent children of deceased employees on the same basis as active employees and subject to the specifications of the insurance policy.
 4. Should an individual who has had medical insurance continued by Shelby Energy become eligible for coverage under any other medical insurance plan not requiring contribution, Shelby Energy's policy covering the individual shall become the secondary coverage.
 5. This policy codifies the unwritten policy which has been in effect since December 21, 1995, and as such, is retroactive to the date of December 21, 1995. It further explains and defines this benefit for employees hired before July 1, 1996, with less than 10 years of service, and for those employees hired after July 1, 1996.
- E. The terms of any collective bargaining unit agreement supersede any conflicting language in this policy.
- F. Long-Term Disability

If a regular, full-time employee ceases working due to disability (after July 1, 1996), said employee will be eligible for continuance of medical insurance, under the Plan, providing the employee applies and is approved for disability benefits from NRECA. The disabled individual must continue to meet NRECA's criteria for receiving disability benefits from original date that disability began, up to a two-year continuous period, in order to continue to receive Shelby Energy's disability benefits and continuation of medical insurance coverage under Shelby Energy-sponsored plan. Disabled employees must also apply for and seek benefits from the Social Security Administration, Medicare, Medicaid and/or any other local, state or federal benefit program in effect which provides for payment of health care and/or disability benefits.

1. Employees receiving Long-Term Disability benefits from Shelby Energy's insurance plan will not accumulate benefits from Shelby Energy such as, but not limited to: sick leave, holiday or vacation leave.
2. Continuance of medical insurance for an employee receiving Long-Term Disability benefits from Shelby Energy's medical insurance plan may be continued beyond a two (2) year continuous period from the original NRECA approval date the disability began, if said employee elects to continue the insurance (single, spouse and dependent children, or family, whichever applies) by paying 100% of the insurance premium. Coverage may be continued until age 62 at which time Policy No. 917 (Medical Insurance for Retirees) would apply.
3. If an employee receiving Long-Term Disability benefits from Shelby Energy's insurance plan dies before age 62, Section II, Subparagraph C applies, and a COBRA Notice of coverage continuation will be issued.
4. An employee receiving Long-Term Disability benefits from Shelby Energy's insurance plan prior to July 1, 1996 will not be subject to the two (2) year limitation mentioned above.

III. RESPONSIBILITY:

The President and CEO is responsible for the administration of this policy.

Adopted:	05/27/99				
Revised:	09/27/01	10/23/03	09/22/05	12/16/10	02/21/13
	11/20/14	11/17/16	05/24/18		
Reviewed:	01/28/21	01/26/23			

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 28: Provide a complete description of the financial reporting and ratemaking treatment of Shelby Energy pension costs.

Response 28: Shelby Energy's pension costs are spread to the general ledger accounts charged with labor. These expense accounts directly impact the ratemaking revenue requirement.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 29: Regarding Shelby Energy's employee compensation policy:

- a. Provide Shelby Energy's written compensation policy as approved by the board of directors.
- b. Provide a narrative description of the compensation policy, including the reasons for establishing the policy and Shelby Energy's objectives for the policy.
- c. Explain whether the compensation policy was developed with the assistance of an outside consultant. If the compensation policy was developed or reviewed by a consultant, provide any study or report provided by the consultant.
- d. Explain when Shelby Energy's compensation policy was last reviewed or given consideration by the board of directors.

Response 29(a): The Wage and Salary Administration policy is a procedure managed by the CEO and is carried out with the input of the Department Managers/VPs. Please see attached Board Policy No. 902.

Response 29(b): The goals of the compensation policy are to attract and maintain a talented workforce, accurately determine the value of positions, ensure that compensation meets the needs of the workforce, and protect the cooperative's investment in human capital. The policy includes job evaluation which involves establishing benchmarked positions that are compared to similar jobs within the industry. Each position has a Job Description outlining the duties and requirements of the job and the skills and abilities needed to perform the job. A pay range is established for each job with the help of a third-party consultant and the pay ranges are evaluated annually. Salaries are ultimately approved by the Department Manager/VP and the President and CEO.

Response 29(c): Shelby Energy uses the assistance of an outside consultant to administer the policy. The consultant is engaged annually during the salary adjustment and review process. Please see Shelby Energy's response to Item 19 for the most recent report provided by the consultant.

Response 29(d): Shelby Energy's compensation policy was last reviewed by the Board of Directors at a regular scheduled meeting on July 18, 2024. The policy is generally reviewed by the Board of Directors every other year.

ATTACHMENT PSC 1-29(a)

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP902

“WAGE & SALARY ADMINISTRATION”

I. OBJECTIVE

- A. It is the objective of Shelby Energy to compensate each employee according to job responsibility and performance. An equitable Wage & Salary Program is designed to attract and retain qualified employees, as well as motivate employees to perform their duties in the most effective manner.
- B. The development of a sound Wage & Salary Program addresses several factors:
- Deals with the changing workforce.
 - Attempts to meet employee expectations;
 - Ensures payroll dollars are spent effectively;
 - Assures Shelby Energy complies with all laws and regulations regarding pay practices.
 - Helps Shelby Energy and its employees cope with inflationary living costs;
 - Addresses employee needs to understand the basis for pay decisions;
 - Ensures competitiveness and internal equity across all markets, and geographic locations in which Shelby Energy operates; and,
 - Aids in recruitment and retention.

II. CONTENT

A. Compensation System

The goals of the Shelby Energy compensation system are to:

1. Attract and maintain a talented workforce.
2. Fairly and accurately determine the value of positions internally and externally.
3. Ensure that compensation meets the needs of our diverse workforce in each location.
4. Protect our investment in human capital.

B. Job Evaluation

1. A process called “Job Evaluation” will be used to ensure Shelby Energy pays fair and equitable salaries according to job responsibilities. This process uses

position comparison to arrive at its conclusions. Job Evaluation allows very different jobs to be compared because it evaluates factors common to all jobs.

2. The Job Evaluation method involves establishing benchmarked positions that are compared to similar jobs within our industry. From this process, it is possible to establish market pricing.
3. On occasion, external equity demands moving positions to a lower or higher grade, independent of the internal evaluation. Conducting Wage & Salary Surveys regularly assures Shelby Energy pay practices have external equity.

C. Job Description

1. A Job Description is a written list of specifications that explains the duties and requirements of a job. It describes the knowledge, skill and abilities needed to perform the job.
2. The Job Description will also contain the reporting relationship and the general background qualifications for the job. An individual who either knows the job from experience or has been trained to study and create descriptions for jobs, assists the Human Resources representative in assuring there is a correct description for each job.
3. A Job Analysis Questionnaire (JAQ) is used to gather information needed to create a job description.
4. The VP/Manager supervisor reviews the information prepared by the employee on the JAQ and adds additional information needed to have a complete description of the position prior to sending the information to Human Resources.

D. Pay Levels and Ranges

1. All jobs will be evaluated and placed into pay levels, which are then translated into dollars and cents via the Shelby Energy Wage and Salary Program.
2. When a new position is created, a job description will be written, the job will be evaluated, assigned to a pay level, and a salary range consistent with the grade will be established.
3. When a position is changed substantially, a reclassification analysis will occur. This may result in a change of grade and salary range.

E. Salary Scales

1. Shelby Energy will utilize a salary scale, which is created through benchmarking practices and re-evaluated on an annual basis.

2. The Wage and Salary Program will be audited for internal equity and for impact from those external factors that can serve to make the program non-competitive.

F. Salaries Outside the Range

1. When the salary of an employee exceeds the maximum paid for the salary grade to which the employee is assigned, the employee will be considered to have “maxed out.” The salary of the employee will not be increased unless:
 - a. the employee is promoted to a higher salary grade, the range is adjusted upward in a reevaluation of the entire program or;
 - b. the range is adjusted upward due to the reevaluation of a specific job to which the employee is assigned.
2. When an employee is paid below the minimum salary for the job to which the employee is assigned, the employee will be considered “under the range.” This may occur when the employee is promoted to a job on a conditional or probationary basis.

G. Work Hours and Pay Day

1. The normal pay period for a work week is considered to commence at 12:01 a.m. Monday, and end at 12:01 a.m. the following Monday, and for employees who are not otherwise exempt under the Wage and Hour Law, all hours worked in excess of forty (40) during any such week will be paid for at time and one-half the regular wage. After determination of the number of hours and days that an employee is normally scheduled to work in any week, he/she will be expected to report for work in accordance with that pre-arranged schedule regardless of the overtime hours he/she may have worked during any one period.
2. The regular work hours of all Shelby Energy Employees will be Monday through Friday, from 7:00 a.m. to 4:00 p.m., with one unpaid hour off for lunch. The office will be closed on Saturdays, Sundays and on specified holidays. Effective January 1, 2018, Shelby Energy employees will be paid every other Friday (“pay day”) for regular hours, and any overtime hours, worked through 12:01 a.m. the Monday immediately prior to the pay day. When a pay day falls on a holiday, employees will be paid the day prior to the pay day. Should the day prior to the pay day also be a holiday, then the employees will be paid on the Monday following the pay day.

H. Statement of Earnings

1. The net earnings received by the employee are paid after mandated taxes and other deductions authorized by the employee are withheld. Unless federal or state law requires the withholdings, no money will be withheld from an employee’s paycheck unless the employee has authorized the deduction in writing. Such authorization shall become part of the employee’s permanent

personnel record. The U.S. Department of Labor and external auditors employed by Shelby Energy routinely audit such documents.

2. At the end of each year, each employee will receive a statement of earnings and withholdings. The W-2 Statement of Earnings will be prepared as soon after the calendar year-end as is possible and will be distributed to employees by Human Resources.

I. Salary Approval

Throughout the Wage & Salary Policy, references are made to the level of approval required for specific salary actions. Human Resource Action forms with a request for pay must be prepared and signed by the Human Resources representative and shall have the following required authorized signature approvals:

1. Department VP/Manager
2. President and CEO

J. Salary Adjustments

Once an employee joins Shelby Energy, salary adjustments may be made via the following methods:

1. New Employee Orientation
When the orientation period is ended, a request for salary adjustment may be made based on the level of performance demonstrated during the Orientation Period.
2. Promotion
A request for salary adjustment may be made when an employee is promoted to a higher-level position.
3. Annual Review
Each employee is reviewed for performance adjustments in November of each year.
4. Performance Improvement Program
When an employee has been placed in a Performance Improvement Plan, the supervisor may request that a salary adjustment be made when the program is successfully completed.

K. Promotions/Demotions/Transfers

1. An employee, who is promoted to a position at a higher grade than his or her current position, may receive a promotional increase equal to one half of the difference between the midpoints of the two grades or an amount needed to attain the minimum salary of the new grade. For example, if the difference

between the midpoints is 10%, the employee may receive a 5% promotional increase. A promotional increase may be given based on performance in installments periodically, until the employee has reached the minimum for the new grade.

2. An employee who is demoted to a position at a lower grade than his or her current position may have his or her salary reduced. The reduction may be equal to one-half of the difference between the midpoints of the two grades. For example, if the difference between the midpoints is 10%, the employee may receive a 5% reduction in salary. If the demotion is not related to the employee's performance, the employee's salary may be frozen at his/her current level for a period of 12 months. At the end of 12 months the employee's salary may be lowered to an amount equal to the maximum of the new salary grade, if it is lower than the employee's salary at that time.
3. In the event of an employee transfer, the 'receiving' manager will need to turn in a Human Resources Action form with appropriate signature/approval levels prior to the transfer. When an employee is transferred or promoted, the appropriate manager MUST make sure there is a job description for the position. If a job description has not already been created, the manager will need to create one and have it approved PRIOR to the transfer/promotion. If this is a new position, the President and CEO approval must be obtained prior to initiating the recruitment effort.

L. Position Upgrades

Recommendations for position upgrades should be submitted to the Human Resources representative for review with final approval by the President and CEO. Justification for these requests must be submitted, along with a Job Reclassification Document that includes the following information:

1. An updated job description that clearly indicates the specific changes and/or increases in duties and responsibilities.
2. Any organizational changes that have affected the position's functions and/or reporting level.

M. Adding Staff

1. All replacements and/or additions to headcount must have the approval of the President and CEO.
2. When the approval for a new position is completed, a position description must be attached before recruiting may begin.
3. Every new position is assigned a grade number. The number must be assigned before a position can be filled.

N. Salary Records

1. Records of the earnings of each Shelby Energy employee are maintained in the office of Human Resources along with the Human Resources representative maintaining a history of the employee's progress and growth within Shelby Energy.
2. These records also provide the history useful to VP/Managers when an employee is considered for promotion, transfer, demotion, or termination.
3. An employee may refer potential creditors or prospective employers to the Human Resources representative for work history and references. The Human Resources representative verifies the earnings and employment dates.
4. Reference information will be released according to the policy established by Shelby Energy and the applicable law in Kentucky.

O. Discrepancies in Pay

1. Every Shelby Energy employee's paycheck will be calculated at the rate of pay listed on the most current approved request for pay increase.
2. When an employee believes a paycheck is inaccurate, inquiries about the inaccuracies shall be made to the Human Resources representative within ten (10) days of receipt of the paycheck.

P. Starting Salaries

1. Starting salaries for newly hired employees should be based on the qualifications the individual brings to the position.
2. The Human Resources representative and the hiring manager will recommend starting salaries for new hires with final approval by the President and CEO.
3. Any starting salaries above the midpoint require the approval of the President and CEO as the financial impact affects the company budget.

Q. Salary Structure Review

On at least an annual basis the salary structure will be reviewed to determine if an adjustment is appropriate. All information to support the percentage of adjustment will be submitted to the President and CEO for presentation to the board of directors. The following criteria will be used to determine the adjustment:

1. Ability to pay – Shelby Energy financial status will be reviewed first.
2. Compa-Ratio – Our overall philosophy indicates that the compa-ratio for Shelby Energy as a whole should be at or near 100%. (Compa-Ratio is the relationship of an employee's pay to the midpoint of the assigned salary grade.)

3. Market Data – Updated market data reports will be used to determine if the market has made a significant change.

III. RESPONSIBILITY

The President and CEO is responsible for the administration of this policy.

Adopted: 10/29/75

Reviewed/:	05/25/17	09/18/08	05/16/11	07/17/13	05/18/15	09/21/17
Revised:	07/18/19	07/26/22	07/18/24			

Reference: BP319; BP901

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 30: State whether Shelby Energy's expenses for wages, salaries, benefits, and other compensation included in the test year, and any adjustments to the test year, are compliant with the board of director's compensation policy.

Response 30: Shelby Energy's expenses for wages, salaries, benefits, and other compensation, are compliant with the policies and procedures of Shelby Energy and its Board of Directors. The Board delegates authority to the President and CEO to make hiring and salary decisions while following the guidelines for wages and salaries. The President and CEO keeps the board informed of any changes to wage and salary decisions.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 31: Provide, in the format provided in Schedule I, the following information for Shelby Energy's compensation and benefits for the test year and the three most recent calendar years preceding the test year. Provide information individually for each corporate officer and by category for Directors, Managers, Supervisors, Exempt, Non-Exempt, Union and Non-Union hourly employees. Provide the amounts, in gross dollars, separately for total company operations and jurisdictional operations.

- a. Regular salary or wages.
- b. Overtime pay.
- c. Excess vacation payout.
- d. Standby/Dispatch pay.
- e. Bonus and incentive pay.
- f. Any other forms of incentives, including stock options or forms or deferred compensation.
- g. Other amounts paid and reported on the employees' W-2 (specify).
- h. Healthcare benefit cost.
 - (1) Amount paid by Shelby Energy.
 - (2) Amount paid by employee
- i. Dental benefits cost.
 - (1) Amount paid by Shelby Energy.
 - (2) Amount paid by employee.
- j. Vision benefit cost.
 - (1) Amount paid by Shelby Energy.
 - (2) Amount paid by employee.
- k. Life insurance cost.
 - (1) Amount paid by Shelby Energy.

- (2) Amount paid by employee.
 - l. Accidental death and disability benefits.
 - (1) Amount paid by Shelby Energy.
 - (2) Amount paid by employee.
 - m. Defined Benefit Retirement.
 - (1) Amount paid by Shelby Energy.
 - (2) Amount paid by employee.
 - n. Defined Contribution – 401(k) or similar plan cost. Provide the amount paid by Shelby Energy.
 - o. Cost of any other benefit available to an employee (specify).

Response 31(a)-(o): Please see the Excel spreadsheet provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 32: For each item of benefits listed in Item 31 above for which an employee is required to pay part of the cost, provide a detailed explanation as to how the employee contribution rate was determined.

Response 32: Shelby Energy pays for 100 percent of the cost of life insurance (two-times annual salary), long-term disability, and business travel insurance. All other benefits aside from medical insurance are paid 100 percent by the employee. In an effort to keep the employee cost of medical insurance competitive with other employers, Shelby Energy only required employees to cover 10 percent of the medical insurance cost. However, medical insurance costs have steadily increased and have added to the Cooperative's need for a rate increase. The employee contribution rate for union employees was increased from 10 percent to 13 percent during the 2018 contract negotiations as a cost-saving measure to help offset the increase in wages.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 33: Provide a listing of all healthcare plan categories, dental plan categories, and vision plan categories available to corporate officers individually and to groups defined as Corporate Officers, Directors, Managers, Supervisors, Exempt, Non-Exempt, Union, and Non-Union Hourly employees (e.g., single, family, etc.). Include the associated employee contribution rates and employer contribution rates of the total premium cost for each category, and each plan's deductible(s) amounts.

Response 33: Please refer to Shelby Energy's responses to Items 23 and 32.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 34: Provide a listing of all life insurance plan categories available to corporate officers individually and to groups defined as Directors, Managers, Supervisors, Exempt, Non-Exempt, Union and Non-Union Hourly employees. Include the associated employee contribution rates and employer contribution rates of the total premium cost for each plan category.

Response 34: Shelby Energy pays 100 percent of the cost of basic life insurance equal to two times the employee's annual base wages. This applies to all active Shelby Energy employees. The employees have the option to buy supplemental life insurance, accidental death and dismemberment insurance, spouse life insurance, and/or child life insurance, and the cost of these plans are 100 percent paid by the employee.

For Directors, Shelby Energy provides accidental death and dismemberment insurance up to \$50,000 of coverage, and business travel accident insurance coverage up to \$100,000. The cost of these policies are 100 percent paid by Shelby Energy.

Shelby Energy owns a split-dollar life insurance policy on its President and CEO. Shelby Energy pays 100 percent of the annual premiums for the policy. The Board of Directors offered this plan during the hiring process of the President and CEO who was relinquishing participation in the NRECA Retirement Savings (RS) plan to take the position at Shelby Energy. The value of the policy was determined based on the President & CEO's estimated lost earnings from leaving the RS plan.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 35: Provide a listing of all retirement plans available to corporate officers individually, and to groups defined as Directors, Managers, Supervisors, Exempt, Non-Exempt, Union and Non-Union Hourly employees. Include the associated employee contribution rates, if any, and employer contribution rates of the total premium cost for each plan category.

Response 35: Employees hired prior to September 2, 2009, participate in the National Rural Electric Cooperative Association (“NRECA”) Retirement Security Plan (“RS Plan”). Shelby Energy pays 100 percent of the contributions and administrative costs of the RS Plan. As of the date of this response, Shelby Energy currently has seven active employees that are eligible to participate. The RS Plan participants are also eligible to participate in a 401(k) plan. Shelby Energy contributes two percent of the employee gross pay to those participants that actively contribute to their 401(k).

Employees hired after September 2, 2009, are not eligible to participate in the RS Plan. Non-union employees can participate in a 401(k) plan and receive matching employer contributions on gross pay based on the following table of employee contribution percentages:

Non-Union Matching for Non-RS Plan Participants	
Employee Elective Contribution %	Employer Matching Contribution %
1%	8%
2%	9%
3%	10%
4%	11%
5%	12%

Union employees hired after September 2, 2009, can participate in a 401(k) plan and receive matching employer contributions on gross pay based on the following table of employee contribution percentages:

Union Matching for Non-RS Plan Participants	
Employee Elective Contribution %	Employer Matching Contribution %
1%	6%
2%	7%
3%	8%
4%	9%
5%	10%
6%	11%
7%	12%

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 36: Provide an analysis of Shelby Energy's expenses for research and development activities for the test year and the three preceding calendar years. For the test year, include the following:

- a. The basis of fees paid to research organizations and Shelby Energy's portion of the total revenue of each organization, including where the contribution is monthly and provide the current rate and the effective date;
- b. Details of the research activities conducted by each organization;
- c. Details of services and other benefits provided to Shelby Energy by each organization during the test year and the preceding calendar year;
- d. Total expenditures of each organization including the basic nature of costs incurred by the organization; and
- e. Details of the expected benefits to Shelby Energy.

Response 36(a)-(e): Shelby Energy did not have any research or development activities in the test year or the three preceding calendar years.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 37: Provide a running total for the following information concerning the cost of preparing the case:

a. A detailed schedule of expenses incurred to date for the following categories: For each category, the schedule should include the date of each transaction, check number or other document reference, the vendor, the hours worked, the rates per hour, amount, a description of the services performed, and the account number in which the expenditure was recorded. Provide copies of any invoices, contracts, or other documentation that support charges incurred in the preparation of this rate case. Indicate any costs incurred for this case that occurred during the test year.

- (1) Accounting;
- (2) Engineering;
- (3) Legal;
- (4) Consultants; and
- (5) Other Expenses (Identify separately).

b. An itemized estimate of the total cost to be incurred for this case. Expenses should be broken down into the same categories as identified in 37 a. above, with an estimate of the hours to be worked and the rates per hour. Include a detailed explanation of how the estimate was determined, along with all supporting work papers and calculations.

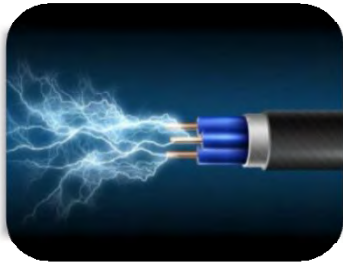
c. Provide monthly updates of the actual costs incurred in conjunction with this rate case, reported in the manner requested in 37.a. above. Updates will be due when Shelby Energy files its monthly financial statements with the Commission, through the month of the public hearing.

Response 37(a)-37(b): Please see the Excel spreadsheets provided separately, as well as copies of the invoices. Shelby Energy's estimate of legal and consulting fees for the case were based on discussions with consultants and previous rate cases. The total estimate for legal and consulting services combined is \$160,000.

Response 37(c): Shelby Energy will provide the requested monthly updates of the actual costs incurred in conjunction with the rate case.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

ATTACHMENT PSC 1-37(a)-(b)



CATALYST
CONSULTING LLC

3308 Haddon Road
Louisville, KY 40241
(502) 599-1739
johnwolfram@catalystcllc.com

August 1, 2024

Mr. Jack Bragg
President & CEO
Shelby Energy Cooperative
620 Old Finchville Road
Shelbyville, Kentucky 40065

Dear Jack:

Enclosed please find the invoice for services provided by Catalyst Consulting LLC to Shelby Energy for the month of July 2024.

I appreciate the opportunity to work with you on this project. Please let me know if you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "John Wolfram", with a long, sweeping underline.

John Wolfram
Principal

Enclosure

	<h1>CATALYST</h1> <h2>CONSULTING LLC</h2>
<p>3308 Haddon Road Louisville, KY 40241 (502) 599-1739 johnwolfram@catalystcllc.com</p>	

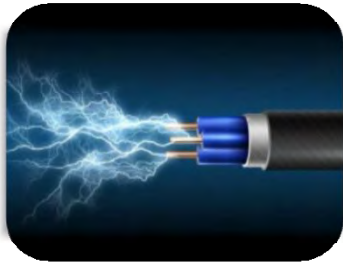
INVOICE

Date: August 1, 2024	Invoice #: 240706
Client: Shelby Energy Cooperative 620 Old Finchville Road Shelbyville, Kentucky 40065	Project: 2023 COS & Rate Review Case No. _____ For Services Provided in July 2024

#	Item	Description	Qty	Rate	Amt
1	Consulting Services	John Wolfram – consulting support for 2023 COS & Rate Review. Begin COS modeling. Calls or emails with staff or counsel on same.	14.0 hours	\$230.00	\$ 3,220.00
TOTAL					\$ 3,220.00

Routing No.: 083000108
Account No.: 3026937313

Please remit payment to Catalyst Consulting LLC as noted above. Thank you.



CATALYST
CONSULTING LLC

3308 Haddon Road
Louisville, KY 40241
(502) 599-1739
johnwolfram@catalystcllc.com

November 1, 2024

Mr. Jack Bragg
President & CEO
Shelby Energy Cooperative
620 Old Finchville Road
Shelbyville, Kentucky 40065

Dear Jack:

Enclosed please find the invoice for services provided by Catalyst Consulting LLC to Shelby Energy for the month of October 2024.

I appreciate the opportunity to work with you on this project. Please let me know if you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "John Wolfram", with a long horizontal flourish extending to the right.

John Wolfram
Principal

Enclosure



CATALYST
CONSULTING LLC

3308 Haddon Road
Louisville, KY 40241
(502) 599-1739
johnwolfram@catalystcllc.com

INVOICE

Date: November 1, 2024	Invoice #: 241007
Client: Shelby Energy Cooperative 620 Old Finchville Road Shelbyville, Kentucky 40065	Project: 2023 COS & Rate Review Case No. 2024-00351 For Services Provided in October 2024

#	Item	Description	Qty	Rate	Amt
1	Consulting Services	John Wolfram – consulting support for 2023 COS & Rate Review. Finalize COS and Rates. Calls or emails with staff or counsel on same.	4.0 hours	\$230.00	\$ 920.00
2	Mileage	10/24 Travel to SEC	54.0 miles	\$0.670	\$36.18
TOTAL					\$ 956.18

Routing No.: 083000108
Account No.: 3026937313

Please remit payment to Catalyst Consulting LLC as noted above. Thank you.



CATALYST
CONSULTING LLC

3308 Haddon Road
Louisville, KY 40241
(502) 599-1739
johnwolfram@catalystcllc.com

December 1, 2024

Mr. Jack Bragg
President & CEO
Shelby Energy Cooperative
620 Old Finchville Road
Shelbyville, Kentucky 40065

Dear Jack:

Enclosed please find the invoice for services provided by Catalyst Consulting LLC to Shelby Energy for the month of November 2024.

I appreciate the opportunity to work with you on this project. Please let me know if you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "John Wolfram", is written over a horizontal line that extends to the right.

John Wolfram
Principal

Enclosure

	<h1>CATALYST</h1> <h2>CONSULTING LLC</h2>
<p>3308 Haddon Road Louisville, KY 40241 (502) 599-1739 johnwolfram@catalystcllc.com</p>	

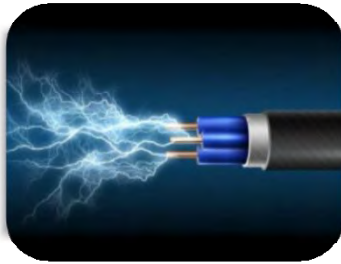
INVOICE

Date: December 1, 2024	Invoice #: 241109
Client: Shelby Energy Cooperative 620 Old Finchville Road Shelbyville, Kentucky 40065	Project: 2023 COS & Rate Review Case No. 2024-00351 For Services Provided in November 2024

#	Item	Description	Qty	Rate	Amt
1	Consulting Services	John Wolfram – consulting support for 2023 COS & Rate Review. Prepare filing materials. Calls or emails with staff or counsel on same.	4.0 hours	\$230.00	\$ 920.00
TOTAL					\$ 920.00

Routing No.: 083000108
Account No.: 3026937313

Please remit payment to Catalyst Consulting LLC as noted above. Thank you.



CATALYST
CONSULTING LLC

3308 Haddon Road
Louisville, KY 40241
(502) 599-1739
johnwolfram@catalystcllc.com

September 1, 2024

Mr. Jack Bragg
President & CEO
Shelby Energy Cooperative
620 Old Finchville Road
Shelbyville, Kentucky 40065

Dear Jack:

Enclosed please find the invoice for services provided by Catalyst Consulting LLC to Shelby Energy for the month of August 2024.

I appreciate the opportunity to work with you on this project. Please let me know if you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "John Wolfram", with a long, sweeping underline.

John Wolfram
Principal

Enclosure

	<h1>CATALYST</h1> <h2>CONSULTING LLC</h2>
<p>3308 Haddon Road Louisville, KY 40241 (502) 599-1739 johnwolfram@catalystcllc.com</p>	

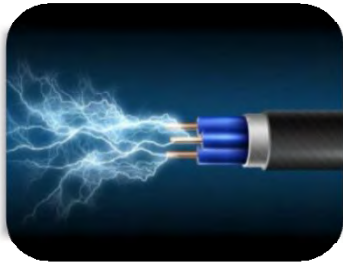
INVOICE

Date: September 1, 2024	Invoice #: 240807
Client: Shelby Energy Cooperative 620 Old Finchville Road Shelbyville, Kentucky 40065	Project: 2023 COS & Rate Review Case No. _____ For Services Provided in August 2024

#	Item	Description	Qty	Rate	Amt
1	Consulting Services	John Wolfram – consulting support for 2023 COS & Rate Review. Prepare COS modeling. Calls or emails with staff or counsel on same.	21.0 hours	\$230.00	\$ 4,830.00
TOTAL					\$ 4,830.00

Routing No.: 083000108
Account No.: 3026937313

Please remit payment to Catalyst Consulting LLC as noted above. Thank you.



CATALYST
CONSULTING LLC

3308 Haddon Road
Louisville, KY 40241
(502) 599-1739
johnwolfram@catalystcllc.com

October 1, 2024

Mr. Jack Bragg
President & CEO
Shelby Energy Cooperative
620 Old Finchville Road
Shelbyville, Kentucky 40065

Dear Jack:

Enclosed please find the invoice for services provided by Catalyst Consulting LLC to Shelby Energy for the month of September 2024.

I appreciate the opportunity to work with you on this project. Please let me know if you have any questions. Thank you.

Sincerely,

A handwritten signature in black ink, appearing to read "John Wolfram", with a long, sweeping underline that extends to the right.

John Wolfram
Principal

Enclosure

	<h1>CATALYST</h1> <h2>CONSULTING LLC</h2>
<p>3308 Haddon Road Louisville, KY 40241 (502) 599-1739 johnwolfram@catalystcllc.com</p>	

INVOICE

Date: October 1, 2024	Invoice #: 240905
Client: Shelby Energy Cooperative 620 Old Finchville Road Shelbyville, Kentucky 40065	Project: 2023 COS & Rate Review Case No. _____ For Services Provided in September 2024

#	Item	Description	Qty	Rate	Amt
1	Consulting Services	John Wolfram – consulting support for 2023 COS & Rate Review. Final models. Present to BOD. Calls or emails with staff or counsel on same.	15.5 hours	\$230.00	\$ 3,565.00
2	Mileage	9/26 Travel to SEC for BOD Mtg	54.0	0.670	\$ 36.18
TOTAL					\$ 3,601.18

Routing No.: 083000108
Account No.: 3026937313

Please remit payment to Catalyst Consulting LLC as noted above. Thank you.



L. Allyson Honaker
allyson@hloky.com
(859) 368-8803 (office)
(859)396-3172 (mobile)

1795 Alysheba Way, Ste 1203
Lexington, KY 40509

August 07, 2024

Invoice No. 970

Shelby Energy Cooperative, Inc.
Mr. Jack Bragg Jr., Pres & CEO
620 Old Finchville Road
Shelbyville, KY 40065

OK JB
08/08/24
Acct. 186.00 Full Case

Client Number: 06960 Shelby Energy Cooperative, Inc.
Matter 06960-0003 Shelby Energy Coop - 2024 Rate Case
For Services Rendered Through 7/31/2024.

Fees

<u>Date</u>	<u>Timekeeper</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
7/1/2024	LAH	Conference with B. Koenig re preparation of full rate case filing.	0.10	\$29.00
7/1/2024	BHK	Conference with A. Honaker re preparation of full rate case filing.	0.10	\$27.50
7/3/2024	LAH	Participate in virtual meeting with J. Bragg, et. al. re upcoming rate case filing.	0.80	\$232.00
7/3/2024	BHK	Revise 32 exhibit sheets for full rate case.	1.30	\$357.50
7/3/2024	BHK	Revise table of contents for full rate case.	0.40	\$110.00
7/3/2024	BHK	Revise application for full rate case.	0.80	\$220.00
7/5/2024	LAH	Conference with B. Koenig re status of updated drafts for full rate proceeding; review email with drafts from B. Koenig to J. Bragg, et. al.	0.40	\$116.00
7/8/2024	LAH	Conference with B. Koenig re upcoming filing.	0.20	\$58.00
Billable Hours / Fees:			4.10	\$1,150.00

Continued On Next Page

Timekeeper Summary

Timekeeper BHK worked 2.60 hours at \$275.00 per hour, totaling \$715.00.

Timekeeper LAH worked 1.50 hours at \$290.00 per hour, totaling \$435.00.

Current Invoice Summary

Prior Balance:	\$0.00
Payments Received:	\$0.00
Unpaid Prior Balance:	<u>\$0.00</u>
Current Fees:	\$1,150.00
Advanced Costs:	\$0.00
TOTAL AMOUNT DUE:	<u><u>\$1,150.00</u></u>

Thank You for Letting Us Serve You.
Payment Due Upon Receipt.



L. Allyson Honaker
allyson@hloky.com
(859) 368-8803 (office)
(859)396-3172 (mobile)

1795 Alysheba Way, Ste 1203
Lexington, KY 40509

September 06, 2024

Invoice No. 1031

Shelby Energy Cooperative, Inc.
Mr. Jack Bragg Jr., Pres & CEO
620 Old Finchville Road
Shelbyville, KY 40065

Client Number: 06960 Shelby Energy Cooperative, Inc.
Matter 06960-0003 Shelby Energy Coop - 2024 Rate Case
For Services Rendered Through 8/31/2024.

Fees

<u>Date</u>	<u>Timekeeper</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
8/15/2024	BHK	Email discussion update on rate case with J. Wolfram, A. Honaker, H. Temple.	0.10	\$27.50
8/29/2024	LAH	Telephone conference with J. Wolfram re status and updates.	0.20	\$58.00
8/30/2024	BHK	Case Status meeting with A. Honaker and H. Temple.	0.10	\$27.50
8/30/2024	LAH	Status conference with H. Temple and B. Koenig.	0.10	\$29.00
8/30/2024	HST	Case Status meeting with A. Honaker and B. Koenig.	0.10	\$26.50
Billable Hours / Fees:			0.60	\$168.50

OK JB 09/07/24
Ctt. 186.00

Continued On Next Page

Timekeeper Summary

Timekeeper BHK worked 0.20 hours at \$275.00 per hour, totaling \$55.00.

Timekeeper LAH worked 0.30 hours at \$290.00 per hour, totaling \$87.00.

Timekeeper HST worked 0.10 hours at \$265.00 per hour, totaling \$26.50.

Payment Detail

<u>Date</u>	<u>Description</u>	<u>Amount</u>
8/23/2024	Check Number 82557 against Inv# 970)	(\$1,150.00)
	Total Payments Received:	(\$1,150.00)

Current Invoice Summary

Prior Balance:	\$1,150.00	
Payments Received:	(\$1,150.00)	Last Payment: 8/23/2024
Unpaid Prior Balance:	\$0.00	
Current Fees:	\$168.50	
Advanced Costs:	\$0.00	
TOTAL AMOUNT DUE:	\$168.50	

Thank You for Letting Us Serve You.
Payment Due Upon Receipt.



L. Allyson Honaker
allyson@hloky.com
(859) 368-8803 (office)
(859)396-3172 (mobile)

1795 Alysheba Way, Ste 1203
Lexington, KY 40509

OK JB
10/22/24
Acct. 186.00 Full 2024 rate case

October 06, 2024
Invoice No. 1081

Shelby Energy Cooperative, Inc.
Mr. Jack Bragg Jr., Pres & CEO
620 Old Finchville Road
Shelbyville, KY 40065

Client Number: 06960 Shelby Energy Cooperative, Inc.
Matter 06960-0003 Shelby Energy Coop - 2024 Rate Case
For Services Rendered Through 9/30/2024.

Fees

<u>Date</u>	<u>Timekeeper</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
9/3/2024	LAH	Review emails re status of COSS and filing requirements.	0.10	\$29.00
9/3/2024	BHK	Email follow-up to M. Moriarty and review response re: Application preparation.	0.20	\$55.00
9/11/2024	BHK	Review and edit testimony for J. Bragg for Full Rate Case and sent to A Honaker for review.	0.50	\$137.50
9/16/2024	BHK	Review multiple exhibits for the 2024 Full Rate Case from M. Moriarty.	0.40	\$110.00
9/16/2024	LAH	Review email from M. Moriarty re draft testimony; conference with B. Koenig re same.	0.20	\$58.00
9/18/2024	BHK	Review emails from J. Wolfram and M. Moriarty to apply changes from Rehearing Order in 23-113 to discuss whether the full rate case proceeds.	0.20	\$55.00
9/20/2024	BHK	Revise draft of testimony for M. Moriarty re: Final Order from 2023-00213 and sent to M.Moriarty.	0.30	\$82.50
9/20/2024	LAH	Exchange emails with M. Moriarty re board resolution.	0.10	\$29.00

Continued On Next Page

9/24/2024	BHK	Review slides re: COSS from J. Wolfram for BOD.	0.30	\$82.50
9/24/2024	LAH	Review email and attachments from J. Wolfram for board presentation.	0.30	\$87.00
9/26/2024	BHK	Drafted Notice of Electronic Filing and cover letter and Notice of Intent to File and cover letter for full rate case filing. Emailed A. Honaker.	0.50	\$137.50

Billable Hours / Fees: 3.10 \$863.00

Timekeeper Summary

Timekeeper BHK worked 2.40 hours at \$275.00 per hour, totaling \$660.00.

Timekeeper LAH worked 0.70 hours at \$290.00 per hour, totaling \$203.00.

Current Invoice Summary

Prior Balance:	\$168.50
Payments Received:	\$0.00
Unpaid Prior Balance:	<u>\$168.50</u>
Current Fees:	\$863.00
Advanced Costs:	\$0.00
TOTAL AMOUNT DUE:	<u><u>\$1,031.50</u></u>

Thank You for Letting Us Serve You.
Payment Due Upon Receipt.



L. Allyson Honaker
allyson@hloky.com
(859) 368-8803 (office)
(859)396-3172 (mobile)

1795 Alysheba Way, Ste 1203
Lexington, KY 40509

OK JB
11/08/2024
Ctt. 186.00

November 05, 2024
Invoice No. 1129

Shelby Energy Cooperative, Inc.
Mr. Jack Bragg Jr., Pres & CEO
620 Old Finchville Road
Shelbyville, KY 40065

Client Number: 06960 Shelby Energy Cooperative, Inc.
Matter 06960-0003 Shelby Energy Coop - 2024 Rate Case
For Services Rendered Through 10/31/2024.

Fees

<u>Date</u>	<u>Timekeeper</u>	<u>Description</u>	<u>Hours</u>	<u>Amount</u>
10/2/2024	LAH	Telephone conference with J. Wolfram re status.	0.10	\$29.00
10/3/2024	LAH	Telephone conference with J. Wolfram re status.	0.10	\$29.00
10/17/2024	BHK	Review updated COSS from J. Wolfram, attachments and slide for Board.	0.30	\$82.50
10/28/2024	BHK	Discussion with A. Honaker re: rate case notice and tariffs.	0.20	\$55.00
10/28/2024	BHK	Email to M. Moriarty and J. Wolfram re: rate case notice of intent, and customer notice.	0.20	\$55.00
10/28/2024	BHK	Review email from M. Moriarty and tariffs in strike-thru for rate case customer notice and including tariff changes in rate case.	0.20	\$55.00
10/28/2024	LAH	Telephone conference with M. Moriarty re customer notice timing; separate conference with B. Koenig re same; review emails from M. Moriarty re same.	0.30	\$87.00
10/29/2024	BHK	Review email from J. Wolfram re: Notice.	0.10	\$27.50

Continued On Next Page

10/29/2024	BHK	Review proposed tariff changes from M. Moriarty and summarize proposed changes for Customer Notice.	0.70	\$192.50
10/29/2024	BHK	Draft Customer Notice with proposed rates and tables, tariff language.	1.30	\$357.50
10/29/2024	BHK	Email from J. Wolfram re: notice.	0.10	\$27.50
10/30/2024	BHK	Text and email with A. Honaker re: Notice Draft revise tariff section and send drafts to M. Moriarty and J. Bragg.	0.60	\$165.00
10/30/2024	BHK	Draft Notice of E-filing, and cover letter and sent to PSC to obtain case number.	0.40	\$110.00
10/30/2024	BHK	Draft Notice of Intent and cover letter to file on November 1, 2024.	0.40	\$110.00
10/30/2024	LAH	Review customer notice and edit same; review emails from M. Moriarty, et. al. re same.	0.40	\$116.00
10/31/2024	BHK	Received case number and edited customer notice, notice of intent and cover letter.	0.20	\$55.00
10/31/2024	BHK	Call with PSC Staff re: tariff revision notice and email to client.	0.50	\$137.50
10/31/2024	LAH	Review PSC acknowledgment letter with case number; review emails re same; review emails re customer notice.	0.20	\$58.00

Billable Hours / Fees: 6.30 \$1,749.00

Timekeeper Summary

Timekeeper BHK worked 5.20 hours at \$275.00 per hour, totaling \$1,430.00.

Timekeeper LAH worked 1.10 hours at \$290.00 per hour, totaling \$319.00.

Payment Detail

<u>Date</u>	<u>Description</u>	<u>Amount</u>
9/20/2024	Check Number 82714 against Inv# 1031)	(\$168.50)
Total Payments Received:		<u>(\$168.50)</u>

Current Invoice Summary

Prior Balance:	\$1,031.50	
Payments Received:	(\$168.50)	Last Payment: 9/20/2024
Unpaid Prior Balance:	<u>\$863.00</u>	
Current Fees:	\$1,749.00	
Advanced Costs:	\$0.00	
TOTAL AMOUNT DUE:	<u><u>\$2,612.00</u></u>	

Thank You for Letting Us Serve You.
Payment Due Upon Receipt.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 38: Provide the following information for the most recent calendar year concerning Shelby Energy and any affiliated service corporation or corporate service division/unit:

a. A schedule detailing the costs charged, either directly or allocated, by the service company to Shelby Energy. Indicate Shelby Energy accounts where these costs were recorded. For costs that are allocated, include a description of the allocation factors utilized.

b. A schedule detailing the costs charged, either directly or allocated, by the service company to Shelby Energy. Indicate Shelby Energy accounts where these costs were recorded. For costs that are allocated, include a description of the allocation factors utilized.

Response 38(a): Please see the Excel spreadsheet provided separately. Costs for labor, benefits, payroll taxes, and general office allocation, are allocated to the service company based on the estimated amount of employee time that is spent on activities related to the service company. Board fees are allocated to the service company based on an estimate of the amount of time allocated to the service company during regular board meetings.

Response 38(b): Please see the Excel spreadsheet provided separately. All charges are direct costs for propane fuel to heat garages at Shelby Energy's headquarters building.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 39: Provide the following information for the most recent calendar year concerning all affiliate-related activities not identified in response to Item 37:

- a. Provide the names of affiliates that provided some form of service to Shelby Energy and the type of service Shelby Energy received from each affiliate.
- b. Provide the names of affiliates to whom Shelby Energy provided some form of service and the type of service Shelby Energy provided to each affiliate.
- c. Identify the service agreement with each affiliate, state whether the service agreement has been previously filed with the Commission and identify the proceeding in which it was filed. Provide each service agreement that has not been previously filed with the Commission.

Response 39(a)-(c): Shelby Energy Propane Plus is a wholly owned subsidiary of Shelby Energy and is primarily in the business of selling propane and propane accessories to customers in Shelby Energy's service territory and surrounding areas. Shelby Energy is not involved in the day-to-day operations of the affiliate and does not promote the business. Shelby Energy has a Cost Allocation Manual detailing how costs will be allocated.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 40: Describe Shelby Energy's lobbying activities and provide a schedule showing the name, salary, and job title of each individual whose job function involves lobbying on the local, state, or national level.

Response 40: Shelby Energy does not engage in lobbying activities.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 41: Regarding demand-side management, conservation, and energy-efficiency programs, provide the following:

- a. A list of all programs currently offered by Shelby Energy.
- b. The total cost incurred for these programs by Shelby Energy in each of the three most recent calendar years.
- c. The total energy and demand reductions realized through these programs in each of the three most recent calendar years.
- d. The total cost for these programs included in the test year and expected energy reductions to be realized from these programs.

Response 41(a): In coordination with East Kentucky Power Cooperative, Inc. (“EKPC”), Shelby Energy offers the following DSM programs: Button-Up Weatherization Program, Heat Pump Retrofit Program, Touchstone Energy Home, Direct Load Control Program – Commercial, Direct Load Control Program – Residential, Community Assistance Resources for Energy Savings Program, and Residential Electric Vehicle Off-Peak Charging Program.

Response 41(b): Please see below program costs incurred by Shelby Energy in each of the three most recent calendar years:

	<u>2021</u>	<u>2022</u>	<u>2023</u>
Expense to SEC	23,304.84	18,496.03	18,901.04
Proceeds from EKPC	23,702.43	17,797.16	17,801.04
Net Expense to SEC	<u>(397.59)</u>	<u>698.87</u>	<u>1,100.00</u>

Response 41 (c): Please see attached reports for total energy and demand reductions realized through these programs.

Response 41 (d): The total cost included in the test year for demand-side management is \$1,100.

ATTACHMENT PSC 1-41(c)

DSM Scorecard by Co-op
 January 01, 2023 to December 31, 2023

Owner-Member	Shelby Energy	MWh / kWh and MW Saved through Dec 31, 2023				
		Totals YTD by Program				
Group / Program		Qty	MWh	kWh	Winter MW	Summer MW
Residential	513	513	67	66,529	0.012	0.007
Button Up - Level I	1	1	7	7,110	0.005	0.002
CARES HEAT PUMP ELIGIBLE	3	3	14	14,193	0.004	0.002
CARES HEAT PUMP IN-ELIGIBLE	0	0	0	0	0.000	0.000
Heat Pump Retrofit	1	1	3	3,020	0.000	0.000
Heat Pump Retrofit (15 SEER & up / Geo)	6	6	39	39,034	0.000	0.002
LED	500	500	0	0	0.000	0.000
LED-Promotional	1	1	0	0	0.000	0.000
TSE Home (Prescriptive)	1	1	3	3,172	0.003	0.001
Total	513	513	67	66,529	0.012	0.007
MWh	67					
Winter MW	0.012					
Summer MW	0.007					

DSM Scorecard by Co-op
 January 01, 2022 to December 31, 2022

Owner-Member	Shelby Energy	MWh / kWh and MW Saved through Dec 31, 2022				
		Totals YTD by Program				
Group / Program		Qty	MWh	kWh	Winter MW	Summer MW
Residential	1,019	1,019	109	108,666	0.019	0.010
Button Up - Level I	2	2	2	1,869	0.001	0.000
CARES HEAT PUMP ELIGIBLE	3	3	14	14,193	0.004	0.002
ENERGY STAR MANUFACTURED HOME	1	1	4	4,060	0.001	0.000
Heat Pump Retrofit (14 SEER)	2	2	15	15,066	0.000	0.001
Heat Pump Retrofit (15 SEER & up / Geo)	5	5	40	39,890	0.000	0.002
LED	1,000	1,000	24	24,000	0.004	0.002
LED-Promotional	3	3	0	72	0.000	0.000
TSE Home (Performance) (HERS 79 or below)	1	1	3	3,172	0.003	0.001
TSE Home (Prescriptive)	2	2	6	6,344	0.005	0.001
Switches	-111	-111	-1	-680	-0.013	-0.095
DLC AC	-86	-86	0	-430	0.000	-0.086
DLC WH	-25	-25	0	-250	-0.013	-0.009
Total	908	908	108	107,986	0.006	-0.085
MWh	108					
Winter MW	0.006					
Summer MW	-0.085					

DSM Scorecard by Co-op

January 01, 2021 to December 31, 2021

Owner-Member	Shelby Energy	MWh / kWh and MW Saved through Dec 31, 2021				
		Totals YTD by Program				
Group / Program		Qty	MWh	kWh	Winter MW	Summer MW
Residential	1,028	1,028	128	128,318	0.017	0.011
Button Up - Level I	2	2	1	1,235	0.001	0.000
CARES HEAT PUMP ELIGIBLE	3	3	14	14,193	0.004	0.002
CARES HEAT PUMP IN-ELIGIBLE	1	1	5	4,731	0.001	0.001
Energy Audit - Billing Insights Audit	7	7	4	3,661	0.000	0.000
ENERGY STAR MANUFACTURED HOME	1	1	4	4,060	0.001	0.000
Heat Pump Retrofit (14 SEER)	4	4	30	30,132	0.000	0.001
Heat Pump Retrofit (15 SEER & up / Geo)	5	5	40	39,890	0.000	0.002
LED	1,000	1,000	24	24,000	0.004	0.002
LED-Promotional	3	3	0	72	0.000	0.000
TSE Home (Performance) (HERS 79 or below)	2	2	6	6,344	0.005	0.001
Total	1,028	1,028	128	128,318	0.017	0.011
MWh	128					
Winter MW	0.017					
Summer MW	0.011					

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 42: Provide the following information with regard to uncollectible accounts for the test year and three preceding calendar years (taxable year acceptable):

- a. Reserve account balance at the beginning of the year;
- b. Charges to reserve account (accounts charged off);
- c. Credits to reserve account;
- d. Current year provision;
- e. Reserve account balance at the end of the year; and
- f. Percent of provision to total revenue.

Response 42(a)-(f): Please see the Excel spreadsheet provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 43: Provide an analysis of Other Operating Taxes as shown in Schedule J for the most recent calendar year.

Response 43: Please see the Excel file provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 44: Provide a detailed analysis of expenses incurred during the test year for professional services, as shown in Schedule K, and all workpapers supporting the analysis. At a minimum, the workpapers should show the payee, dollar amount, reference (i.e., voucher no. etc.) account charged, hourly rates and time charged to Shelby Energy according to each invoice, and a description of the services performed.

Response 44: Please see the Excel spreadsheet provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 45: Provide the following information for Shelby Energy. If any amounts were allocated, show a calculation of the factor used to allocate each amount.

a. A detailed analysis of all charges booked during the test year for advertising expenditures. Include a complete breakdown of Account No. 913 – Advertising Expenses, and any other advertising expenditures included in any other expense accounts, as shown in Schedule L1. The analysis should specify the purpose of the expenditure and the expected benefit to be derived.

b. An analysis of Account No. 930 – Miscellaneous General expenses for the test year. Include a complete breakdown of this account as shown in Schedule L2 and provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no., etc.), dollar amount, and brief description of each expenditure of \$500 or more, provided that lesser items are grouped by classes as shown in Schedule L2.

c. An analysis of Account No. 426 – Other Income Deductions for the test year. Include a complete breakdown of this account as shown in Schedule L3 and provide detailed workpapers supporting this analysis. At a minimum, the workpapers should show the date, vendor, reference (i.e., voucher no. etc.), dollar amount, and brief description of each expenditure of \$500 or more, provided that lesser items are grouped by classes as shown in Schedule L3.

Response 45(a)-(c): Please see the Excel spreadsheet provided separately.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 46: Provide the name and personal mailing address of each member of Shelby Energy's board of directors. Also identify the board members who are representatives to the Kentucky Association of Electric Cooperatives or the National Rural Electric Cooperative Association. If any changes occur in board membership during the course of this proceeding, update the response to this request.

Response 46:

Ashley Chilton, Chairman
6041 Castle Highway
Pleasureville, KY 40057

Pat Hargadon, Vice Chairman
461 Buetel Lane
Waddy, KY 40076

Roger Taylor, Jr., Secretary/Treasurer
177 Lake Jericho Road
Smithfield, KY 40068

Wayne Stratton
115 Bluebird Drive
Shelbyville, KY 40065

Diana Arnold
455 Hackney Lane
Bedford, KY 40006

Jeffrey Joyce
3109 Fisher Ridge Road
Milton, KY 40045

Pat Hargadon represents Shelby Energy on the Kentucky Association of Electric Cooperatives. Representatives to attend meetings for National Rural Electric Cooperative Association are selected annually.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 47: Provide a detailed analysis of the total compensation paid to each member of the board of directors during the test year, including all fees, fringe benefits, and expenses, with a description of the type of meetings, seminars, etc., attended by each member. Identify any compensation paid to Shelby Energy's board members for serving on Shelby Energy's board of directors. If any of the listed expenses in this analysis include the costs for a director's spouse, list expenses for the directors' spouses separately.

Response 47: Please see attached Excel spreadsheet uploaded separately with monthly detail for each director as well as total payments by category to each director for the test year.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 48: Provide Shelby Energy's written policies on the compensation of its attorneys, auditors, and all other professional service providers. Include a schedule of fees, per diems, and other compensation in effect during the test year. Include all agreements, contracts, memoranda of understanding, and any other documentation that explains the nature and type of reimbursement paid for professional services. If any changes occurred during the test year, indicate the effective date of these changes and the reason for these changes.

Response 48: Shelby Energy's policies concerning the hiring of its attorney and other consultants are attached as PSC 1-48(a). Please also see attached the most recent engagement letters, or engagement letters applicable to the test year for various consultants attached as PSC 1-48(b).

ATTACHMENT PSC 1-48(a)

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP106

“DIRECTOR AND ATTORNEY BENEFITS”

I. OBJECTIVE

The Board of Directors and Attorney serve an integral role at Shelby Energy for the communities and members served by Shelby Energy. Their responsibilities are many, and all action taken by the Board must display a true commitment to serve all members in a trustworthy and professional manner. To help retain competent and well-qualified individuals to perform these responsibilities and duties inside and outside the Board meeting, the following benefits are provided.

II. CONTENT

A. Monthly Stipend/Medical Insurance/ Fees

1. For a Director/Attorney elected or appointed before July 1, 1996, who has participated in the medical insurance plan, the following apply:
 - a. A monthly stipend of \$1,000.00 shall be paid to that active Director/Attorney in addition to applicable fees as covered in Board Policy No. 110.
 - b. The benefits listed in Board Policy No. 917 and Board Policy No. 920 shall no longer be available and no medical insurance premiums for the existing medical insurance plan shall be paid by Shelby Energy for that Director/Attorney or an existing spouse, as of December 31, 2012, who is eligible for Medicare.
 - c. That Director/Attorney or existing spouse of that Director/Attorney, who is not eligible for Medicare, may continue in Shelby Energy’s medical insurance plan and reimbursement of the monthly insurance premium shall be paid by the Director/Attorney or existing spouse of that Director/Attorney.
 - d. If that Director/Attorney retires or dies with twenty (20) or more years of active service, the following shall apply:
 - i. At retirement or death, Shelby Energy shall pay a monthly stipend of \$1,000.00 to that

Director/Attorney with a spouse, \$500.00 to that Director/Attorney without a spouse or \$500 to that Director's/Attorney's surviving spouse.

- ii. The monthly stipend shall be adjusted based on the monthly stipend amount paid to an active Director as provided in Section II, Subparagraph A2(a) and correspond on a percentage basis with Section II, Subparagraph A1(d)(i) for a Director/Attorney with a spouse, a Director/Attorney without a spouse, or that Director's/Attorney's surviving spouse.
 - iii. Should that retired Director/Attorney or an existing spouse of that retired Director/Attorney die, the monthly stipend shall be adjusted to 50% of the amount provided in Section II, Subparagraph A2(a). At which time, that surviving Director/Attorney shall be paid until his/her death or a surviving spouse of that Director/Attorney shall be paid until his/her death or remarriage, whichever occurs first.
2. For a Director elected or appointed after July 1, 1996, the following shall apply:
- a. An active Director shall be paid a monthly stipend of \$1,000.00 in addition to the Director fees as covered in Board Policy No. 110.
 - b. No stipend benefits shall be paid to any Director elected or appointed after July 1, 1996, who has retired or is no longer an active Director.
3. For an Attorney hired after July 1, 1996, the following shall apply:
- a. A Client Engagement Letter/Contract for legal services shall be executed between the Attorney and the Board of Directors and reviewed every two (2) years.
 - b. The benefits listed in Board Policy No. 917 and Board Policy No. 920 shall not be available.
 - c. No stipend benefits shall be paid to an Attorney hired after July 1, 1996.

B. Director Liability Insurance

Shelby Energy carries Director Liability Insurance. The coverage applies to the named persons while acting in their official capacity as a Director. A copy of the policy will be provided upon request.

C. Business Travel Accident Plan

Shelby Energy provides a Business Travel Accident Plan covering the Director while traveling to further the business of Shelby Energy based upon certain limitations within the policy. A copy of the policy will be provided upon request.

D. Accidental Death Insurance

Shelby Energy provides accidental death insurance covering the Director while traveling for the business of Shelby Energy based upon the terms and limitations of the policy. A copy of the policy will be provided upon request.

III. RESPONSIBILITY

The President and CEO is responsible to the Board to assure compliance with this policy.

Reference: BP 917 & BP 920

Adopted: 12/22/82

Reviewed/

Revised:	04/28/88	06/24/99	07/31/07	07/14/11	12/20/12
	05/22/14	04/23/15	04/21/17	05/24/18	04/23/19
	7/22/21				

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP202

“SERVICES OF CONSULTANTS”

I. OBJECTIVE

To establish conditions governing the budgeting, selection, retention and use of consultants and the relationships that should exist between consultants, the Board of Directors and the President and CEO.

II. CONTENT

It is recognized that effective management and governance are some of the most important factors contributing to the success of Shelby Energy. During the process of formulation, adoption, execution and audit of bylaws, policies, plans, programs and operational functions, there is a need for the services of consultants to supply the Board of Directors and the President and CEO with advice and assistance that will provide for well-informed decisions.

Therefore, it shall be the policy of the Board of Directors that the President and CEO will provide for consultation services in the annual operating budget which is submitted to the Board of Directors for their review, consideration, and appropriate action.

A. Retention and Use of Consultants

The provisions will include the use of specialized technical knowledge for the following areas, but not to the exclusion of other areas which may be essential and desirable in the operation of Shelby Energy in order that its strategic objectives may be attained.

1. Legal Services:

- a. The Shelby Energy Corporate Attorney.
The retention of the Shelby Energy Corporate Attorney is defined in Board Policy No. 203 – *Functions of the Shelby Energy Corporate Attorney*.
- b. Other Attorney(s).
Other attorneys may be retained on a fee basis to provide advice and assistance in specialized areas of need. The services provided will determine the reporting relationship with the Board and/or the President and CEO as applicable.

2. Engineering:

The consulting engineer or engineering firm will have a direct reporting relationship to the Board of Directors when the area of employment, such as study, analysis, and review, has been specifically determined by the Board with a corresponding responsibility for a functional reporting relationship to the President and CEO.

When a consulting engineer or engineering firm is used to supplement the regular permanent staff or to serve as advisor to the President and CEO in the areas of operating management for specific engineering projects, development of construction work plans, the inspection of work orders or other matters, the direct reporting relationship will be to the President and CEO, the SVP, Power Delivery Services, or their designee with a functional reporting responsibility to the Board of Directors.

3. Audit and Accounting:

The Certified Public Accountant or accountants, and they will have a direct reporting relationship to the Board of Directors when employed by the Board to perform audits of records and accounts, but the President and CEO will be kept informed and will provide all possible assistance and advice in making records and accounts available.

The Board and/or President and CEO shall be responsible for requesting professional comments beyond minimum audit requirements. When rendering accounting advice and assistance in connection with day-to-day operations, the reporting relationship will be directly to the President and CEO, the Chief Financial Officer, or their designee and through him/her to the staff.

Other accountants may be retained on a fee basis to provide advice and assistance on accounting and budget issues, rate studies and similar projects. Accountants rendering accounting advice and assistance in connection with day-to-day operations will maintain a reporting relationship directly with the President and CEO, the Chief Financial Officer, or their designee and through him/her to the staff.

4. Management:

Management consultants may be retained to study, analyze, and recommend improvements in management practices, policy formulation, organizational planning, human resources issues and administration of the wage and salary program and other matters. In carrying out these responsibilities, the consultant's reporting relationship will be directly to the President and CEO, the Chief Financial Officer, or their designee and through him/her to the staff.

The performance of a management audit and reporting on recommendations resulting from a management audit and/or appraisal or recommendations on revisions needed in Board approved policies or plans, the reporting relationship shall be directly to the Board but with the full knowledge and understanding of the President and CEO.

5. Other:

Other types of consultants may be retained when their specialized knowledge is needed, and the reporting relationship will be based on the functions for which the consultant is retained.

B. Selection of Consultants

1. Consultants will be appointed by the Board of Directors when their services are needed for financial audits of records and accounts, legal opinion on Board actions, governance assessments, and any areas deemed necessary by the Board. The President and CEO will be responsible, at the request of the Board, for screening possible consultants and recommending to the Board qualified persons or firms.
2. Authority is delegated by the Board of Directors to the President and CEO, in Board Policy 104 - *Authority Given by the Board of Directors to the President and CEO* and further defined herein, to appoint consultants when such services are needed to supplement the work of the management staff or to serve as advisors on specific operating issues.

C. Relationship of Consultants

All consultants will be retained for a fee. Consultants will not be considered as employees and will not be eligible for any compensation or benefits reserved for employees. Consultants are not covered by the

Workers' Compensation Plan of Shelby Energy. Any consultant performing work for Shelby Energy must sign the appropriate waiver/hold harmless statement to release Shelby Energy from all liability.

III. RESPONSIBILITY

The President and CEO will be responsible for inclusion of consultant's appearance and reporting at Board meetings. The President and CEO will have further responsibility to furnish recommendations to the Board on the retention, selection, and use of consultants.

Reference: **BP 104**
 BP 203

Adopted: 10/19/61

Reviewed/ Revised:	11/23/88 07/20/17	08/26/99 07/18/19	08/18/11 09/23/2021	09/19/13 09/28/23	07/16/15
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SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP203

“FUNCTIONS OF SHELBY ENERGY CORPORATE ATTORNEY”

I. OBJECTIVES

- A. To provide for the functions of the legal consultant employed as the Shelby Energy Corporate Attorney.
- B. To recognize the basis for continuing legal guidance and counsel in the ordinary and special activities of Shelby Energy to ensure maximum protection of the legal rights of Shelby Energy, and to maintain operations within the limits prescribed by law.

II. CONTENT

A. Duties:

The Shelby Energy Corporate Attorney shall have the functions of advising the Board of Directors and management employees as to all legal matters of corporate procedure and matters pertaining to legal rights, duties and obligations of Shelby Energy to the public and to its members. Included under these functions is the responsibility for providing legal advice to the Board and management employees on applicable provisions of statutory law, and the law as interpreted and applied by the courts. Neither the Shelby Energy attorney nor any affiliated attorney shall accept representation adverse to Shelby Energy. This statement of functions includes:

1. Procedural Matters

Assisting Shelby Energy officers and management employees with interpretation of the Articles of Incorporation and the Bylaws; the calling and holding of special and regular meetings of directors and members; and amendment of the Articles of Incorporation and of the Bylaws. Specifically, the following inclusions are listed:

- a. Attends all regular and special meetings of the Board of Directors where they will review and render opinions on current and potential legal difficulties which may be inherent in present or proposed Bylaws, policies, and actions.
- b. Participates in the planning of annual membership meetings relative to notices or other legal technicalities and attends the meeting to represent the Board of Directors on all matters related to the legal entity of Shelby Energy.

2. General Matters

- a. Draft and review contracts involving Shelby Energy and provide legal advice on reports and statements required by regulatory bodies.
- b. The regular Shelby Energy attorney should avail themselves of every opportunity to remain reasonably familiar with all matters pertaining to Shelby Energy.

3. Special Matters

- a. Review the title to all real estate purchased by Shelby Energy and documents involved in the granting of easements, when necessary.
- b. Review of procedures necessary for the borrowing of money by Shelby Energy to determine that all actions and documents are legally correct.

4. Actions Involving Public Service Commission and Courts

- a. Representation of Shelby Energy before commissions and courts in the State of Kentucky for defense of Shelby Energy on such matters as establishment of rates, applications for Certificates of Convenience and Necessity and other matters as needed.
- b. Representation and opinions in connections with specific operating problems where legal services are desired in connection with:
 - i. Defense of Shelby Energy against suits or claims filed by government agencies or by individuals or other activities.
 - ii. Prosecution of Shelby Energy's claims against others.
 - iii. Matters of a legal nature involving functions performed on behalf of Shelby Energy involving any actions arising between Shelby Energy and any member, supplier or agent of Shelby Energy or other outside party.

- iv. Matters involving the interaction between management and the bargaining unit representing a portion of Shelby Energy’s employees.

B. Compensation:

The Shelby Energy Corporate Attorney shall be compensated in a manner determined by the Board. The determined compensation shall be stated in writing and will be reviewed and approved annually by the full Board.

C. Reporting Relationships:

1. The attorney will have a reporting relationship to the Board of Directors relative to the basic legal entity in all legal areas concerned. Specifically with operating management, the attorney will recognize a reporting relationship directly to the President and CEO. The attorney will also have a reporting relationship to the Board on any matter, where required by ethical duty to the Board.
2. Opinions relative to legal services furnished in connection with specific operating problems will be submitted to the President and CEO.

III. RESPONSIBILITY

- A. The attorney shall be responsible for reporting to the Board of Directors on the basic legal entity and to the President and CEO on legal problems affecting operating management.
- B. The Chair of the Board and/or the President and CEO, as applicable, is responsible for the administration of this policy.

Reference: BP 202

Approved: 10/19/61

Reviewed/

Revised:	11/23/88	08/26/99	08/18/11	09/19/13	07/16/15
	07/20/17	07/18/19	09/23/2021	09/28/23	

ATTACHMENT PSC 1-48(b)



Jones, Nale & Mattingly PLC

December 20, 2022

Shelby Energy Cooperative, Inc.
620 Old Finchville Road
Shelbyville, Kentucky 40065

Attention: Jack Bragg, Jr., President & CEO

We are pleased to confirm our understanding of the services we are to provide for Shelby Energy Cooperative, Inc. and Subsidiary (the Cooperative) as of and for the year ending December 31, 2022.

Audit Scope and Objectives

We will audit the consolidated financial statements of the Cooperative, which comprise the consolidated balance sheet as of December 31, 2022, and the related consolidated statements of income and comprehensive income, changes in members' equity, and cash flows for the year then ending, and the disclosures (collectively, the "consolidated financial statements"). Also, the following supplementary information accompanying the consolidated financial statements will be subjected to the auditing procedures applied in our audit of the consolidated financial statements and certain additional procedures, including comparing and reconciling such information directly to the underlying accounting and other records used to prepare the consolidated financial statements or to the consolidated financial statements themselves, and other additional procedures in accordance with auditing standards generally accepted in the United States of America (GAAS), and we will provide an opinion on it in relation to the consolidated financial statements as a whole our auditor's report will provide an opinion on it in relation to the financial statements as a whole in a report combined with our auditor's report on the consolidated financial statements.

- (1) Consolidating balance sheet
- (2) Consolidating statement of revenue and comprehensive income

The objectives of our audit are to obtain reasonable assurance about whether the consolidated financial statements as a whole are free from material misstatement, whether due to fraud or error, and issue an auditor's report that includes our opinion about whether your consolidated financial statements are fairly presented, in all material respects, in conformity with accounting principles generally accepted in the United States of America and to report on the fairness of the supplementary information referred to in the second paragraph when considered in relation to the consolidated financial statements as a whole. Reasonable assurance is a high level of assurance but is not absolute assurance and therefore is not a guarantee that an audit conducted in accordance with GAAS and *Government Auditing Standards* will always detect a material misstatement when it exists. Misstatements, including omissions, can arise from fraud or error and are considered material if there is a substantial likelihood that, individually or in the aggregate, they would influence the judgment of a reasonable user made based on the consolidated financial statements.

The objectives also include reporting on internal control over financial reporting and compliance with provisions of laws, regulations, contracts, and award agreements, noncompliance with which could have a material effect on the consolidated financial statements in accordance with *Government Auditing Standards*. The auditor's report, report on compliance and internal control over financial reporting and management letter are being issued in order to enable the Cooperative to comply with the provisions of RUS's security instruments.

Auditor's Responsibilities for the Audit of the Consolidated Financial Statements

We will conduct our audit in accordance with GAAS and the standards for financial audits contained in *Government Auditing Standards* issued by the Comptroller General of the United States, and the reporting requirement of RUS set forth in CFR Chapter XVII, Part 1773- RUS Policy on Audits of Electric Borrowers, and will include tests of your accounting records and other procedures we consider necessary to enable us to express such an opinion. As part of an audit in accordance with GAAS and *Government Auditing Standards*, we exercise professional judgment and maintain professional skepticism throughout the audit.

We will evaluate the appropriateness of accounting policies used and the reasonableness of significant accounting estimates made by management. We will also evaluate the overall presentation of the consolidated financial statements, including the disclosures, and determine whether the consolidated financial statements represent the underlying transactions and events in a manner that achieves fair presentation. We will plan and perform the audit to obtain reasonable assurance about whether the consolidated financial statements are free of material misstatement, whether from (1) errors, (2) fraudulent financial reporting, (3) misappropriation of assets, or (4) violations of laws or governmental regulations that are attributable to the Cooperative or to acts by management or employees acting on behalf of the Cooperative. Because the determination of waste and abuse is subjective, *Government Auditing Standards* do not expect auditors to perform specific procedures to detect waste or abuse in financial audits nor do they expect auditors to provide reasonable assurance of detecting waste or abuse.

Because of the inherent limitations of an audit, combined with the inherent limitations of internal control, and because we will not perform a detailed examination of all transactions, there is an unavoidable risk that some material misstatements may not be detected by us, even though the audit is properly planned and performed in accordance with GAAS and *Government Auditing Standards*. In addition, an audit is not designed to detect immaterial misstatements or violations of laws or governmental regulations that do not have a direct and material effect on the consolidated financial statements. However, we will inform the appropriate level of management of any material errors, fraudulent financial reporting, or misappropriation of assets that comes to our attention. We will also inform the appropriate level of management of any violations of laws or governmental regulations that come to our attention, unless clearly inconsequential. Our responsibility as auditors is limited to the period covered by our audit and does not extend to any later periods for which we are not engaged as auditors. We will disclose any fraud or illegal acts that come to our attention in accordance with 7 CFR Chapter XVII, Parts 1773.9 and 1773.20(b).

We will also conclude, based on the audit evidence obtained, whether there are conditions or events, considered in the aggregate, that raise substantial doubt about the Cooperative's ability to continue as a going concern for a reasonable period of time.

Our procedures will include tests of documentary evidence supporting the transactions recorded in the accounts, tests of the physical existence of inventories, and direct confirmation of receivables and certain assets and liabilities by correspondence with selected individuals, funding sources, creditors, and financial institutions. We will also request written representations from your attorneys as part of the engagement.

We have identified the following significant risk of material misstatement as part of our audit planning:

- Management override of controls.

We may, from time to time and depending on the circumstances, use third-party service providers in serving your account. We may share confidential information about you with these service providers but remain committed to maintaining the confidentiality and security of your information. Accordingly, we maintain internal policies, procedures, and safeguards to protect the confidentiality of your personal information. In addition, we will secure confidentiality agreements with all service providers to maintain the confidentiality of your information and we will take reasonable precautions to determine that they have appropriate procedures in place to prevent the unauthorized release of your confidential information to others. In the event that we are unable to secure an appropriate confidentiality agreement, you will be asked to provide your consent prior to the sharing of your confidential information with the third-party service provider. Furthermore, we will remain responsible for the work provided by any such third-party service providers.

Our audit of the consolidated financial statements does not relieve you of your responsibilities.

Audit Procedures – Internal Control

We will obtain an understanding of the Cooperative and its environment, including internal control relevant to the audit, sufficient to identify and assess the risks of material misstatement of the consolidated financial statements, whether due to error or fraud, and to design and perform audit procedures responsive to those risks and obtain evidence that is sufficient and appropriate to provide a basis for our opinion. Tests of control may be performed to test the effectiveness of certain controls that we consider relevant to preventing and detecting errors and fraud that are material to the consolidated financial statements and to preventing and detecting misstatements resulting from illegal acts and other noncompliance matters that have a direct and material effect on the consolidated financial statements. Our tests, if performed, will be less in scope than would be necessary to render an opinion on internal control and, accordingly, no opinion will be expressed in our report on internal control issued pursuant to *Government Auditing Standards*. The risk of not detecting a material misstatement resulting from fraud is higher than for one resulting from error, as fraud may involve collusion, forgery, intentional omissions, misrepresentation, or the override of internal control. An audit is not designed to provide assurance on internal control or to identify significant deficiencies or material weaknesses. Accordingly, we will express no such opinion. However, during the audit, we will communicate to you and those charged with governance internal control related matters that are required to be communicated under AICPA professional standards and *Government Auditing Standards*.

Audit Procedures – Compliance

As part of obtaining reasonable assurance about whether the consolidated financial statements are free of material misstatement, we will perform tests of the Cooperative's compliance with the provisions of applicable laws, regulations, contracts, agreements, and grants. However, the objective of our audit will not be to provide an opinion on overall compliance and we will not express such an opinion in our report on compliance issued pursuant to *Government Auditing Standards*.

Other Services

We will prepare the Cooperative's federal tax return, and property tax returns for the year ending December 31, 2022, based on information provided by you. We will also assist in preparing the consolidated financial statements and related notes of the Cooperative in conformity with accounting principles generally accepted in the United States of America based on information provided by you. These nonaudit services do not constitute an audit under *Government Auditing Standards* and such services will not be conducted in accordance with *Government Auditing Standards*. We will perform the services in accordance with applicable professional standards, including the Statements on Standards for Tax Services issued by the American Institute of Certified Public Accountants. The other services are limited to the consolidated financial statement and tax services previously defined. We, in our sole professional judgment, reserve the right to refuse to perform any procedure or take any action that could be construed as assuming management responsibilities. We will advise management with regard to tax positions taken in the preparation of the tax returns, but management must make all decisions with regard to those matters.

You agree to assume all management responsibilities for the tax services, consolidated financial statements, related notes, and any other nonaudit services we provide. You will be required to acknowledge in the management representation letter the tax services provided and our assistance with the preparation of the consolidated financial statements and related notes and that you have evaluated the adequacy of our services and have reviewed and approved the results of the services, the consolidated financial statements, and related notes prior to their issuance and have accepted responsibility for them. Further, you agree to oversee the nonaudit services by designating an individual, preferably from senior management, with suitable skill, knowledge, or experience; evaluate the adequacy and results of those services; and accept responsibility for them.

Responsibilities of Management for the Consolidated Financial Statements

In order to comply with the provisions of the RUS security instruments, management is responsible for obtaining an audit in accordance with 7 CFR Chapter XVII, P1773.

Our audit will be conducted on the basis that you acknowledge and understand your responsibility for designing, implementing, and maintaining effective internal controls relevant to the preparation and fair presentation of the consolidated financial statements that are free from material misstatement, whether due to fraud or error, and for evaluating and monitoring ongoing activities to help ensure that appropriate goals and objectives are met; following laws and regulations; and ensuring that management and financial information is reliable and properly reported. Management is also responsible for implementing systems designed to achieve compliance with applicable laws, regulations, contracts, and grant agreements. You are also responsible for the selection and application of accounting principles, for the preparation and fair presentation of the consolidated financial statements and all accompanying information in conformity with accounting principles generally accepted in the United States of America, and for compliance with applicable laws and regulations and the provisions of contracts and grant agreements.

You are also responsible for making drafts of the consolidated financial statements, all financial records, and related information available to us and for the accuracy and completeness of that information (including information from outside of the general and subsidiary ledgers). You are also responsible for providing us with (1) access to all information of which you are aware that is relevant to the preparation and fair presentation of the consolidated financial statements, such as records, documentation, identification of all related parties and all related-party relationships and transactions, and other matters; (2) additional information that we may request for the purpose of the audit; and (3) unrestricted access to persons within the Cooperative from whom we determine it necessary to obtain audit evidence. At the conclusion of our audit, we will require certain written representations from you about your responsibilities for the consolidated financial statements; compliance with laws, regulations, contracts, and grant agreements; and other responsibilities required by GAAS and *Government Auditing Standards*.

Your responsibilities include adjusting the consolidated financial statements to correct material misstatements and confirming to us in the management representation letter that the effects of any uncorrected misstatements aggregated by us during the current engagement and pertaining to the latest period presented are immaterial, both individually and in the aggregate, to the consolidated financial statements taken as a whole.

You are responsible for the design and implementation of programs and controls to prevent and detect fraud, and for informing us about all known or suspected fraud affecting the Cooperative involving (1) management, (2) employees who have significant roles in internal control, and (3) others where the fraud could have a material effect on the consolidated financial statements. Your responsibilities include informing us of your knowledge of any allegations of fraud or suspected fraud affecting the Cooperative received in communications from employees, former employees, grantors, or others. In addition, you are responsible for identifying and ensuring that the Organization complies with applicable laws, regulations, contracts, agreements, and grants and for taking timely and appropriate steps to remedy fraud and noncompliance with provisions of laws, regulations, contracts, and grant agreements that we report.

You are responsible for the preparation of the supplementary information, which we have been engaged to report on, in conformity with accounting principles generally accepted in the United States of America. You agree to include our report on the supplementary information in any document that contains, and indicates that we have reported on, the supplementary information. You also agree to include the audited consolidated financial statements with any presentation of the supplementary information that includes our report thereon.

Management is responsible for establishing and maintaining a process for tracking the status of audit findings and recommendations. Management is also responsible for identifying and providing report copies of previous financial audits, attestation engagements, performance audits, or other studies related to the objectives discussed in the Audit Scope and Objectives section of this letter. This responsibility includes relaying to us corrective actions taken to address significant findings and recommendations resulting from those audits, attestation engagements, performance audits, or other engagements or studies. The Cooperative is also responsible for providing management's views on our current findings, conclusions, and recommendations, as well as your planned corrective actions for the report, and for the timing and format for providing that information.

Engagement Administration, Fees, and Other

We understand that your employees will prepare all cash, accounts receivable, and other confirmations we request and will locate any documents selected by us for testing.

We will provide copies of our reports to the Cooperative; however, management is responsible for distribution of the reports and the consolidated financial statements. Unless restricted by law or regulation, or containing privileged and confidential information, copies of our reports are to be made available for public inspection.

The audit documentation for this engagement is the property of Jones, Nale & Mattingly PLC and constitutes confidential information. However, subject to applicable laws or regulations, audit documentation and appropriate individuals will be made available upon request and in a timely manner to the RUS or its designee, a federal agency providing direct or indirect funding, or the U.S. Government Accountability Office for purposes of a quality review of the audit, to resolve audit findings, or to carry out oversight responsibilities. We will notify you of any such request. If requested, access to such audit documentation will be provided under the supervision of Jones, Nale & Mattingly PLC personnel. Furthermore, upon request, we may provide copies of selected audit documentation to the aforementioned parties. These parties may intend, or decide, to distribute the copies or information contained therein to others, including other governmental agencies.

At the conclusion of our audit, we will submit our audit report, report on compliance and internal control over financial reporting and management letter in accordance with RUS Part 1773. We will issue a separate letter detailing any material weaknesses which we observe in your system of internal accounting control, along with recommendations for strengthening internal accounting controls and improving operating procedures if significant deficiencies are noted in these areas. We will document our audit work performed in accordance with Generally Accepted *Government Auditing Standards* (GAGAS), the professional standards of the AICPA and the requirements of RUS Part 1773. We will make all audit-related documents available to the RUS.

We are independent with respect to the Cooperative as defined and interpreted by the Professional Ethics Division of the AICPA and *Government Auditing Standards*. We are a member in good standing of the AICPA Peer Review Program as required by RUS. You have requested that we provide you with a copy of our most recent external peer review report and any subsequent reports received during the contract period. Accordingly, our 2020 peer review report accompanies this letter.

The audit documentation for this engagement will be retained for a minimum of five years after the report release date or for any additional period requested by the RUS. If we are aware that a federal awarding agency or auditee is contesting an audit finding, we will contact the party contesting the audit finding for guidance prior to destroying the audit documentation.

I am the engagement partner and am responsible for supervising the engagement and signing the reports or authorizing another individual to sign them. We expect to begin our audit on approximately January 30, 2023.

Fees for the audit and tax services will be \$15,000 for Shelby Energy Cooperative, Inc. and \$4,000 for the Subsidiary, respectively.

The fee estimate is based on anticipated cooperation from your personnel and the assumption that unexpected circumstances will not be encountered during the audit. If significant additional time is necessary, we will discuss it with you and arrive at a new fee estimate before we incur the additional costs. Our invoices for these fees will be rendered each month as work progresses and are payable on presentation.

Reporting

We will issue a written report upon completion of our audit of the Cooperative's consolidated financial statements. Our report will be addressed to the Board of Directors of the Cooperative. Circumstances may arise in which our report may differ from its expected form and content based on the results of our audit. Depending on the nature of these circumstances, it may be necessary for us to modify our opinion, add a separate section, or add an emphasis-of-matter or other-matter paragraph to our auditor's report, or if necessary, withdraw from this engagement. If our opinion is other than unmodified, we will discuss the reasons with you in advance. If, for any reason, we are unable to complete the audit or are unable to form or have not formed an opinion, we may decline to express an opinion or issue reports, or we may withdraw from this engagement.

We will also provide a report (which does not include an opinion) on internal control related to the consolidated financial statements and compliance with the provisions of laws, regulations, contracts, and grant agreements, noncompliance with which could have a material effect on the consolidated financial statements as required by *Government Auditing Standards*. The report on internal control and on compliance and other matters will state that (1) the purpose of the report is solely to describe the scope of testing of internal control and compliance, and the results of that testing, and not to provide an opinion on the effectiveness of the Cooperative's internal control on compliance and (2) the report is an integral part of an audit performed in accordance with *Government Auditing Standards* in considering the Cooperative's internal control and compliance. The report will also state that the report is not suitable for any other purpose. If during our audit we become aware that the Cooperative is subject to an audit requirement that is not encompassed in the terms of this engagement, we will communicate to management and those charged with governance that an audit in accordance with U.S. generally accepted auditing standards and the standards for financial audits contained in *Government Auditing Standards* may not satisfy the relevant legal, regulatory, or contractual requirements.

We appreciate the opportunity to be of service to you and believe this letter accurately summarizes the significant terms of our engagement. If you have any questions, please let us know. If you agree with the terms of our engagement as described in this letter, please sign the enclosed copy and return it to us.

Sincerely,

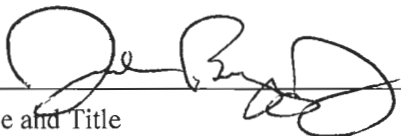
JONES, NALE & MATTINGLY PLC



Travis C. Frick, CPA

RESPONSE:

This letter correctly sets forth the understanding of Shelby Energy Cooperative, Inc. and Subsidiary:

 CEO

Name and Title

12/21/22

Date

Proposal for Consulting Services For

Shelby Energy Cooperative, Inc.

**Cost of Service Study
& Rate Design**

December 9, 2022

Submitted By

CATALYST
CONSULTING LLC





December 9, 2022

Mr. Jack Bragg, Jr.
President & CEO
Shelby Energy Cooperative
620 Old Finchville Road
Shelbyville, Kentucky 40065

Dear Jack,

Thank you for giving Catalyst Consulting LLC the opportunity to submit a proposal to assist Shelby Energy Cooperative, Inc. in performing a cost of service and rate design study.

Please let me know if you have any questions about this proposal. I look forward to assisting you on this initiative.

Sincerely,



John Wolfram
Principal

Enclosure

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Executive Summary

This proposal provides a quote for consulting services to assist Shelby Energy Cooperative, Inc. ("Shelby Energy") by

- 1) collecting the data necessary to perform a cost of service and rate study;
- 2) determining the target annual revenue requirement;
- 3) preparing a fully allocated, embedded cost of service analysis which will utilize a cost of service model that functionally assigns, classifies, and allocates all the utility's accounting costs and plant for a twelve-month test period;
- 4) determining and/or reviewing pro forma adjustments to reflect any known and measurable changes to the test period values;
- 5) calculating a rate of return for each rate class;
- 6) calculating per-unit costs which reflect unbundled cost-based rates for each rate class;
- 7) evaluating how well each rate component in the current rates reflects cost causation and recommending alternatives for rate modifications that would better reflect cost causation;
- 8) designing electric rates;
- 9) delivering a presentation to the Board of Directors regarding cost of service study results;
- 10) preparing and supporting a rate filing before the Kentucky Public Service Commission ("Commission").

To make the cost of service study more useful, Catalyst Consulting will provide Shelby Energy with all the cost of service models, consumption analyses, and rate design models electronically in Microsoft Excel® format at the end of the study.

Scope of Work

Catalyst Consulting will perform the following services on this project.

1. Data Collection & Review

Catalyst Consulting will provide Shelby Energy with a list of information required to conduct the studies. Additional items and/or discussion around the data required for filing a rate case may follow initial review. Catalyst Consulting will review the data provided and may assist with preparing the filing requirements for a rate case.

2. Revenue Requirement

- a) Catalyst Consulting will work with Shelby Energy staff to prepare the estimated annual target margins for electric operations.
- b) Catalyst Consulting will work with Shelby Energy to develop pro forma adjustments, based on information provided by the utility, to ensure that the cost of service study reflects revenues and expenses that will be incurred when the new rates become effective.

3. Cost of Service Study

- a) Catalyst Consulting will develop a fully-allocated, embedded cost-of-service study to identify the relative responsibility of each electric rate classification for the recovery of the costs of service.
- b) The cost of service study will utilize a standardized Microsoft Excel® model that functionally assigns, classifies, and allocates all of the utility's accounting costs for the twelve month test period. The first step will be to functionalize all of the utility's costs into major functional groups. Functionalizing costs in this manner will permit the study to be used to develop unbundled rates, as described below. The second step will be to classify all functionalized costs as energy-related, demand-related, customer-related. The third step will be to allocate the functionalized and classified costs to the classes of customers identified by the utility. The classes of customers will generally correspond to the utility's rate schedules and special contract customers (if any). The methods used to functionally assign, classify, and allocate costs adhere to industry-accepted practices and have been accepted by regulators in numerous formal rate proceedings.

- c) Catalyst Consulting will identify the revenue requirement associated with each functional (unbundled) category. The revenue requirement will be expressed both in dollars and on a per unit cost basis. Catalyst Consulting will allocate Shelby Energy's functionalized revenue requirement to the rate classes as appropriate.
- d) Catalyst Consulting will calculate a rate of return for each rate class and for the system.
- e) Catalyst Consulting will develop per-unit costs for customer, energy, and demand cost components from the cost of service study ("cost-based rates").
- f) Catalyst Consulting will provide a copy of the cost of service model and related schedules in electronic format so that Shelby Energy can use the models to perform further analysis on detailed cost information, evaluate management decisions, or explore additional rate options.

4. Rate Design

- a) In consultation with management, Catalyst Consulting will develop an appropriate set of rate design criteria and objectives.
- b) Catalyst Consulting will review the current Shelby Energy rate structure and identify any differences between the current rates and the cost-based rates from the cost of service study.
- c) Catalyst Consulting will work with Shelby Energy to design the appropriate utility rate schedules that provide revenue recovery sufficient to cover the total system revenue requirement, taking into consideration the revenue responsibility indicated by the cost of service study and Shelby Energy's rate design policies and objectives. The rate design will include any proposed revisions to existing rate structures and classifications desired by Shelby Energy's management team or Board of Directors.
- d) Catalyst Consulting will develop analyses for each existing rate class served by Shelby Energy that show the billing determinants for each rate component and the revenue derived from each component and show the same billing units applied to the new proposed rate design. This shows the revenue that will be generated from the new rate design versus the old rate design and helps to ensure that the utility will receive the revenue that it needs from the new rates.
- e) Catalyst Consulting will explore other rate alternatives as directed by Shelby Energy's management and/or Board of Directors.

5. Board Presentation(s)

Catalyst Consulting will deliver presentation(s) to Shelby Energy's Board and management team regarding the results of the cost of service and rate studies, as desired.

6. Support Rate Filing

- a) Catalyst Consulting will prepare testimony and exhibits for a rate filing before the Commission to implement the rates approved by Shelby Energy's Board.
- b) Catalyst Consulting will assist Shelby Energy with developing filing requirements, exhibits or other schedules as desired.
- c) Catalyst Consulting will participate fully in the rate proceeding and provide broad support to the utility. This includes providing strategic guidance on the development of the filing, drafting direct testimony, preparing exhibits and schedules, drafting written responses to data requests, reviewing intervenor testimony, developing data requests, sponsoring rebuttal testimony, contributing to possible settlement negotiations, assisting in witness preparation, participating in formal hearings, preparing responses to post-hearing data requests, and assisting in the development of post-hearing briefs if applicable. The approach is to fully partner with Shelby Energy on the filing, from start to finish, and to help in every way desired, to help achieve the most favorable ruling possible from the Commission.

7. Financial Assessment

As desired, Catalyst Consulting will prepare high-level analysis of current revenue requirements, on a monthly basis, to serve as an initial assessment of the financial health of the utility. This will be on an unadjusted basis using the most recent 12 months of financial data. These assessments can be repeated monthly until such time as the management team and/or Board of Directors elect to proceed with the other proposed items in the Scope of Work.

Study Schedule

Catalyst Consulting will complete this study in a timely manner and will work with Shelby Energy's staff to meet the desired deadlines. Studies ordinarily require approximately three months. The critical path item for achieving this target is the timely provision of test period data and company information noted in Scope of Work Item 1.

Pricing & Fee Schedules

For all activities on this project, Catalyst Consulting will charge for services at the following hourly rates:

Member	John Wolfram	\$225 per hour
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The hourly rates quoted are effective through December 31, 2023.

The cost of the work described in the Scope of Work Items 1 and 3 for the cost of service study is fixed at \$10,000. The cost estimate for the work described in Scope of Work Item 2 is \$2,000. The cost estimate for each Presentation described in Scope of Work Item 5 is \$1,500 plus travel. The cost for the work described in the Scope of Work Item 4 will vary based on the extent of necessary rate revisions and for Scope of Work Item 6 will vary based on the type of rate filing, the number of data requests and the overall complexity of the formal proceeding before the Commission. These items are challenging to estimate accurately. The cost estimate for the work described in the Scope of Work Item 7 is up to \$1,000.

Based on the nature of the filing, the entire project in total is estimated to cost as follows:

- | | |
|---|----------|
| 1) Traditional cost of service study and rate filing: | \$45,000 |
| 2) Streamlined rate filing with cost of service study, revenue increase and rate changes: | \$20,000 |
| 3) Streamlined rate filing with cost of service study and revenue neutral rate changes: | \$18,000 |

For all travel (if any) Catalyst Consulting will bill the actual reasonable cost of transportation, meals, lodging, and incidentals. Mileage reimbursement will be in accordance with rates allowed by the IRS. Catalyst Consulting may also bill for other ad hoc expenses, including printing, shipping, etc., if incurred. Reasonable efforts will be made to minimize expenses and obtain advantageous pricing.

For any activities that are not expressly provided for in the Scope of Work, Catalyst Consulting will bill for its services based on the time spent performing the requested services, for the actual costs of travel, accommodations, and ad hoc expenses reasonably incurred.

Company Information

Contact Information

Company contact information for Catalyst Consulting LLC is as follows:

Catalyst Consulting LLC
John Wolfram, Principal
3308 Haddon Road
Louisville, Kentucky 40241
Phone : (502) 599-1739
Email: johnwolfram@catalystcllc.com
Web: www.catalystcllc.com
Linkedin: www.linkedin.com/in/johnwolfram

Initial Data Request

To perform the activities outlined in the Scope of Work, Catalyst Consulting will require the following information.

- 1) RUS Financial and Operating Report Electric Distribution report (formerly known as RUS Form 7) for the test year to be used in the cost of service study.
- 2) Trial Balance – showing operating revenues, expenses, and plant balances by RUS account number (consistent with RUS Bulletin 1767B-1) for the twelve month test period.
- 3) Year-End Accumulated Depreciation (depreciation reserve) by primary Plant Account Number. If not available, please provide by major functional group (i.e., Distribution, Transmission).
- 4) Annual Depreciation Expenses by primary Plant Account Number. If not available, please provide by major functional group.
- 5) Labor expenses by primary O&M account (i.e., labor dollars that have been expensed).
- 6) Monthly Billing Determinants for the test year by rate schedule. This includes all information necessary to reproduce the test period billings. As much detail as possible is desired. Billing determinants include the following, by month and by rate schedule:
 - a. Number of customers,
 - b. kWh sales,
 - c. kW billing demand (CP or NCP as billed, or both if possible)
 - d. Revenue for each rate schedule.
 - e. For Seasonal and TOU rate schedules, if any, please provide data by each rate block or On-Peak/Off-Peak period.
- 7) Monthly unit charges billed under all rate tracking mechanisms by rate class. Also please include any other monthly charges that are billed in the monthly revenue.
- 8) Load data for individual customers within various rate classes. As much information about load as possible is desired. Data showing estimated load at the time of the system peak is desired or any other customer load data that would permit a more

accurate estimate of customer demands by rate class at the time of the system peak. This includes monthly class maximum demands (NCP), monthly class coincident peak demands (CP), and monthly sum of the individual customer maximum demands for each class. Hourly system loads are also desired if available.

- 9) Hourly load data by rate class for 12 months for all classes for which a Time Of Use Rate is required, if available. If not available, any estimation of on-peak/off-peak differential based on experience or other data would be useful.
- 10) Monthly Purchased Power Detail for the 12-month test year. This includes invoices for wholesale power supply purchases, other transmission costs billed to Shelby Energy if any, or any other billed amounts & invoices related to monthly purchased power expenses.
- 11) Copy of the Wholesale Supplier's Rate Schedule (including any riders or power cost adjustments) applicable to the test year and any announced or projected schedules on a prospective basis.
- 12) Estimate of installed cost of meters by rate schedule (i.e., meter installation and equipment cost for a typical customer served under each rate schedule.) This information would typically be provided by the utilities' engineering department and would be based on the *best engineering estimate* of what it currently costs to install a meter for a typical customer served under each major rate schedule (including the cost of the meter and installation costs that are booked in Account 370).
- 13) Estimate of installed cost of services by rate schedule (i.e., service installation and equipment cost for a typical customer served under each rate schedule.) This information would typically be provided by the utilities' engineering department and would be based on the *best engineering estimate* of what it currently costs to install a service for a typical customer served under each major rate schedule (including the cost of the service and installation costs that are booked in Account 369).
- 14) Continuing Property Records – CPR plant detail for the following accounts (including number of units and investment by type of equipment):
 - a. Account 364 – Poles, Towers and Fixtures
 - b. Account 365 – Overhead Conductors and Devices
 - c. Account 367 – Underground Conductors
 - d. Account 368 – Line Transformers (if account includes station transformers, then

differentiate between line transformers and station transformers)

- 15) Number of streetlights and outdoor lights under each lighting schedule by month by rate schedule.
- 16) Copy of all special contracts, if any.
- 17) Table of balances for (a) Materials & Supplies and (b) Prepayments for 13 months (test year plus last month before test year) for use in filed COS.
- 18) Any information from previous rate adjustments or studies that may be pertinent to this study.

Catalyst Consulting will require frequent interaction with members of the Shelby Energy staff during this project, especially with employees from the finance and accounting area.

Additional information may be required after review of the data or policies requested above.

Please feel free to ask any questions regarding these data requirements.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 49: Provide Shelby Energy's policies, specifying the compensation of each member of the board of directors and a schedule of standard directors' fees, per diems, and other compensation in effect during the test year. If changes occurred during the test year, indicate the effective date and the reason for the changes.

Response 49: Please see attached board policies addressing the benefits and compensation of Shelby Energy's board of directors.

ATTACHMENT PSC 1-49

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP106

“DIRECTOR AND ATTORNEY BENEFITS”

I. OBJECTIVE

The Board of Directors and Attorney serve an integral role at Shelby Energy for the communities and members served by Shelby Energy. Their responsibilities are many, and all action taken by the Board must display a true commitment to serve all members in a trustworthy and professional manner. To help retain competent and well-qualified individuals to perform these responsibilities and duties inside and outside the Board meeting, the following benefits are provided.

II. CONTENT

A. Monthly Stipend/Medical Insurance/ Fees

1. For a Director/Attorney elected or appointed before July 1, 1996, who has participated in the medical insurance plan, the following apply:
 - a. A monthly stipend of \$1,000.00 shall be paid to that active Director/Attorney in addition to applicable fees as covered in Board Policy No. 110.
 - b. The benefits listed in Board Policy No. 917 and Board Policy No. 920 shall no longer be available and no medical insurance premiums for the existing medical insurance plan shall be paid by Shelby Energy for that Director/Attorney or an existing spouse, as of December 31, 2012, who is eligible for Medicare.
 - c. That Director/Attorney or existing spouse of that Director/Attorney, who is not eligible for Medicare, may continue in Shelby Energy’s medical insurance plan and reimbursement of the monthly insurance premium shall be paid by the Director/Attorney or existing spouse of that Director/Attorney.
 - d. If that Director/Attorney retires or dies with twenty (20) or more years of active service, the following shall apply:
 - i. At retirement or death, Shelby Energy shall pay a monthly stipend of \$1,000.00 to that

Director/Attorney with a spouse, \$500.00 to that Director/Attorney without a spouse or \$500 to that Director's/Attorney's surviving spouse.

- ii. The monthly stipend shall be adjusted based on the monthly stipend amount paid to an active Director as provided in Section II, Subparagraph A2(a) and correspond on a percentage basis with Section II, Subparagraph A1(d)(i) for a Director/Attorney with a spouse, a Director/Attorney without a spouse, or that Director's/Attorney's surviving spouse.
 - iii. Should that retired Director/Attorney or an existing spouse of that retired Director/Attorney die, the monthly stipend shall be adjusted to 50% of the amount provided in Section II, Subparagraph A2(a). At which time, that surviving Director/Attorney shall be paid until his/her death or a surviving spouse of that Director/Attorney shall be paid until his/her death or remarriage, whichever occurs first.
2. For a Director elected or appointed after July 1, 1996, the following shall apply:
 - a. An active Director shall be paid a monthly stipend of \$1,000.00 in addition to the Director fees as covered in Board Policy No. 110.
 - b. No stipend benefits shall be paid to any Director elected or appointed after July 1, 1996, who has retired or is no longer an active Director.
 3. For an Attorney hired after July 1, 1996, the following shall apply:
 - a. A Client Engagement Letter/Contract for legal services shall be executed between the Attorney and the Board of Directors and reviewed every two (2) years.
 - b. The benefits listed in Board Policy No. 917 and Board Policy No. 920 shall not be available.
 - c. No stipend benefits shall be paid to an Attorney hired after July 1, 1996.

B. Director Liability Insurance

Shelby Energy carries Director Liability Insurance. The coverage applies to the named persons while acting in their official capacity as a Director. A copy of the policy will be provided upon request.

C. Business Travel Accident Plan

Shelby Energy provides a Business Travel Accident Plan covering the Director while traveling to further the business of Shelby Energy based upon certain limitations within the policy. A copy of the policy will be provided upon request.

D. Accidental Death Insurance

Shelby Energy provides accidental death insurance covering the Director while traveling for the business of Shelby Energy based upon the terms and limitations of the policy. A copy of the policy will be provided upon request.

III. RESPONSIBILITY

The President and CEO is responsible to the Board to assure compliance with this policy.

Reference: BP 917 & BP 920

Adopted: 12/22/82

Reviewed/

Revised:	04/28/88	06/24/99	07/31/07	07/14/11	12/20/12
	05/22/14	04/23/15	04/21/17	05/24/18	04/23/19
	7/22/21				

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP107

“ATTENDANCE OF DIRECTORS AND ATTORNEY AT MEETINGS”

I. OBJECTIVE

- A. To encourage Directors and Attorney to attend national, regional, state and special meetings that will enable them to develop and improve leadership and governance skills, make meaningful contributions to the organization and better serve Shelby Energy and its membership.
- B. To establish conditions governing attendance at such meetings.

II. CONTENT

- A. Shelby Energy views attendance at appropriate national, regional, state and special meetings as educational and an opportunity to advance viewpoints, knowledge and experience of its Directors and Attorney. Directors and Attorney will be expected to report at the next regular Board meeting on any ideas, techniques and developments of value that were made available at such meetings.
- B. Directors or Attorney, who attend meetings or make other trips for Shelby Energy business, shall be reimbursed for reasonable and customary business-related, out-of-pocket expenses, and other travel expenses as follows:
 - Mileage – see Item D
 - Air travel – employees may fly coach only
 - Ground travel – taxi, subway, rail, rentals, ride sharing services (Uber, Lyft, shuttles etc.)
 - Tolls
 - Parking fees – parking lot, long-term airport parking
 - Lodging – facility designated by Shelby Energy
 - Miscellaneous – other approved business-related expenses
 1. For over-night travel within the state of Kentucky, a daily meal rate as listed at <https://www.gsa.gov/travel-resources>, plus an additional \$5.00 per day for incidental expenses will be paid in advance to employees to cover applicable meals, including tips, based on the departure and arrival times, as determined by Shelby Energy. For business trips not requiring overnight travel, the maximum meal amounts, including tip, that are eligible for reimbursement are listed in Item #1.

2. For overnight travel outside the state of Kentucky, the per diem rate for meals will be determined using the zip code in which the primary meeting/lodging facility is located. The per diem rate for meals will be obtained from the following website resource: <https://www.gsa.gov/travel-resources>. An additional \$5.00 per day for incidental expenses will be paid. The per diem rate and \$5.00 for incidental expenses will be paid in advance based on the departure and arrival times.
 3. No meals paid for by Shelby Energy through the registration or an attendance fee or provided by the sponsor of the business meeting shall be submitted for reimbursement. If a meal rate or per diem rate calculated per Item #1 or Item #2 applies, it will be reduced for such meals by the rate applicable to the location of the primary meeting/lodging facility.
- C. The Director or Attorney shall submit an itemized expense report with detailed receipts attached for all travel expenses not covered by a per diem.
- D. In addition to being reimbursed for out-of-pocket business expenses, Directors and Attorney will be reimbursed for use of personal vehicles for business travel based on the Internal Revenue Service standard mileage rate.

When a personal vehicle is used in lieu of available air transportation, the total reimbursement shall not exceed the cost of airfare for a passenger seated in coach and by the most direct route available. Director fees related to attendance at meetings are covered in Board Policy No. 110.

- E. Shelby Energy shall not reimburse the expenses of a spouse or guest when accompanying a Director or Attorney.
- F. Alcoholic beverages, personal expenses or personal entertainment activities shall not be reimbursed by Shelby Energy.
- G. Standard charges for general parking of vehicles while traveling or attending meetings will be paid by Shelby Energy when free parking is not readily available at the meeting facility/hotel.

Charges for valet parking will not be paid by Shelby Energy as a reasonable travel expense. Those who elect valet parking as a personal

convenience may request reimbursement only for the cost of general parking fees.

III. RESPONSIBILITY

The Chairman of the Board is responsible for the administration of and compliance with this policy.

Reference: **BP 110**

Adopted: 10/22/64

Reviewed/

Revised:	02/27/65	03/26/65	03/25/76	05/22/80	03/23/84
	06/25/92	09/23/94	06/24/99	07/14/11	05/24/13
	04/23/15	04/21/17	04/23/19	07/22/21	07/20/23

SHELBY ENERGY COOPERATIVE, INC.
Shelbyville, Kentucky

BP110

“DIRECTORS’ FEES”

I. OBJECTIVE

To establish a Director’s fee for attendance at meetings in accordance with Shelby Energy’s Bylaws.

II. CONTENT

- A. Directors shall receive a fee of \$300 per month for the time necessary for preparation prior to the meeting and for attendance at Shelby Energy Board meetings and the annual member meeting.
- B. While serving on committees of associated organizations or attending other appropriate meetings such as national, regional, state, and special meetings of cooperative groups or organizations or while otherwise attending to business of Shelby Energy or functioning as a representative of Shelby Energy, directors will be paid a fee of \$100 per day for each day of the meeting they attend, plus business expenses as covered in Board Policy No. 107. Shelby Energy shall not pay attendance fees or reimburse business expenses to the extent they are paid or reimbursed by other organizations.
- C. For travel to out-of-state meetings, Directors will be allowed a maximum of one day of travel time each way. The \$100 per day fee applies to travel time, not to expenses.

III. RESPONSIBILITY

The Chairman of the Board is responsible for the administration of and compliance with this policy.

Reference: BP 107

Adopted: 02/02/84

Reviewed/

Revised:	08/29/85	10/27/88	07/01/98	04/22/04	04/28/05	07/20/17
	07/20/17	06/24/99	07/31/07	07/14/11	05/24/13	07/16/15
	07/18/19	08/27/21				

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 50: Provide the date, time, and a general description of the activities at the most recent annual members' meeting. Indicate the number of new board members elected. For the most recent meeting and the five previous annual members' meetings, provide the number of members in attendance, the number of members voting for new board members, and the total cost of the meeting.

Response 50: Shelby Energy's 2024 annual meeting was held on June 20, 2024 via a virtual business meeting that was open to the public via social media and Zoom. Registration for the meeting was held from 10am – 1pm on June 20, 2024, at three separate locations in Henry, Shelby, and Trimble counties. There were no new members elected to the board. There were 364 total registrations across the three separate drive-thru locations and Shelby Energy received an additional 199 proxies via mail. Shelby Energy had 13 employees total across the three locations to help with member registration. The total cost of the annual meeting was \$13,133. Please see attached Excel spreadsheet for information on the five previous annual meetings.

**ATTACHMENTS
ARE EXCEL
SPREADSHEETS
AND UPLOADED
SEPARATELY**

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 51: Provide any information, when known, that would have a material effect on net operating income, rate base, or cost of capital that have incurred after the test year but were not incorporated in the filed testimony and exhibits.

Response 51: Shelby Energy knows of no material item that has occurred after the test year but will inform the Commission if and when any material item is identified.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 52: For the test year and the five preceding calendar years, provide a schedule detailing all nonrecurring charges by customer class which includes:

- a. Type of charge;
- b. Amount billed;
- c. Amount recovered;
- d. Number of times the charge was assessed; and
- e. Support for the nonrecurring charge.

Response 52: Please see the Excel spreadsheet provided separately. Please note that Shelby Energy changed billing platforms in April 2021 and no longer has access to the database to run reports. For the years 2021 and earlier, the total dollar amount reflects what was billed to members, but Shelby Energy is unable to break down the amounts and number of bills by revenue class for Reconnection Charges, Returned Check Charges, and Meter Test charges. For those years, the attached schedule shows all Reconnection, Returned Check, and Meter Test charges with the Residential Class.

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Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 53: To the extent not already provided, provide a copy of each cost of service study, billing analysis, and all exhibits and schedules that were prepared in Shelby Energy rate application in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 53: The Excel files responsive to this request were uploaded to the Commission website on December 5, 2024, concurrent with the filing of the Application in this docket.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 54: To the extent not already provided, provide all workpapers, calculations, and assumptions Shelby Energy used to develop its test year financial information in Excel spreadsheet format with all formulas, columns, and rows unprotected and fully accessible.

Response 54: The Excel files responsive to this request were uploaded to the Commission website on December 5, 2024, concurrent with the filing of the Application in this docket.

Shelby Energy Cooperative, Inc.
Case No. 2024-00351
Commission Staff's First Request for Information

Request 55: State the credit metrics that are used in Shelby Energy's debt covenants.

Response 55: Along with reporting and other requirements, the general financial covenants that Shelby Energy is required to meet are as follows:

- RUS/FFB: The average Coverage Ratios in the 2 best years out of the 3 most recent calendar years must be equal or greater than the following:
 - TIER = 1.25
 - DSC = 1.25
 - OTIER = 1.10
 - ODSC = 1.10
- CFC: Average MDSC ratio of 1.35 (based on the 2 best years out of the last 3 years)