

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 SECOND REQUEST FOR INFORMATION
ENTERED JANUARY 16, 2025

Comes now Shelby Energy Cooperative, Inc. (Shelby Energy), by counsel, and does hereby tender its Verified Response to Commission Staff's Second Request for Information entered January 16, 2025.

Filed: January 30, 2025

Shelby Energy Cooperative, Inc.
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Commission Staff's Second Request for Information

Request 1: Refer to the Direct Testimony of John Wolfram (Wolfram Testimony), page 19, lines 8 through 12, including “Table 3. COSS Results: Rates of Return” (Table 3).

- a. Confirm if the “Off Peak Retail Marketing (ETS)” rate, referenced in row 2 of Table 3, is receiving a subsidy (the unitized rate of return is less than the total system rate of return). If confirmed, explain whether any changes to this rate were considered to reduce the subsidy. If so, explain why a change to the rate was not included in this application. If not confirmed, state why.
- b. Confirm if the “Prepay Service” and “General Service” rates, referenced in row 3 and 4 of Table 3, are not receiving a subsidy (the unitized rate of returns are not less than the total system rate of return). If confirmed, explain how the decision was made to increase both of these rates. If not confirmed, state why.

Response 1(a): Confirmed. No changes to this rate were considered, because the class is virtually negligible – it only had an average of 16 members taking service, and the revenue amounts per year are only 0.03% of Shelby Energy’s annual revenue.

Response 1(b): Confirmed; neither rate is receiving a subsidy. These rate classes experience a rate change only as a result of the increase to Residential Service. The Prepay Service has the same customer and energy charges as Residential and thus sees the same increases to those charges

as Residential. The General Service experiences an increase in its customer charge for two reasons. First, the Commission has stated a preference for the customer charge for residential class to not exceed that of the small commercial / general service class. In this case that would occur absent an increase to the General Service customer charge. Second, the cost-of-service study shows that the customer charge for this class should be over \$31 per month, and the current charge is less than \$24 per month. To properly account for the customer charge increase without increasing the overall average bill, Shelby Energy also reduced the energy charge for General Service in order for the class to remain revenue neutral (or as close to neutral as possible given the rounding of energy rates to 5 decimal places), so on average the General Service class does not experience an increase. Thus, the rate change is consistent with Commission precedent and the cost-of-service study.

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Request 2: Refer to Shelby Energy's response to Commission Staff's First Request for Information (Staff's First Request), Item 6, and Attachment PSC_1-6.xlsx.

- a. For Project Nos. 368 and 367, explain how "inflationary pressures on material and labor along with poor weather conditions for construction" resulted in the projects exceeding their expected budgets by 365 percent and 305 percent, respectively.
- b. Provide Excel file "PSC_1-21.xlsx" with all formulas, columns, and rows unprotected and fully accessible.

Response 2(a): Project No. 367 was budgeted for \$47,250 in Shelby Energy's 2018-2021 Construction Work Plan ("CWP"). The budget estimate was based on an average cost of construction per mile. After completion in 2021, there was an additional approximately \$16,000 due to increases in labor and material costs from the original estimate. Weather delays due to rain and/or snow caused work stoppages. Additionally, the project encountered environmental issues that were not planned in the original estimate (digging through rock and additional right-of-way clearance). These two issues added approximately \$32,000 in cost to the project.

In addition to price increases, the budget estimate in the CWP did not account for changing 15 poles to a different size and class, and the actual distance of the line replacement was 24% longer than estimated. The pole replacements added approximately \$68,000 to the total cost and the additional line footage added \$11,000. Inflation, environmental factors, and inaccurate

estimating contributed approximately \$127,000 to the total difference of \$144,145 between the budgeted amount and actual amount.

Project No. 368 was budgeted for \$12,600 in Shelby Energy's 2018-2021 CWP. The budget estimate was based on adding one phase of conductor to an existing section of single-phase line. Design changes were made to increase the size of the conductor as well as the size and class of the poles after the CWP was finalized. The scope changes added approximately \$23,000 to the total cost of the project. When the project was completed in 2021, the increase in labor and material costs added approximately \$6,000 to the total cost.

The project was completed during the spring and there were multiple days of construction impacted by rain which required the use of a track machine and added costs. Rock was also found while digging holes, further increasing construction costs. The weather and terrain issues increased the cost of the project by approximately \$16,000. Inflation, environmental factors, and changes in scope to the project resulted in approximately \$45,000 of the total difference between the budgeted amount and actual amount.

Response 2(b): Please see the Excel file provided separately.

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Request 3: Refer to the Wolfram Testimony, Exhibit JW-2, page 8 of 21, Donations Promotional Advertising & Dues. Refer also to Shelby Energy's response to Staff's First Request, Item 45, and Attachments PSC_1-45a.xlsx, PSC_1-45b.xlsx, and PSC_1-45c.xlsx. Provide an itemized breakdown of the total test-year expenses to Account Nos. 426.100, 426.200, 426.400, 909.000, and 930.200 in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible. The response should group expenses by the categories detailed in Schedule 1.04. Identify expenses that are removed by Shelby Energy's proposed adjustment.

Response 3: Please see the Excel file provided separately.

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Request 4: Refer to the Wolfram Testimony, Exhibit JW-2, page 16 of 21, Wages & Salaries. Refer also to Shelby Energy's response to Staff's First Request, Items 18 and 31, and Attachments PSC_1-18.xlsx and PSC_1-31.xlsx.

- a. Explain the discrepancies regarding regular wages, overtime wages, and total compensation for the test year ending December 2023.
- b. Provide an itemized breakdown of the corrected test-year and pro forma wages and salaries used to calculate the proposed adjustment, showing each employee's regular and overtime hours and wages, wage rates, and total wages in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible. Include the employee position in the response.
- c. Provide the total number of employees in the test year. In the response, detail the number of employees that are considered part time, full time, salary, hourly, union, and non-union employees.

Response 4(a): The discrepancies in wages between Exhibit JW-2 Schedule 1.10 and Shelby Energy's Response to Commission Staff's First Request, Item 31 ("Response to Staff's First Request") is due to Exhibit JW-2 stating compensation on the accrual basis and the Response to Staff's First Request, Item 31 stating compensation based on 2023 W-2 gross wages paid in

calendar year 2023. Please see attached revised Response to Staff's First Request, Item 31 which includes a reconciliation between the accrual basis and tax basis.

In reviewing the Response to Staff's First Request, Item 31, Shelby Energy identified small keying errors in Other Compensation (column 31.g) for Employees 10, 25, and 30. These have been corrected and highlighted in yellow on PSC 2-4(a) Revised PSC 1-31. Shelby Energy also identified a keying error on Exhibit JW-2 for Salary Employee 11. \$2,250.85 was reported as Other Compensation should have been reported as Regular Pay. A revised schedule Exhibit JW-2 (Schedule 1.10) is attached which also includes the employee position for each employee shown. Please note that the total test year compensation did not change, and the pro forma adjustment amount did not change.

In reconciling the above schedules, Shelby Energy also identified two keying errors on Shelby Energy's response to Staff's First Request, Item 18. The January 2023 Bargaining Group employee regular pay total was missing sick pay of \$5,436.48 and the December 2023 Non-Bargaining Group regular pay total incorrectly included \$4,396.76 of vacation pay outs. A revised response to the response to Staff's First Request, Item 18 is attached and the total regular pay amounts for 2023 correspond to the totals in the schedules revised above. The revised response to Staff's First Request, Item 18 includes Special Compensation for non-bargaining unit employees. This compensation is paid at straight-time rates for salaried, exempt employees when called in to assist with restoration efforts after hours. The revised response to Staff's First Request, Item 18 includes a reconciliation for overtime wages which corresponds to the revised response to Staff's First Request, Item 31 and Revised Exhibit JW-2.

Response 4(b): Please see response to 4(a). The revised Exhibit JW-2 Schedule 1.10 includes employee positions. The total compensation for the test year and the pro forma adjustment amounts did not change from the originally filed exhibit.

Response 4(c):

Test Year Employees	
Total Employees	43
Full-Time	41
Part-Time	2
Salary	18
Hourly	25
Union	25
Non-Union	18

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Request 5: Refer to the Wolfram Testimony, Exhibit JW-2, page 18 of 21, Directors Expense. Refer also to Shelby Energy's response to Staff's First Request, Item 47, and Attachment PSC_1-47.xlsx. Provide an itemized breakdown of the total test-year expenses for the Board of Directors in Excel spreadsheet format, with all formulas, columns, and rows unprotected and fully accessible. The response should group expenses by director and category, such as industry association meetings, regular board meeting payments, per diems, etc. Identify expenses that are removed by Shelby Energy's proposed adjustment.

Response 5: Please see the Excel spreadsheet provided separately.

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Request 6: Refer to the Wolfram Testimony, Exhibit JW-2, page 21 of 21, Health Insurance Premiums. Refer also to Shelby Energy's response to Staff's First Request, Item 31, and Attachment PSC_1-31.xlsx. Reconcile the discrepancy regarding total health insurance expense for the test year with a full description of any items added or removed in reaching a reconciled calculation.

Request 6: Shelby Energy identified a formula error in calculating the employer portion of health insurance premiums paid in the response to Staff's First Request, Item 31. Please see the corrected amounts provided in the response to Staff's Second Request, Item 4, revised response to Staff's First Request, Item 31. Column 31.h-1(R) shows the corrected amounts for the employer portion of health insurance premiums paid. Shelby Energy also identified that the employee paid yearly healthcare cost for Employee 25 in Item 31 was understated by \$112.23. The total 2023 employee payments for this employee have been corrected Staff's Second Request, Item 4, revised response to Staff's First Request, Item 31.

Shelby Energy also identified an error in the Exhibit JW-2, Schedule 1.15. A union employee changed insurance coverage options in November 2023 from Employee & Spouse coverage to Employee & Family coverage. Please see attached revised Exhibit JW-2 Schedule 1.15 with corrected amounts. The Employee & Spouse – Union Total Cost decreased \$1,638 and the Employee portion decreased \$213. The Employee & Family – Union Total Cost increased

\$2,245 and the Employee portion increased \$292. The Total Cost of health insurance premiums per the revised Exhibit JW-2 Schedule 1.15 correlates to the total cost of the response to Staff's Second Request, Item 4, revised response to Staff's First Request, Item 31. As the adjustment on Exhibit JW-2 Schedule 1.15 only applied to a union employee, the total amount of the pro forma adjustment remains the same as originally filed.

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