

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SHELBY	)	
ENERGY COOPERATIVE, INC. FOR	)	CASE NO.
AUTHORIZATION TO EXECUTE MORTGAGE	)	2026-00238
AND SECURITY AGREEMENT	)	

RESPONSES TO STAFF’S FIRST REQUEST FOR INFORMATION
TO SHELBY ENERGY COOPERATIVE, INC.

DATED OCTOBER 6, 2026

SHELBY ENERGY COOPERATIVE, INC.
CASE NO. 2026-00238
FIRST REQUEST FOR INFORMATION RESPONSE

STAFF'S REQUEST DATED OCTOBER 6, 2026

REQUEST 1

RESPONSIBLE PARTY: Michael Moriarty

Request 1. Refer to the Application, page 4, paragraph 14, which cites 807 KAR 5:001, Section 11(2)(c). Identify the correct citation to the provision Shelby Energy intended to reference and explain how that provision applies to this Application.

Response 1. Shelby Energy intended to reference 807 KAR 5:001, Section 18(2)(c) which states that applicant shall file “maps and plans of the proposed property and constructions together with detailed estimates in a form that they can be reviewed by the commission’s engineering division. Estimates shall be arranged according to the commission-prescribed uniform system of accounts for the various classes of utilities.” Shelby Energy believes this provision does not apply because Shelby Energy is not buying any property and the construction work plan document was provided February 3, 2026, with the request for staff advisory opinion on the whether the construction work plan required a Certificate of Public Convenience and Necessity.

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REQUEST 2

RESPONSIBLE PARTY: Michael Moriarty

Request 2a. Confirm that Shelby Energy proposes to issue debt, in separate tranches, up to \$52,000,000, rather than issuing the entirety of the proposed \$52,000,000 at any one point in time.

Request 2b. If the answer to Item 2a above is confirmed, explain in detail the extent to which each financing tranche would affect Shelby Energy's debt service coverage ratio or its Times Interest Earned Ratio (TIER).

Response 2a. Shelby Energy confirms that it will draw the loan funds in tranches rather than issuing the entirety of the debt at any one point in time.

Response 2b. In general, each financing tranche will reduce Shelby Energy's debt service coverage ratio and Times Interest Earned Ratio (TIER). The extent to which each financing tranche would affect these ratios for a given year would depend on the timing of the advance, the amount of the financing tranche, and the interest rate at the time of advance.

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REQUEST 3

RESPONSIBLE PARTY: Michael Moriarty

Request 3 Refer to the Application, page 2, paragraph 7, which states that Shelby Energy is borrowing from the United States Treasury up to \$52,000,000. Refer also to the Application, Exhibit 7, page 2, which states that the total cost estimate of Shelby Energy's 2026-2029 Construction Work Plan (CWP) is \$52,071,079. Confirm that Shelby Energy will utilize internally generated funds to cover the portion of the CWP costs that will not be covered by the requested financing.

Response 3. Shelby Energy confirms it will utilize internally generated funds to cover the portion of the CWP costs that will not be covered by the requested financing.

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REQUEST 4

RESPONSIBLE PARTY: Michael Moriarty

Request 4. Refer to the Application's description of the "Original Mortgage" and Exhibit 5. Confirm whether the Restated Mortgage included as Exhibit 5 is the mortgage intended to be identified as the "Original Mortgage" in the Application. State whether any separate original mortgage document is missing from the filing. If a separate document is missing, identify and provide it.

Response 4. Shelby Energy included the incorrect Restated Mortgage agreement as Exhibit 5 in the Application. The correct Restated Mortgage agreement dated December 1, 2022, is attached to this response. The Restated Mortgage dated December 1, 2022, is referenced as the "Original Mortgage" on page 7 and in Schedule A of the Restated Mortgage and Security Agreement dated August 3, 2026 (Exhibit 6 of Application).

Paragraph 8 of the Application refers to "that certain Restated Mortgage and Security Agreement dated November 1, 2005, as supplemented, amended or restated ("Original Mortgage") for a maximum indebtedness of \$100,000,000.00." Shelby Energy would like to clarify that this section

of the Application should read “that certain Restated Mortgage and Security Agreement dated December 1, 2022, as supplemented, amended or restated (“Original Mortgage”) for a maximum indebtedness of \$200,000,000.00.”

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REQUEST 5

RESPONSIBLE PARTY: Michael Moriarty

Request 5. Refer to the Application's statement that Commission authorization is required in connection with the financing documents, Loan Contract § 2.1(c), and Schedule 1, Item 3, to the Loan Contract, which identifies required governmental approvals as "Not Applicable." Reconcile this inconsistency or explain why Commission authorization is required for the proposed mortgage and security documents notwithstanding the response in Schedule 1, Item 3. If available, provide written confirmation or clarification from the Rural Utility Service (RUS).

Response 5. The Loan Contract between Shelby Energy and Rural Utilities Service does not require Commission authorization as the indebtedness is subject to the supervision or control of the federal government, pursuant to KRS 278.300(10). However, the financing documents include the Restated Mortgage and Security Agreement which lists National Rural Utilities Cooperative Finance Corporation (CFC) as Mortgagee. Since CFC is not the federal government or an agency thereof, Shelby Energy is seeking Commission approval to execute the Restated Mortgage and Security Agreement. The Commission granted authorization to execute Restated

Mortgage agreements for Shelby Energy's previous two construction work plan loans in Case No. 2023-00007 and Case No. 2018-00093.

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REQUEST 6

RESPONSIBLE PARTY: Michael Moriarty

Request 6. Refer to the proposed Restated Mortgage included with Application.

Request 6a. Describe National Rural Utilities Cooperative Finance Corporation (CFC)'s role in that mortgage and explain the rights and interests CFC would have under it.

Request 6b. Identify whether CFC is acting as a lender, mortgagee, secured party, agent, or in another capacity; identify any indebtedness or other obligations owed to CFC that the mortgage would secure; and explain whether CFC would have independent rights to enforce the mortgage.

Request 6c. Distinguish CFC's role under the mortgage from its role under the Loan Contract.

Response 6a. Shelby Energy has borrowed funds and refinanced RUS loans with CFC in prior years as listed in Schedule A of Exhibit 6 filed with Application. CFC's role in the mortgage as mortgagee is to maintain their security interest in the unpaid principal and interest owed by Shelby Energy to CFC. The Restated Mortgage grants a continuing security interest in Shelby Energy's property, assets, rights, privileges, and franchises, with the exception of any property listed in the Excepted Property section of the Restated Mortgage and Security Agreement.

Response 6b. CFC is acting as a mortgagee and secured party. Shelby Energy is not borrowing any new funds from CFC for the 2026-2029 Construction Work Plan loan. However, CFC is included in the restated mortgage due to the fact that Shelby Energy has existing obligations to CFC by virtue of prior work plan loans. Please see Exhibit 1 filed with the Application for the detail of the obligations owed to CFC that the mortgage would secure. Shelby Energy believes that CFC would have independent rights to enforce the mortgage.

Response 6c. CFC's role under the mortgage is a mortgagee with a security interest as listed above in Response 6a. CFC does not have a role in the loan contract.