

LAW OFFICES

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October 27, 2010

HAND-DELIVERED

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, KY 40601

RECEIVED

OCT 27 2010

**PUBLIC SERVICE
COMMISSION**

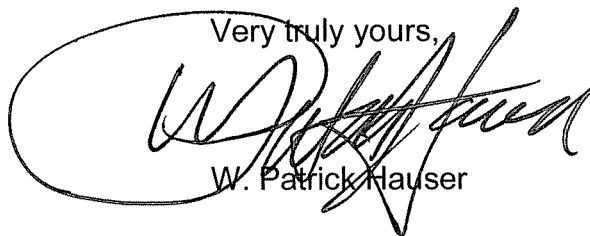
Re: Case # 2010-00378

Dear Mr. Derouen:

Enclosed please find for the proper filing thereof the original and ten (10) copies of Cumberland Valley Electric's response to the Commission's first information request. The rate lock offer from NCSC expires on November 1, 2010. CVE incorrectly stated this date as December 1, 2010 in the original application dated September 23, 2010. Accordingly, I am requesting expedited handling of this application to meet the rate lock deadline. Interest rates have increased since CVE's rate lock and if CVE doesn't meet the stated deadline it will lose this reduced interest rate.

Thank you for your assistance in this matter.

Very truly yours,



W. Patrick Hauser

WPH/dd

Enclosure

Cc: Mr. Ted Hampton

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

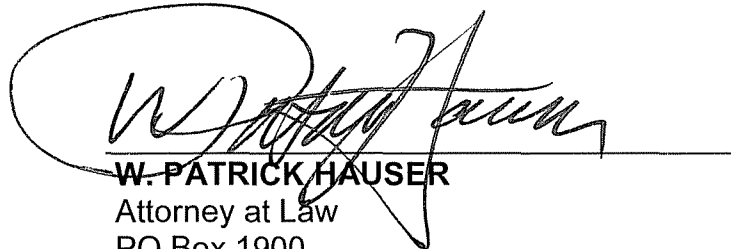
In the Matter of:

APPLICATION OF CUMBERLAND VALLEY ELECTRIC,)
INC. FOR AUTHORIZATION TO BORROW \$4,058,113)
FROM THE NATIONAL COOPERATIVE SERVICES) CASE NO.
CORPORATION AND EXECUTE NECESSARY NOTE) 2010-00378
AND TO PREPAY RURAL UTILITIES SERVICE)
5 PERCENT NOTES OF THE SAME AMOUNT)

APPLICANT'S, CUMBERLAND VALLEY ELECTRIC, INC.,
RESPONSES TO FIRST INFORMATION REQUEST
PROPOUNDED BY COMMISSION STAFF

The applicant, Cumberland Valley Electric, Inc., makes the following responses to the "First Information Request of Commission Staff", as follows:

1. The witness who is prepared to answer questions concerning each request is Robert Tolliver.
2. Ted Hampton, President and CEO of Cumberland Valley Electric, Inc. is the person supervising the preparation of the responses on behalf of the applicant.
3. The responses and Exhibits are attached hereto and incorporated by reference herein.



W. PATRICK HAUSER

Attorney at Law

PO Box 1900

Barbourville, KY 40906

Attorney for Cumberland Valley Electric, Inc.

Telephone: 606-546-3811

The undersigned, **Ted Hampton**, as President and CEO of Cumberland Valley Electric, Inc., being duly sworn, states that the responses herein are true and accurate to the best of my knowledge and belief formed after reasonable inquiry.

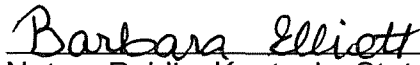
Dated: October 27, 2010

Cumberland Valley Electric, Inc.



Ted Hampton, President and CEO

Subscribed, sworn to, and acknowledged before me by **Ted Hampton**, as President and CEO for Cumberland Valley Electric, Inc. on behalf of said Corporation the 27th day of October, 2010.



Notary Public, Kentucky State At Large

My Commission Expires: 1-23-11

CERTIFICATE OF SERVICE

The undersigned counsel certifies that the foregoing responses were hand-delivered to the following on October 27, 2010:

Original and Ten Copies

Mr. Jeff Derouen, Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
Frankfort, Kentucky 40601



W. PATRICK HAUSER

CUMBERLAND VALLEY ELECTRIC
RESPONSE TO
COMMISSION STAFF'S FIRST INFORMATION REQUEST
IN
CASE NO. 2010-00378

1. Refer to Cumberland Valley's Application at page 2. Paragraph 7 states that Cumberland Valley seeks to borrow from the National Cooperative Services Corporation ("NCSC") a total of \$4,058,113.
 - a. State whether Cumberland Valley inquired with the National Rural Utilities Cooperative Finance Corporation ("CFC") or CoBank, ACB ("CoBank") with respect to refinancing the Rural Utilities Services ("RUS") 5 percent notes.

Response

Cumberland Valley Electric inquired and received several quotes from both National Rural Utilities Cooperative Finance Corporation ("CFC") and ACB ("CoBank") regarding the refinancing of Rural Utilities Services ("RUS") 5 percent notes. NCSC is a subsidiary of CFC and was provided as an option from CFC.

- b. If the response to 1.a. is affirmative, explain why Cumberland Valley chose NCSC over CFC or CoBank for its refinancing of the RUS 5 percent notes. If the response is negative, explain why Cumberland Valley made no such inquiry.

Response

Cumberland Valley chose National Cooperative Services Corporation ("NCSC"), a subsidiary of CFC, and recommended by CFC because they provided the greatest overall interest savings and the least amount of risk. NCSC was able to provide Cumberland Valley with a quote that did not include patronage capital; it recovered our savings quicker and was not subject to future changes in capital credit policy. CFC's overall savings was approximately \$345,000 with final patronage capital received in the year 2050. CoBank's overall savings was approximately \$442,000 with final patronage capital received in the year 2036. NCSC's overall savings was approximately \$462,000 with no patronage capital and all savings being received by the year 2024.

CUMBERLAND VALLEY ELECTRIC
RESPONSE TO
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2. The NCSC website states that NCSC's mission "is to . . . provide specialized financing and related financial services to benefit electric cooperatives and their partners." The website indicates that NCSC provides: (1) financing in support of for-profit subsidiaries of electric cooperatives; (2) business solutions to help cooperative run their businesses more efficiently; (3) transitional and permanent financing for acquisitions and other special projects; and (4) financing for cooperative partners.
- a. Explain how the refinancing proposed by Cumberland Valley in this instance fits into one of the four categories identified on the NCSC website.

Response

Cumberland Valley has for many years maintained a strategic relationship with CFC for financing and other cooperative issues. NCSC is a subsidiary of CFC and thus a cooperative partner. Category (4) seems to be the best fit.

- b. Explain whether the proposed refinancing through NCSC should be viewed as an indicator the Cumberland Valley intends to use NCSC in future financing applications.

Response

Cumberland Valley does not intend to use any particular financing source in the future. Cumberland Valley will always strive to survey the financing options available, use sound business practices and choose the option that benefits our members the most.