

LAW OFFICE OF
JOHN J. SCOTT, PSC

108 EAST POPLAR STREET
P.O. BOX 389
ELIZABETHTOWN, KENTUCKY 42702-0389

RECEIVED

MAY 21 2012

PUBLIC SERVICE
COMMISSION

JOHN J. SCOTT
ATTORNEY AT LAW

May 17, 2012

TELEPHONE 270-765-2179
FAX 270-765-2180

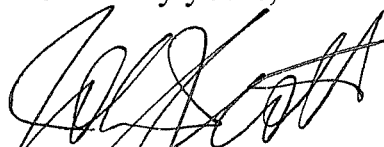
Mr. Jeff R. Derouen
Executive Director
Public Service Commission
211 Sowers Boulevard
P.O. Box 615
Frankfort, KY 40602-0615

Re: Nolin Rural Electric Cooperative
Corporation Application for authority
to obtain loan in the amount of
\$50,000,000.00

Dear Mr. Derouen:

Please find enclosed an original and ten (10) copies of an Application to be filed on behalf of Nolin Rural Electric Cooperative Corporation requesting authority to obtain a loan in the amount of \$50,000,000.00 from the National Rural Utilities Cooperative Finance Corporation. You will note in the Application that we have requested that this be expedited within 30 days if at all possible due to the fluctuation in interest rates and the very favorable rates being available to Nolin RECC under this loan. Thank you for your consideration in this matter.

Sincerely yours,



John J. Scott, Attorney for Nolin Rural
Electric Cooperative Corporation

JJS/rrd

Enclosures

RECEIVED

MAY 21 2012

PUBLIC SERVICE
COMMISSION

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**APPLICATION OF NOLIN) CASE NO. _____
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND)
807 KAR 5:001, SECTION 11 AND)
RELATED SECTIONS AUTHORIZING)
THE COOPERATIVE TO OBTAIN A)
LOAN IN THE AMOUNT OF)
\$50,000,000.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)**

APPLICATION

* * * * *

The Petition of Nolin Rural Electric Cooperative Corporation respectfully states:

1. Applicant is a cooperative corporation organized and existing under the laws of the Commonwealth of Kentucky and is engaged in the business of purchasing and selling electric current and maintaining an electric distribution system. The Applicant now operates and does business in the counties of Hardin, LaRue, Hart, Grayson, Green, Taylor, Breckinridge and Meade. In addition, the Applicant also operates the electrical system for the Fort Knox Military Base. The full name of the Applicant is the Nolin Rural Electric Cooperative Corporation.

2. The post office address of the Applicant is 411 Ring Road, Elizabethtown, Kentucky 42701.
3. Certified copies of the Articles of Incorporation and all Amendments thereto of the Applicant have previously been filed with the Commission in Case No. 93-324 which was styled "Application of the Nolin Rural Electric Cooperative Corporation for an Order pursuant to KRS 278.300 and 807 KAR5:001, Section 11 and related sections authorizing the Cooperative to obtain a five (5) year line of credit in the amount of \$3,000,000.00 from the National Rural Utilities Cooperative Finance Corporation."
4. A general description of Applicant's property in the field of its operation, together with the statement of the original cost of the property and the cost to the Applicant follows:

Nolin Rural Electric Cooperative Corporation's property consists of approximately 2,991.48 miles of electric distribution line and other properties necessary and incidental to the operation of its system in the foregoing counties. The original cost of the Applicant's property as of March 31, 2012 is as follows: TOTAL UTILITY PLANT: \$101,198,826

The Applicant further states that:

- (a.) No amount or kinds of stock are authorized for the Corporation.
- (b.) No amount or kinds of stock are issued or outstanding.
- (c.) No preferred stock has been issued or is outstanding.
- (d.) Exhibits #1 and #2 attached list the outstanding Notes secured by Mortgages which have been executed by Nolin Rural Electric Cooperative Corporation as Mortgagor and delivered to the United States of America, the Federal Financing Bank, and the National Rural Utilities

Cooperative Finance Corporation as Mortgagees as of the date of this Application. The balance outstanding on these Notes as of December 31, 2011 is as shown in Exhibits #1 and #2 attached hereto.

- (e.) No bonds are authorized or issued.
- (f.) Nolin Rural Electric Cooperative Corporation has no other indebtedness, except current liabilities which accrue in the ordinary course of business and which are unsecured.
- (g.) No dividends have been paid by the Corporation.

5. The use to be made of the proceeds from the loan being applied for is as follows: This loan will be used to pay in full the outstanding RUS and FFB indebtedness owed by Nolin Rural Electric Cooperative Corporation. Nolin is seeking this Application for approval to obtain its financing from CFC in order to pay in full its obligations to RUS and FFB for the following reasons: (a.) the length of time it takes to obtain approval of RUS loans has been in excess of fifteen (15) months. (b.) It has become difficult working with RUS regarding the Fort Knox operation which Nolin has and such difficulty will be eliminated by working with CFC. (c.) Nolin has determined that it will be a savings to its members to pay off the higher interest rate loans due FFB and RUS and obtain lower interest rates through CFC.
6. At this time, it is not anticipated that any property is to be acquired, constructed, improved or extended with the proceeds from this loan.
7. At this time, it is not proposed to discharge or refund any obligations with the proceeds from this loan, except for those RUS and FFB obligations referred to above.

8. The Applicant's Income Statement for the 12 month period ending March 31, 2012 is attached as Exhibit #3 and its Balance Sheet as Exhibit #4.
9. The approval of this loan from the National Rural Utilities Cooperative Finance Corporation is attached as Exhibit #5.
10. The Resolution approving this loan by Nolin's Board of Directors is attached as Exhibit #6.
11. Due to the volatility of interest rates and the favorable rates currently available to Nolin RECC with this loan, time is of the essence in obtaining approval of this loan. **Therefore, Nolin is respectfully requesting that this matter be expedited and approval granted within thirty (30) days hereafter (i.e. June 18, 2012).**

WHEREFORE, Nolin Rural Electric Cooperative Corporation requests that the Public Service Commission of the Commonwealth of Kentucky issue an Order authorizing and granting unto Nolin Rural Electric Cooperative Corporation approval for a \$50,000,000.00 loan from the National Rural Utilities Cooperative Finance Corporation and all other relief to which the Applicant may be entitled.

Dated at Elizabethtown, Kentucky this 16th day of May, 2012.

**NOLIN RURAL ELECTRIC
COOPERATIVE CORPORATION**

BY: 

**JOHN J. SCOTT
ATTORNEY FOR NOLIN RURAL
ELECTRIC COOPERATIVE
CORPORATION
JOHN J. SCOTT, P.S.C.
108 E. POPLAR STR., P.O. BOX 389
ELIZABETHTOWN, KY. 42702-0389
(270) 765-2179**

I, Michael L. Miller, CEO and President of Nolin Rural Electric Cooperative Corporation, state that I have read and understand the foregoing Application and that the statements contained therein are true.

**NOLIN RURAL ELECTRIC
COOPERATIVE CORPORATION**

BY: 

**MICHAEL L. MILLER,
CEO and PRESIDENT**

STATE OF KENTUCKY
COUNTY OF HARDIN

I, the undersigned, a Notary Public, do hereby certify that on this 16th day of May, 2012, personally appeared before me **MICHAEL L. MILLER**, who being by me first duly sworn, subscribed to and acknowledged that he is the **CEO and President** of **Nolin Rural Electric Cooperative Corporation**, a Kentucky corporation, that he signed the foregoing document as **CEO and President** of the corporation, and that the statements therein contained are true.

Bila R. Day

NOTARY PUBLIC, State of Kentucky

At Large

My commission expires 10-15-2013.

RUS

LOAN NO	BALANCE 12/31/11	INTEREST RATE	INTEREST PAID
1B230 ¹	789,267.03	5.000%	40,350.90
1B235 ¹	789,267.45	5.000%	40,350.90
1B240 ²	1,192,016.04	4.250%	51,624.68
1B245 ²	1,201,473.76	4.370%	53,543.22
1B250 ²	1,607,504.67	0.250%	6,182.03
1B255 ²	209,205.70	4.250%	9,037.76
1B256 ²	1,409,924.74	0.250%	5,421.97
1B257 ²	350.31	0.370%	1.34
1B260 ²	3,678,056.45	4.940%	183,362.41
1B261 ²	3,778,181.81	5.190%	197,818.95
1B262 ²	1,795,436.45	4.460%	80,870.38
1B270 ²	3,312,577.74	4.780%	159,801.14
1B271 ²	5,198,098.73	4.670%	245,046.29
1B272 ²	3,029,059.41	2.570%	78,889.09
TOTAL	<u>\$27,990,420.29</u>		<u>\$1,152,301.06</u>

FFB

LOAN NO	BALANCE 12/31/11	INTEREST RATE	INTEREST PAID
H0010-0001-01	1,404,229.73	7.157%	102,926.66
H0015-0002-01	1,393,969.50	0.220%	3,665.51
H0020-0003-01	1,902,072.52	0.220%	5,001.57
H0025-0003-02	1,902,072.52	0.220%	5,001.57
H0030-0004-01	3,230,103.79	0.220%	8,460.97
H0035-0004-02	2,380,586.51	0.220%	6,235.73
H0040-0005-01	6,804,622.85	0.220%	47,066.86
H0045-0005-02	3,608,117.55	0.220%	5,646.50
TOTAL FFB	<u>22,625,774.97</u>		<u>184,005.37</u>

CFC

LOAN NO	BALANCE 12/31/11	INTEREST RATE	INTEREST PAID
9012001	7,630.52	7.050%	1,770.72
9014001	90,733.98	7.100%	9,111.26
9019001	241,099.65	5.850%	15,472.52
9022001	213,962.03	5.850%	12,909.83
9023001	669,900.49	4.600%	29,916.74
9024001	1,167,211.80	4.950%	66,140.75
9025001	1,636,515.01	7.050%	112,802.22
9028001	8,176,013.93	3.200%	404,339.57
9028002	1,933,612.98	3.200%	95,700.45
9028003	2,092,717.79	3.200%	103,238.83
9028004	2,162,406.19	3.200%	106,483.00
9028005	2,281,644.03	3.200%	112,054.83
9028006	1,207,535.32	3.200%	59,107.24
9029008	0.00		9,470.31
9030001	3,108,021.12	3.200%	154,503.43
9030002	4,198,250.28	3.200%	207,658.38
9030003	2,260,596.19	3.200%	111,816.05
9030004	6,247,951.71	3.200%	307,026.41
9031001	7,178,251.86	3.200%	351,460.58
9031002	7,761,149.67	3.200%	285,877.14
TOTAL CFC	<u>52,627,574.03</u>		<u>2,556,860.26</u>

TOTAL ALL 103,243,769.29 3,893,166.69

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not 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 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE
RURAL UTILITIES SERVICE

BORROWER DESIGNATION KY0051

**FINANCIAL AND OPERATING REPORT
ELECTRIC DISTRIBUTION**

PERIOD ENDED March, 2012

BORROWER NAME Nolin Rural Electric Cooperative Corporation

INSTRUCTIONS - See help in the online application.

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552)

CERTIFICATION

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

DATE

PART A. STATEMENT OF OPERATIONS

ITEM	YEAR-TO-DATE			THIS MONTH
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1. Operating Revenue and Patronage Capital	20,230,934	18,368,446	19,681,921	5,060,397
2. Power Production Expense				
3. Cost of Purchased Power	14,689,986	13,820,595	14,338,447	3,761,260
4. Transmission Expense				
5. Regional Market Expense				
6. Distribution Expense - Operation	819,080	787,834	903,126	259,028
7. Distribution Expense - Maintenance	1,015,590	1,121,789	1,016,607	522,436
8. Customer Accounts Expense	618,105	598,741	585,488	227,301
9. Customer Service and Informational Expense	220,334	221,675	231,642	71,008
10. Sales Expense				
11. Administrative and General Expense	730,812	753,438	701,610	238,642
12. Total Operation & Maintenance Expense (2 thru 11)	18,093,907	17,304,072	17,776,920	5,079,675
13. Depreciation and Amortization Expense	890,277	922,731	930,912	309,102
14. Tax Expense - Property & Gross Receipts				
15. Tax Expense - Other				
16. Interest on Long-Term Debt	1,058,674	753,788	340,091	272,712
17. Interest Charged to Construction - Credit				
18. Interest Expense - Other	44,138	31,161	23,100	10,536
19. Other Deductions	6,773	3,000	6,000	1,800
20. Total Cost of Electric Service (12 thru 19)	20,093,769	19,014,752	19,077,023	5,673,825
21. Patronage Capital & Operating Margins (1 minus 20)	137,165	(646,306)	604,898	(613,428)
22. Non Operating Margins - Interest	958,728	604,208	14,142	204,049
23. Allowance for Funds Used During Construction				
24. Income (Loss) from Equity Investments				
25. Non Operating Margins - Other	355,024	518,527	10,101	134,466
26. Generation and Transmission Capital Credits				
27. Other Capital Credits and Patronage Dividends	16,132	47,485		25,481
28. Extraordinary Items				
29. Patronage Capital or Margins (21 thru 28)	1,467,049	523,914	629,141	(249,432)

RUS Financial and Operating Report Electric Distribution

Revision Date 2010

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE	BORROWER DESIGNATION KY0051
FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	PERIOD ENDED March, 2012
INSTRUCTIONS - See help in the online application.	

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1. New Services Connected	83	91	5. Miles Transmission		
2. Services Retired	573	54	6. Miles Distribution - Overhead	2,633.76	2,636.01
3. Total Services in Place	33,699	34,251	7. Miles Distribution - Underground	346.40	360.72
4. Idle Services (Exclude Seasonals)	846	936	8. Total Miles Energized (5 + 6 + 7)	2,980.16	2,996.73

PART C. BALANCE SHEET					
ASSETS AND OTHER DEBITS			LIABILITIES AND OTHER CREDITS		
1. Total Utility Plant in Service	98,243,471		30. Memberships		288,115
2. Construction Work in Progress	2,955,355		31. Patronage Capital		56,536,271
3. Total Utility Plant (1 + 2)	101,198,826		32. Operating Margins - Prior Years		0
4. Accum. Provision for Depreciation and Amort.	35,790,205		33. Operating Margins - Current Year		(598,822)
5. Net Utility Plant (3 - 4)	65,408,621		34. Non-Operating Margins		1,122,734
6. Non-Utility Property (Net)	1,789		35. Other Margins and Equities		760,249
7. Investments in Subsidiary Companies	0		36. Total Margins & Equities (30 thru 35)		58,108,547
8. Invest. in Assoc. Org. - Patronage Capital	20,945,765		37. Long-Term Debt - RUS (Net)		27,814,715
9. Invest. in Assoc. Org. - Other - General Funds	0		38. Long-Term Debt - FFB - RUS Guaranteed		22,414,638
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	2,462,126		39. Long-Term Debt - Other - RUS Guaranteed		0
11. Investments in Economic Development Projects	0		40. Long-Term Debt Other (Net)		50,883,371
12. Other Investments	165,908		41. Long-Term Debt - RUS - Econ. Devel. (Net)		0
13. Special Funds	0		42. Payments - Unapplied		0
14. Total Other Property & Investments (6 thru 13)	23,575,588		43. Total Long-Term Debt (37 thru 41 - 42)		101,112,724
15. Cash - General Funds	1,804,271		44. Obligations Under Capital Leases - Noncurrent		0
16. Cash - Construction Funds - Trustee	0		45. Accumulated Operating Provisions and Asset Retirement Obligations		3,659,110
17. Special Deposits	0		46. Total Other Noncurrent Liabilities (44 + 45)		3,659,110
18. Temporary Investments	5,000		47. Notes Payable		0
19. Notes Receivable (Net)	1,567		48. Accounts Payable		6,417,824
20. Accounts Receivable - Sales of Energy (Net)	9,285,506		49. Consumers Deposits		2,144,632
21. Accounts Receivable - Other (Net)	72,323,831		50. Current Maturities Long-Term Debt		0
22. Renewable Energy Credits	0		51. Current Maturities Long-Term Debt - Economic Development		0
23. Materials and Supplies - Electric & Other	1,295,984		52. Current Maturities Capital Leases		0
24. Prepayments	301,062		53. Other Current and Accrued Liabilities		1,946,862
25. Other Current and Accrued Assets	7,546		54. Total Current & Accrued Liabilities (47 thru 53)		10,509,318
26. Total Current and Accrued Assets (15 thru 25)	85,024,767		55. Regulatory Liabilities		0
27. Regulatory Assets	0		56. Other Deferred Credits		620,992
28. Other Deferred Debits	1,715		57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)		174,010,691
29. Total Assets and Other Debits (5+14+26 thru 28)	174,010,691				

"EXHIBIT NO. 4"



**National Rural Utilities
Cooperative Finance Corporation**

SERVICE | INTEGRITY | EXCELLENCE

20701 Cooperative Way
Dulles, Virginia 20166
703-467-1800 | www.nrucfc.coop

May 7, 2012

Mr. Michael L. Miller
President and CEO
Nolin Rural Electric Cooperative Corporation
411 Ring Road
Elizabethtown, Kentucky 42701-6767

Dear Mr. Miller:

On March 22, 1994, RUS published the final rules for the prepayment of RUS notes at a discount. CFC is pleased to inform you that Nolin Rural Electric Cooperative Corporation has been approved to receive CFC funding to refinance its RUS debt.

We have determined that your system may refinance approximately \$50,000,000 with a secured long-term commitment from CFC for a term that matches the composite life of the existing RUS and FFB debt. CFC will also consider lending for terms other than the composite life of the existing RUS and FFB debt. It is anticipated that distribution systems interested in refinancing for shorter terms than their existing RUS and FFB debt will need to run financial forecasts to evaluate and support the goals and expectations of their system.

According to RUS' rules, borrowers that apply for the note buyout must show evidence of available financing for prepayment of notes. This letter may be used for that purpose. Financing will be available to Nolin Rural Electric Cooperative Corporation after the execution of CFC loan and security documents and, as may be required by some systems, regulatory approval from state and/or federal agencies.


CFC's approved commitment to Nolin Rural Electric Cooperative Corporation will be available for advance anytime during the next eighteen months, which means you will have quick access to loan funds in the event you choose to refinance your RUS and FFB debt. We look forward to providing you with any assistance that may be needed. Please contact Rod Crile, your Regional Vice President at 317-379-2496 or Elaine MacDonald, in our Dulles office at (800) 424-2954 for more information concerning the note buyout.

Sincerely,

Sheldon C. Petersen
Governor



Rural Electric Cooperative Corporation

A Touchstone Energy[®] Cooperative 

Board Resolution Requesting PSC Approval of Loan

I, August L. Rosenberger, do hereby certify that: I am the Secretary of Nolin Rural Electric Cooperative Corporation ("Applicant") and the following is a true and correct copy of excerpts from the minutes of a meeting of Applicant's Board of Directors held on May 10, 2012, as they appear in the Minutes Book of Applicant, including the resolution duly adopted thereat; the meeting was duly and regularly held in accordance with the bylaws of Applicant; and said resolution has not been rescinded or modified:

WHEREAS, the Board of Directors of Nolin RECC has considered the advantages of obtaining a CFC loan in the amount of \$50,000,000.00 to be used to pay off the indebtedness that Nolin owes to RUS and FFB, and

WHEREAS, the Board of Directors of Nolin has voted unanimously to obtain such a loan from CFC and CFC has issued its commitment to make such a loan,

NOW THEREFORE BE IT RESOLVED, that Nolin RECC file an application with the Public Service Commission of Kentucky for approval of a \$50,000,000.00 loan from CFC in order to pay in full the indebtedness owed to RUS and FFB.

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of Applicant, this 10th day of May, 2012.


Secretary

(Corporate Seal)

"EXHIBIT NO. 6"