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David L. Armstrong
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James Gardner
Vice-Chairman

Charles R. Borders
Commissioner

June 18, 2012

PARTIES OF RECORD

Re: Case No. 2012-00192

Attached is a memorandum being filed in the case file of the case referenced above. If you wish to make any comments regarding the contents of this informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please call Ron Handziak of the Commission staff at 502/564-3940, ext. 230.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen
Executive Director

Attachment

INTRA-AGENCY MEMORANDUM
KENTUCKY PUBLIC SERVICE COMMISSION

TO: Main Case File – Case No. 2012-00192
Application of Nolin Rural Electric Cooperative Corporation for an Order Pursuant to KRS 278.300 and 807 KAR, Section 11 and Related Sections, Authorizing the Cooperative to Obtain a Loan in the Amount of \$50,000,000 from the National Rural Utilities Cooperative Finance Corporation

FROM: Ron Handziak *RH*

DATE: June 15, 2012

SUBJECT: June 14, 2012 Telephonic Informal Conference

An Informal Telephonic Conference (“ITC”) was held in this case on June 14, 2012 at the Commission’s offices. A list of the participants is shown in Attachment A to this memorandum. Commission Staff (“Staff”) had requested the ITC for the purpose of seeking clarification on responses to data requests provided by Nolin Rural Electric Cooperative Corporation (“Nolin”).

The ITC participants discussed the date Nolin required a decision in this case in order to meet the requirements of (1) the National Rural Utilities Cooperative Finance Corporation (“CFC”) regarding the closing of the proposed loan and (2) the Rural Utilities Service (“RUS”) regarding the payoff of Nolin’s outstanding indebtedness to RUS with the proceeds of the CFC loan. Nolin’s Amended Application, which was dated May 31, 2012, requested that approval be granted within 30 days thereafter. Nolin later stated in a data response filed on June 13, 2012, in Item No. 3, that it “would need to receive approval from the Commission by approximately June 20 at the latest.” During the ITC, Nolin stated that a slight delay beyond June 20 for receiving approval would not jeopardize the financing transaction, and Staff advised Nolin that the target date for issuing a final order would be June 22, 2012.

Also in its date response to Item No. 3, Nolin indicated that it had locked-in the interest rate on approximately \$29,000,000 of the proposed \$50,000,000 in new CFC financing. Nolin confirmed during the ITC that, although CFC’s available range of interest rates was unchanged since the filing of its application, it had been able to lock-in a lower rate than the rate that had been indicated in the application. At Staff’s request, Nolin agreed to file the CFC letter agreement evidencing the reduced locked-in interest rate on the \$29,000,000. A copy of that agreement, which was provided via facsimile later on the date of the ITC, is attached hereto.

There being no further issues to discuss, the conference was then adjourned.

Attachment

**Kentucky Public Service Commission
Case No. 2012-00192
Nolin RECC
June 14, 2012 Telephonic Conference**

Name	Representing
Steven Bailey	PSC - Legal
Ron Handziak	PSC – Fin. Analysis
Richard Raff	PSC - Legal
Jeff Shaw	PSC – Fin. Analysis
Michael Miller	Nolin RECC
O.V. Sparks	Nolin RECC
John Scott	Nolin RECC

411 Ring Road
Elizabethtown, KY 42701-8701
Phone: 270-765-6153
Fax: 270-735-1062



Fax

To: Richard Raff	From: Mickey Miller
Fax: 502-564-7279	Pages: 5 Including Cover
Phone:	Date: 6/14/2012
Re: Case No. 2012-00192	CC:

Urgent For Review Please Comment Please Reply Please Recycle

● **Comments:**

Richard,

Here is the CFC "Forward Rate Lock Option" letter and Schedule A of June 5, 2012. An original and 6 copies will follow tomorrow (June 15th). These are to be made a part of the record in Case No. 2012-00192.

Thanks,

Mickey Miller
President & CEO
Nolin RECC



**National Rural Utilities
Cooperative Finance Corporation**

SERVICE | INTEGRITY | EXCELLENCE

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

June 5, 2012

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

RE: Nolin Rural Electric Cooperative Corporation ("Borrower")
Forward Rate Lock Option

Dear Mr. Miller:

Pursuant to your request, National Rural Utilities Cooperative Finance Corporation ("CFC") is pleased to offer an option to lock the interest rate on certain future funding that is proposed under the terms of a loan agreement to be executed by and between Borrower and CFC ("Loan Agreement") with respect to a proposed loan in the amount of up to \$29,071,564.00 (the "Loan"). Implementation of this offer, however, is contingent upon the execution by Borrower and CFC of mutually agreed upon promissory notes, loan agreements and security documents (collectively, the "Loan Documents"), and Borrower meeting all conditions to funding to be set forth in the Loan Documents including, if required, receipt of all regulatory approvals from state and/or federal agencies that are required to enter into the Loan Documents. However, at your request, CFC agrees that the Loan Documents will provide that if all preconditions to funding are met (each such funding is referred to herein as an "Advance"), then interest charged thereon will be a rate of interest per annum equal to the rate set forth on Schedule A (the "Forward Rate Lock Option").

This offer is made subject to the following additional terms and conditions:

- (a) All available Loan funds shall be drawn down in the amounts and on the dates set forth on Schedule A. If Borrower fails to do so, then Borrower shall pay CFC for (i) all costs and expenses CFC incurs in connection with entering into certain financial commitments in order to offer the Forward Rate Lock Option ("Breakage Fees"), and (ii) an administrative fee in an amount determined in accordance with CFC's policies of general application ("Administrative Fee"). The Loan Documents will reflect the repayment schedule, amortization, and other terms reflected herein and on Schedule A.

Nolin RECC.
June 5, 2012
Page 2 of 4

- (b) Borrower shall use all Advances to refinance certain of Borrower's indebtedness to RUS.
- (c) Borrower shall pay Breakage Fees and the Administrative Fee if, as applicable, Borrower (i) cancels its request for the Forward Rate Lock Option, or (ii) requests any Advance after the Advance Date as detailed on Schedule A.
- (d) CFC's obligation to make any Advance is subject to Borrower fulfilling all the conditions thereto that will be set forth in the Loan Documents. If Borrower requests that an Advance be made in an amount or on a date other than as set forth on Schedule A, then CFC shall be under no obligation to make the Advance and shall have no liability to Borrower on account thereof. If CFC nevertheless makes such Advance, then Borrower shall pay to CFC the Administrative Fee and any applicable Breakage Fees.
- (e) This offer is limited solely to the Advance(s) set forth on Schedule A. This is not an offer or agreement associated with any other funding that may be made available under the Loan Documents or under any commitment or credit agreement with CFC.
- (f) By signing below, the officer certifies on behalf of Borrower that no state or federal regulatory commission or other governmental approval is required to enter into this Forward Rate Lock Option as a binding obligation of Borrower (or, if such approval is required, then such approval has been obtained and is in full force and effect as of the date set forth below), but the officer is not certifying that Borrower has obtained all necessary approvals in order to execute the Loan Documents.

If the foregoing accurately describes our mutual understanding of our agreement regarding this Forward Rate Lock Option and the conditions under which it is offered, please return this letter by facsimile or by email via PDF, countersigned by an authorized officer of Borrower by 10 a.m. eastern time on June 6, 2012 to 703-467-5652 or elaine.macdonald@nrucfc.coop. Please mail a copy of the Agreement with an original signature to my attention.

Sincerely,

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: Elaine Macdonald
Assistant Secretary-Treasurer

ACCEPTED AND AGREED TO THIS 6TH DAY OF JUNE, 2012

NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

By: Michael L Miller

Its: PRESIDENT & CEO

Schedule A

Loan Number	9032-001	9032-002	9032-003	9032-004	9032-005	9032-006	9032-007	9032-008
Date of Interest Rates (Set Date)	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012
Advance Amount (Notional Amount)	\$1,182,083	\$818,434	\$870,465	\$1,063,344	\$1,050,847	\$1,072,480	\$1,085,869	\$1,122,506
Advance Date (Effective Date)	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012
Loan Term (years)	1	2	3	4	5	6	7	8
Amortization Type	LDS	LDS	LDS	LDS	LDS	LDS	LDS	LDS
Deferral Period (months)	0	9	21	33	45	57	69	81
Amortization Start Date	9/1/2012	6/1/2013	6/1/2014	6/1/2015	6/1/2016	6/1/2017	6/1/2018	6/1/2019
Final Payment Date	5/31/2013	5/31/2014	5/31/2015	5/31/2016	5/31/2017	5/31/2018	5/31/2019	5/31/2020
Interest Rate Term	1	2	3	4	5	6	7	8
New Reprice Date	FTM	FTM	FTM	FTM	FTM	FTM	FTM	FTM
Interest Rate on Set Date	2.55%	2.60%	2.65%	2.80%	2.95%	3.10%	3.25%	3.40%
Forward Interest Rate Adder	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
All-in Fixed Rate on Advance Date	2.55%	2.60%	2.65%	2.80%	2.95%	3.10%	3.25%	3.40%

Loan Number	9032-009	9032-010	9032-011	9032-012	9032-013	9032-014	9032-015	9032-016
Date of Interest Rates (Set Date)	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012
Advance Amount (Notional Amount)	\$1,157,928	\$1,203,872	\$1,246,687	\$1,294,307	\$1,344,283	\$1,397,756	\$1,450,115	\$1,508,879
Advance Date (Effective Date)	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012	8/5/2012
Loan Term (years)	9	10	11	12	13	14	15	16
Amortization Type	LDS	LDS	LDS	LDS	LDS	LDS	LDS	LDS
Deferral Period (months)	93	105	117	129	141	153	165	177
Amortization Start Date (before deferral)	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012
Amortization Start Date	6/1/2020	6/1/2021	6/1/2022	6/1/2023	6/1/2024	6/1/2025	6/1/2026	6/1/2027
Maturity Date	8/5/2021	8/5/2022	8/5/2023	8/5/2024	8/5/2025	8/5/2026	8/5/2027	8/5/2028
Final Payment Date	5/31/2021	5/31/2022	5/31/2023	5/31/2024	5/31/2025	5/31/2026	5/31/2027	5/31/2028
Interest Rate Term	9	10	11	12	13	14	15	16
New Reprice Date	FTM	FTM	FTM	FTM	FTM	FTM	FTM	FTM
Interest Rate on Set Date	3.50%	3.60%	3.65%	3.70%	3.80%	3.85%	3.90%	3.95%
Forward Interest Rate Adder	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
All-in Fixed Rate on Advance Date	3.50%	3.60%	3.65%	3.70%	3.80%	3.85%	3.90%	3.95%

Loan Number	9032-017	9032-018	9032-019	9032-020	9032-021	9032-022	9032-023	9032-024	9032-025
Date of Interest Rates (Set Date)	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012
Advance Amount (Notional Amount)	\$1,173,483	\$1,329,631	\$1,147,478	\$1,173,382	\$1,079,377	\$1,112,214	\$1,186,591	\$1,211,205	\$1,167,339
Advance Date (Effective Date)	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012	6/5/2012
Loan Term (years)	17	18	19	20	21	22	23	24	25
Amortization Type	LDS	LDS	LDS	LDS	LDS	LDS	LDS	LDS	LDS
Deferral Period (months)	189	201	213	225	237	249	261	273	285
Amortization Start Date (before deferral)	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012	9/1/2012
Amortization Start Date	6/1/2028	6/1/2029	6/1/2030	6/1/2031	6/1/2032	6/1/2033	6/1/2034	6/1/2035	6/1/2036
Maturity Date	6/5/2028	6/5/2030	6/5/2031	6/5/2032	6/5/2033	6/5/2034	6/5/2035	6/5/2036	6/5/2037
Final Payment Date	5/31/2029	5/31/2030	5/31/2031	5/31/2032	5/31/2033	5/31/2034	5/31/2035	5/31/2036	5/31/2037
Interest Rate Term	17	18	19	20	21	22	23	24	25
New Reprice Date	FTM	FTM	FTM	FTM	FTM	FTM	FTM	FTM	FTM
Interest Rate on Set Date	3.95%	4.00%	4.00%	4.05%	4.05%	4.05%	4.05%	4.05%	4.10%
Forward Interest Rate Adder	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%	0.00%
All-In Fixed Rate on Advance Date	3.95%	4.00%	4.00%	4.05%	4.05%	4.05%	4.05%	4.05%	4.10%