

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG SANDY RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	CASE NO.
FOR AUTHORITY TO REFINANCE EXISTING)	2017-00190
DEBT)	

ORDER

On June 2, 2017, Big Sandy Rural Electric Cooperative Corporation (“Big Sandy”) filed an application seeking Commission authority to execute notes to the National Rural Electric Cooperative Finance Corporation (“CFC”) in an amount up to \$6,500,000.00.¹ On June 5, 2017, the Attorney General (“AG”), by and through his Office of Rate Intervention, moved to intervene in this proceeding. In an Order dated June 9, 2017, the Commission granted the AG’s motion to intervene.

A telephonic informal conference (“IC”) was held on June 13, 2017, to clarify certain issues in this case. Commission Staff and the AG each issued requests for information to Big Sandy (“Staff’s First Request,” “AG’s First Request,” respectively). Big Sandy filed its responses to Staff’s First Request and the AG’s First Request on June 27, 2017. The matter is submitted to the Commission for a decision based upon the evidentiary record.

Big Sandy intends to use the proceeds from the proposed CFC loan to refinance and discharge approximately \$6,500,000 of its outstanding indebtedness to the Rural

¹ Application, paragraphs 7 and 8.

Utilities Service (“RUS”).² The refinancing of the RUS secured debt is authorized pursuant to 7 CFR Part 1786.³ The outstanding RUS balance consists of fixed-rate debt with interest rates varying from 3.00 percent to 4.93 percent.⁴ Big Sandy proposes to refinance five RUS loans in the aggregate amount of \$6,422,263.91 with 20 CFC notes in the same amount at fixed interest rates from 2.70 to 4.30 percent, with a resulting composite blended interest rate of 4.04.⁵ CFC’s offer to refinance the RUS notes expires 120 days from April 28, 2017.⁶ A letter from RUS approving the refinancing was filed with the Commission on July 20, 2017. Commission approval is needed on or before July 31, 2017, in order for Big Sandy to close the loan by the CFC closing date.⁷

One fixed-rate RUS note has a lower interest rate than the rate under the refinancing. Big Sandy advised the Commission that RUS does not allow selected notes to be refinanced and that the entire RUS portfolio to which a note belongs must be refinanced in order to refinance any of the notes.⁸ The proposed CFC notes will have a principal repayment tenor of 20 years, which is approximately two years less than the longest maturity date of the RUS notes being refinanced.⁹ Big Sandy stated that it will

² *Id.*, Exhibit 6, at 2 of 3.

³ *Id.*, Exhibit 3, at 1 of 3.

⁴ *Id.*, Exhibit 5, at 1 of 1.

⁵ Big Sandy’s Response to Staff’s First Request, Item 1.

⁶ IC memo filed June 22, 2017.

⁷ Big Sandy’s Response to Staff’s First Request, Item 6.

⁸ Big Sandy’s Response to Staff’s First Request, Item 3.

⁹ Application, paragraph 7.

not incur any fees to prepay the RUS loans or to close the CFC loan.¹⁰ Big Sandy provided a cash flow analysis which indicates that the refinancing would save \$1,296,734 over the life of the proposed loans, resulting in a positive net present value cash flow of \$328,026.¹¹

The Commission has reviewed the proposed refinancing and finds Big Sandy's proposal to be reasonable due to the lower effective interest rate and cash flow savings Big Sandy would see over the period of the loan. The Commission commends Big Sandy for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its member-consumers.

The final amounts of the RUS payoff and the new CFC loan will not be known until the refinancing transaction is finalized. Therefore, Big Sandy should provide the Commission with the exact amount of the new CFC loan within ten days of finalizing the transaction. In addition, Big Sandy should provide an updated version of the response to Staff's First Request, Item 4.a., reflecting the cash flow analysis of the new CFC loan.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Big Sandy, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

¹⁰ Big Sandy's Responses to Staff's First Request, Item 5, and AG's First Request, Item 6.

¹¹ Big Sandy's Response to Staff's First Request, Item 4.

2. Big Sandy should execute its note as security for the proposed loan in the manner described in its application.

3. Within ten days of finalizing the refinancing transaction, Big Sandy should notify the Commission in writing of the exact amount of the new CFC loan. Big Sandy should include with the notice an updated version of Staff's Second Request, Item 4.a., reflecting the savings based on the actual amount of the new CFC loan and legal fees.

4. Within ten days of the execution of the new CFC loan documents, Big Sandy should file with the Commission one copy in paper medium and an electronic version of the loan documents.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Big Sandy's application.

6. The terms and conditions of the new CFC loan should be consistent with the CFC refinancing program as described in Big Sandy's application.

IT IS THEREFORE ORDERED that:

1. Big Sandy is authorized to borrow from CFC up to \$6,500,000.00, but no more than the total amount needed to pay off the RUS notes proposed to be refinanced as identified in the application. The loan maturity date and interest rate shall be in accordance with the CFC refinancing program as described in Big Sandy's application.

2. Big Sandy shall execute the CFC loan documents as authorized herein.

3. Big Sandy shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

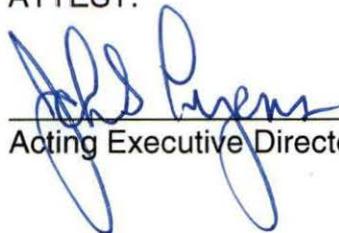
4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission



ATTEST:



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