

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF INTER-COUNTY ENERGY)	
COOPERATIVE CORPORATION FOR)	CASE NO.
AUTHORIZATION TO BORROW \$5,002,198)	2010-00239
FROM COBANK AND EXECUTE NECESSARY)	
NOTE AND TO PREPAY RURAL UTILITIES)	
SERVICE 5 PERCENT NOTES OF THE SAME)	
AMOUNT)	

O R D E R

On June 16, 2010, Inter-County Energy Cooperative Corporation ("Inter-County") filed its application for authority to execute one note to CoBank, ACB ("CoBank") in the amount of \$5,002,198.¹ By letter dated June 25, 2010, the Commission notified Inter-County that its refinancing application was rejected as deficient because it did not include the information necessary to satisfy the filing requirements contained in 807 KAR 5:001, Section 6(6).

In response to the Commission's deficiency letter, on July 1, 2010, Inter-County amended its application, which provided the information cited in the June 25, 2010 letter. The Commission accepted the information and considered the application filed as of July 1, 2010.

Inter-County intends to use the proceeds from the CoBank loan to refinance and discharge part of its indebtedness to the Rural Utilities Service ("RUS"). Due to the

¹ Application at 2.

lower interest rate offered by CoBank, Inter-County projects a lifetime cash flow savings of approximately \$439,739 over the life of the loan.² Documentation filed in support of the application indicates that CoBank has not approved or issued a commitment for the proposed loan.³

As of April 30, 2010, Inter-County's outstanding balance of RUS debt was \$32,057,255.⁴ The outstanding balance of RUS debt is comprised of debt with interest rates varying from 3.50 percent to 5.12 percent. Inter-County also has outstanding long-term debt with National Rural Utilities Cooperative Finance Corporation ("CFC") and Federal Financing Bank ("FFB"). Inter-County's outstanding balance of CFC debt is \$5,518,895⁵ and its outstanding balance of FFB debt is \$23,983,493.⁶ The application does not identify whether the outstanding loans are fixed or variable. Inter-County does not currently have any outstanding debt with CoBank.

Inter-County proposes to refinance 18 notes, which amount to \$5,002,198 of its total outstanding RUS debt, under the CoBank program.⁷ Inter-County has fixed this

² Id.

³ Application, Exhibit 3, Attachment B, page 1.

⁴ Application, Exhibit 2, Attachment A, page 1.

⁵ Application, Exhibit 2, Attachment A, page 2.

⁶ Id.

⁷ The 18 RUS notes to be refinanced are listed in the Application, Exhibit 2, Attachment B, p. 5 of 18.

amount with CoBank through July 20, 2010.⁸ Inter-County proposes to execute one note in conjunction with the borrowing from CoBank at a fixed interest rate of 4.55 percent. The new CoBank loan would be amortized for a period of 16.1 years,⁹ which would equal the average remaining life of the RUS notes selected for refinancing. Inter-County provided a cash flow analysis based on the \$5,002,198 amount that indicates it could save \$439,739 over the life of the loan.¹⁰ The net present value of the cash flow savings was provided as part of the analysis prepared by CoBank for Inter-County. CoBank determined that the fixed interest rate would result in a positive net present value cash flow of \$299,312.¹¹

The Commission has reviewed the proposed refinancing and finds Inter-County's proposal reasonable. Inter-County has determined that it can refinance a portion of its RUS five percent fixed-rate debt at a lower interest rate and experience cash flow savings over the period of the loan. The Commission commends Inter-County 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 will not be known until the refinancing transaction is finalized. Therefore, Inter-County should provide the Commission with

⁸ Application, Exhibit 3, Attachment B, page 1. Because it has fixed the amount for the CoBank loan, Inter-County expects the actual payoff to be very close to \$5,002,198. Inter-County proposes to adjust any difference via electronic payment to CoBank. See Application at 2.

⁹ Application at 2.

¹⁰ Application, Exhibit 3, Attachment B, page 3.

¹¹ Id.

the exact amount of the RUS payoff within 10 days of finalizing the transaction. In addition, Inter-County should provide an updated version of Exhibit 3, Attachment B of its application reflecting the cash flow and the net present value analyses of the cash flow for the new CoBank loan.

After considering the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. The loan from CoBank is for lawful objects within the corporate purposes of Inter-County; 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.

2. Inter-County should execute its note as security for the proposed loan in the manner described in its application.

3. Within 10 days of finalizing the refinancing transaction, Inter-County should notify the Commission in writing of the exact amount of the RUS payoff. Inter-County shall include with the notice an updated version of Exhibit 3, Attachment B, of its application reflecting the savings based on the actual amount of the new CoBank loan.

4. Within 10 days of the execution of the new CoBank loan documents, Inter-County should file with the Commission three copies of the loan documents.

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

6. The terms and conditions of the new CoBank loan should be consistent with the CoBank refinancing program as described in Inter-County's application.

IT IS THEREFORE ORDERED that:

1. Inter-County is authorized to borrow up to \$5,002,198 from CoBank. The loan maturity dates and interest rates shall be in accordance with the CoBank refinancing program as described in Inter-County's application.

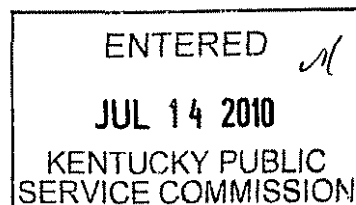
2. Inter-County shall execute the CoBank loan documents as authorized herein.

3. Inter-County shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

4. Any documents filed in the future pursuant to Findings 3 and 4 herein 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:


Executive Director

Case No. 2010-00239

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