

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CLARK ENERGY COOPERATIVE,)	
INC. FOR AUTHORIZATION TO BORROW \$6,081,036.12)	
FROM THE NATIONAL RURAL UTILITIES)	CASE NO.
COOPERATIVE FINANCE CORPORATION AND TO)	2010-00391
EXECUTE NOTE AND TO PREPAY RURAL UTILITES)	
SERVICE NOTES OF THE SAME AMOUNT)	

O R D E R

On October 4, 2010, Clark Energy Cooperative, Inc. ("Clark") filed its application for authority to execute notes to the National Rural Utilities Cooperative Finance Corporation ("CFC") in the amount of \$6,081,036.12.¹ By letter dated October 7, 2010, the Commission notified Clark 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 11(1)(a).

In response to the Commission's deficiency letter, on October 13, 2010, Clark filed a letter containing the information cited in the October 7, 2010 letter. The Commission accepted the information and considered the application filed as of October 13, 2010.

Clark intends to use the proceeds from the CFC loan to refinance and discharge part of its indebtedness to the Rural Utilities Service ("RUS"). Due to the lower interest

¹ Application at ¶ 6.

rates offered by CFC, Clark projects a lifetime cash flow savings of approximately \$1,144,522 over the life of the loan.²

As of August 31, 2010, Clark's outstanding balance of RUS debt was \$15,776,607.73,³ which is made up of debt with interest rates varying from 3.87 percent to 5.75 percent. Clark also has outstanding long-term debt with CFC in the amount of \$3,771,475.45 with interest rates varying from 3.65 percent to 6 percent.⁴ Finally, Clark has outstanding debt with Federal Financing Bank in the amount of \$39,933,825.51 with interest rates varying from .049 to 5.086 percent.⁵

Of its total outstanding RUS debt, Clark proposes to refinance \$6,081,036.12 under the CFC program.⁶ Clark has fixed this amount with CFC through October 29, 2010.⁷ Clark requested expedited approval in order to close the refinancing offer before October 29, 2010.⁸

Clark proposes to execute one note in conjunction with the borrowing from CFC for differing maturity periods that are approximately equal to the debt being refinanced. The note will require a different fixed rate of interest for each year of the loan. The rates

² Application, Exhibit F, page 1.

³ Application, Exhibit B, page 2.

⁴ Application, Exhibit B, page 1.

⁵ Id.

⁶ This is the amount of Clark's five percent RUS debt being refinanced.

⁷ Application at ¶ 6.

⁸ Application, Cover Letter.

will range from a 1-year rate of 2.5 percent to a 12 year rate of 4.65 percent.⁹ CFC estimates the effective rate, after payment of the patronage capital to Clark, to be 3.71 percent and that the note will be amortized for a period of 12 years.¹⁰ The average remaining life of the RUS notes selected for repayment is 14 years. Clark provided a cash flow analysis based on the \$6,081,036.12 amount that indicates it could save \$1,144,522 over the life of the loan.¹¹

The Commission has reviewed the proposed refinancing and finds Clark's proposal to be reasonable. Clark has determined that it can refinance a portion of its RUS five percent fixed rate debt at a lower effective interest rate and experience cash flow savings over the period of the loan. The Commission commends Clark 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, Clark should provide the Commission with the exact amount of the new CFC loan within 10 days of finalizing the transaction. In addition, Clark should provide an updated version of Exhibit F, Pages 4 and 5 of its application reflecting the cash flow analyses of the new CFC loan.

In recognition of the volatility of interest rates and the potential impact that changes in the interest rates could have on the benefits of the CFC refinancing program, the Commission has expedited the processing of Clark's application.

⁹ Application at ¶ 7.

¹⁰ Application, Exhibit F, page 1.

¹¹ Application, Exhibit F, page 6.

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

1. The loan from CFC is for lawful objects within the corporate purposes of Clark, 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. Clark shall 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, Clark shall notify the Commission in writing of the exact amount of the new CFC loan. Clark shall include with the notice an updated version of Exhibit F, pages 4 and 5, from its application reflecting the savings based on the actual amount of the new CFC loan.

4. Within 10 days of the execution of the new CFC loan documents, Clark shall file with the Commission three copies of the loan documents.

5. The proceeds from the proposed loan shall be used only for the lawful purposes set out in its application.

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

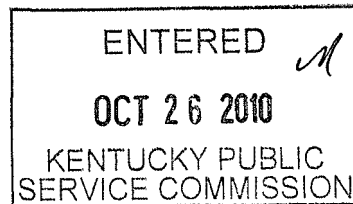
IT IS THEREFORE ORDERED that:

1. Clark is authorized to borrow up to \$6,081,036.12 but no more than the total RUS payoff for the five percent debt, from CFC. The loan maturity dates and interest rates shall be in accordance with the CFC refinancing program as described in Clark's application.

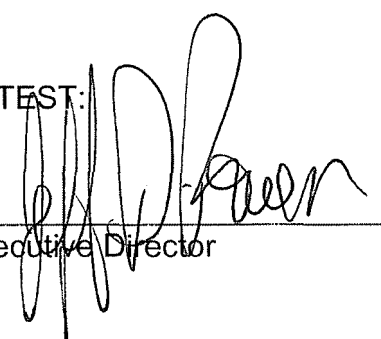
2. Clark shall execute the CFC loan documents as authorized herein.
3. Clark shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.
4. Any documents filed in the future pursuant to Findings 3 and 4 herein shall reference this case number and shall be retained 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

Robert L Rose
Grant, Rose & Pumphrey
51 South Main Street
Winchester, KY 40391