

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF Foothills Rural)	
Telephone Cooperative Corporation)	
for authorization to borrow \$15,639,500)	CASE NO. 2012-00376
from CoBank and execute necessary)	
notes and to repay rural utilities)	
service and rural telephone bank)	
notes in the same amount)	

ORDER

On August 22, 2012, Foothills Rural Telephone Cooperative Corporation ("Foothills") filed an application for authorization to borrow \$15,639,500 from CoBank. The interest rate of the loan will be fixed at 2.71 percent, maturing in five years. The proceeds will be used to refinance and discharge the indebtedness to the Rural Utilities Service ("RUS") and the Rural Telephone Bank ("RTB") in the amount approximately equal to the amount borrowed. The average interest rate of the RUS loans is 4.337 percent and RTB loans is 5.299 percent. The remaining terms of the loans are up to six years. The weighted average remaining life of the RUS notes selected for repayment is 4.19 years. Foothills provided a cash-flow analysis based on the loan amount that indicates it could save \$508,175.90 in interest over the life of the loan. Total savings, including CoBank cash patronage and stock patronage, is projected to be \$917,106.90. The net present value of the cash-flow savings was provided as part of the analysis

prepared by CoBank for Foothills. CoBank determined that the refinancing would result in a positive net present value cash flow of \$802,336.07.¹

The Commission has reviewed the proposed refinancing and finds Foothills' proposal reasonable. Foothills has determined that it can refinance a portion of its RUS fixed rate debt at a lower effective interest rate and experience cash-flow savings over the period of the loan. The Commission commends Foothills for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its member-consumers.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the \$15,639,500 of new debt is for a lawful purpose within Foothills' corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public, is reasonably necessary and appropriate for such purposes, and will be used to facilitate the provision of basic service. Accordingly, the Application should be approved.

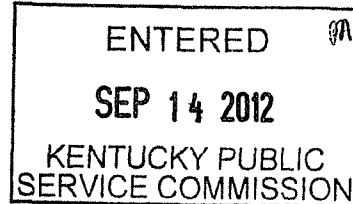
IT IS THEREFORE ORDERED that:

1. Foothills is authorized to borrow \$15,639,500 in new debt as described in the Application.
2. The proceeds shall be used to refinance existing debt, as set forth herein.
3. Foothills shall agree only to such terms and prices that are consistent with parameters set forth in its Application.
4. The proceeds from the transactions authorized herein shall be used only for the lawful purpose set forth in the Application.

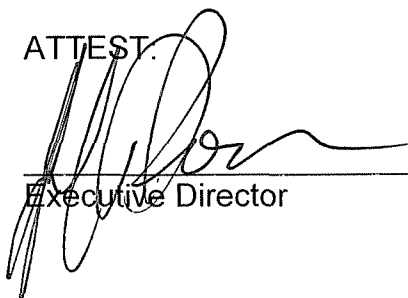
¹ Application, Exhibit 5, page 3.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky, or any agency thereof, as to the securities authorized herein.

By the Commission



ATTEST:



Executive Director

Brandon Wheeler
CPA
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