

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF JACKSON PURCHASE)	
ENERGY CORPORATION FOR)	
AUTHORIZATION TO BORROW \$18,844,470.27)	
FROM NATIONAL RURAL UTILITIES)	CASE NO.
COOPERATIVE FINANCE CORPORATION AND)	2016-00410
TO EXECUTE ALL DOCUMENTS NECESSARY)	
TO PREPAY RURAL UTILITY SERVICE NOTES)	
OF THE SAME AMOUNT)	

ORDER

On November 28, 2016, Jackson Purchase Energy Corporation (“Jackson Purchase”) filed an application seeking Commission authority to execute notes with the National Rural Electric Cooperative Finance Corporation (“CFC”) in an amount up to \$18,844,470.27.¹ On December 2, 2016, Commission Staff issued a request for information (“Staff’s First Request”) to Jackson Purchase to clarify certain issues in this case. Jackson Purchase filed its responses to Staff’s First Request on December 6, 2016. On December 7, 2016, Commission Staff issued a second request for information (“Staff’s Second Request”) to Jackson Purchase to further clarify certain issues in this case. Jackson Purchase filed its responses to Staff’s Second Request on December 12, 2016. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Jackson Purchase intends to use the proceeds from the proposed CFC loan to refinance and discharge \$18,844,470.27 of its outstanding indebtedness to the Rural

¹ Application, paragraph 5.

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 2.50 percent to 5.53 percent.⁴ Jackson Purchase proposes to refinance six RUS loans in the aggregate amount of \$18,844,470.27 with 26 CFC notes in the same amount at fixed interest rates ranging from 2.10 to 3.75 percent, with a resulting composite blended interest rate of 3.42 percent.⁵ CFC's offer to refinance the RUS notes expires January 25, 2017.⁶ Jackson Purchase requests that a decision be rendered by December 23, 2016, in order for it to close the transaction by January 25, 2017.⁷

Two of the fixed-rate RUS notes have a lower interest rate than the rate under the refinancing. Jackson Purchase informed the Commission that RUS does not allow only selected notes to be refinanced; the entire RUS portfolio to which a note belongs must be refinanced in order to refinance any of them.⁸ The proposed CFC notes will have a principal repayment tenor of 25.75 years, with the principal repayment schedule approximately equal to the longest maturity date of the RUS notes being refinanced.⁹ Jackson Purchase provided a cash flow analysis which indicates that the refinancing

² *Id.*

³ Application Exhibit 4, page 1 of 4.

⁴ *Id.*, Exhibit 2, page 7 of 9.

⁵ Jackson Purchase's response to Staff's First Request, Item 1.

⁶ Application, paragraph 11.

⁷ *Id.*

⁸ Jackson Purchase's response to Staff's First Request, Item 2.c.

⁹ *Id.*, Item 2.a., Schedule A, page 3 of 5.

would save \$1,656,427 over the life of the proposed loans, resulting in a positive net present value cash flow of \$1,289,154, including legal fees.¹⁰

The Commission has reviewed the proposed refinancing and finds Jackson Purchase's proposal to be reasonable due to the lower effective interest rate and cash flow savings Jackson Purchase will see over the period of the loan. The Commission commends Jackson Purchase 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, the legal fees, and the new CFC loan will not be known until the refinancing transaction is finalized. Therefore, Jackson Purchase should provide the Commission with the exact amount of the new CFC loan within ten days of finalizing the transaction. In addition, Jackson Purchase should provide an updated version of its response to Staff's Second Request, Item 1.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 Jackson Purchase, 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. Jackson Purchase should execute its note as security for the proposed loan in the manner described in its application.

¹⁰ Jackson Purchase's response to Staff's Second Request, Item 1.a.

3. Within ten days of finalizing the refinancing transaction, Jackson Purchase should notify the Commission in writing of the exact amount of the new CFC loan. Jackson Purchase should include with the notice an updated version of its response to Staff's Second Request, Item 1.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, Jackson Purchase should file with the Commission one copy in paper medium of the loan documents.

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

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

IT IS THEREFORE ORDERED that:

1. Jackson Purchase is authorized to borrow from CFC up to \$18,844,470.27, 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 Jackson Purchase's application.

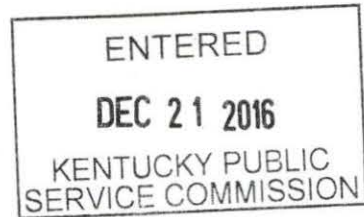
2. Jackson Purchase shall execute the CFC loan documents as authorized herein.

3. Jackson Purchase 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:


Executive Director

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