

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

THE APPLICATION OF SOUTH KENTUCKY RURAL	)	
ELECTRIC COOPERATIVE CORPORATION FOR	)	
AUTHORIZATION TO BORROW \$58,634,282 FROM	)	Case No. 2016-00040
COBANK AND TO EXECUTE ALL DOCUMENTS	)	
NECESSARY TO PREPAY RURAL UTILITIES SERVICE	)	
NOTES OF THE SAME AMOUNT	)	

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**MOTION FOR LEAVE TO AMEND APPLICATION**

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Comes now South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”), by counsel, pursuant to 807 KAR 5:001 Section 4(5) and other applicable law, and respectfully moves the Kentucky Public Service Commission (“Commission”) for leave to amend a portion of its Application filed in this matter. In support of this Motion, South Kentucky states as follows:

1. South Kentucky filed its Application herein on January 25, 2016. Included with South Kentucky’s Application were two exhibits, each with multiple attachments.
2. Upon further review, South Kentucky and CoBank have discovered an error relating to the Net Present Value of the proposed refinancing as described in South Kentucky’s Application. Specifically, at Exhibit 2 – Attachment B, pages 3 of 8, 5 of 8, and 7 of 8, the Net Present Value (discounted at 5.09%) was incorrectly listed as \$16,537,472, while the correct figure is \$6,377,575.
3. Attached hereto are versions of Exhibit 2 – Attachment B, pages 3 of 8, 5 of 8, and 7 of 8, that reflect the correct Net Present Value. South Kentucky requests that the Commission find good cause to grant it leave to correct this inadvertent oversight and substitute the attached pages for the corresponding pages in its originally-filed Application.

WHEREFORE, for good cause shown, South Kentucky requests that the Commission grant the present Motion.

Dated this 2<sup>nd</sup> day of February, 2016.

Respectfully submitted,



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## **Executive Summary**

South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”) currently holds 14 notes totaling approximately \$58.6 million in RUS debt at interest rates that range from 4.60% to 5.78% (blended interest rate of 5.09%) which would qualify for CoBank refinancing at a life time fixed rate currently of 3.55%. The total projected savings amounts to \$18,080,872 with a net present value of \$6,377,575. CoBank requests South Kentucky’s consideration as lender for these loans. Such refinancing of mortgage debt is permitted by RUS under the regulations outlined in 7 CFR Part 1786.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), and a side by side comparison of the RUS loans’ interest cost versus CoBank’s loan interest cost (Tab 2). We would note that South Kentucky has elected to pursue this refinancing on a non-patronage loan basis, meaning that they will not receive patronage distributions on this note. As such, all savings will be realized solely from the reduction in interest expense.

We propose to consolidate the 14 RUS notes into a single note with a principal repayment tenor of 17.8 years versus the RUS consolidated notes’ remaining life of 22 years. Shortening the life of these notes to 17.8 years would result in a decrease in total debt service and will provide for a greater lifetime interest expense savings.

CoBank is pleased to have this opportunity to present this information as part of its effort to find innovative ways for South Kentucky to enhance its success. This booklet is not a commitment to lend or an offer to make a loan. A commitment shall be in the form of a loan agreement upon receipt of an acceptable application, resolution, and other documentation as required by CoBank. Thank you for your consideration.

**RUS notes proposed for refinancing:**

**Loan Balances as of 4/30/2016**

<b>Note ID</b>	<b>Principal Balance</b>	<b>Final Payment Date</b>	<b>Years Remaining</b>	<b>Weighted Average Life</b>
1B340	4,805,150.21	2/29/36	19.83	11.77
1B341	3,885,765.09	3/31/36	19.92	11.70
1B342	3,804,974.20	3/31/36	19.92	11.68
1B343	1,553,747.29	1/31/36	19.75	11.47
1B344	1,826,686.63	4/30/36	20.00	11.78
1B350	5,547,009.50	6/30/37	21.27	12.53
1B351	4,906,936.39	5/31/37	21.08	12.50
1B352	2,421,673.52	5/31/37	21.08	12.39
1B353	6,779,008.42	5/31/37	21.08	12.38
1B360	5,180,903.95	8/31/40	24.33	14.41
1B361	3,489,731.33	8/31/40	24.33	14.61
1B362	5,234,597.02	8/31/40	24.33	14.61
1B363	5,178,234.28	8/31/40	24.33	14.41
1B364	4,019,864.57	8/31/40	24.33	14.47
<b>Totals</b>	<b>58,634,282.40</b>		<b>22.00</b>	<b>13.10</b>

**Interest Savings (over life of notes):**

<b>Total Interest RUS @ 5.09% Blended Rate</b>	<b>Total Interest CoBank @ 3.55%</b>	<b>Total Savings</b>
<b>\$38,983,230</b>	<b>\$20,902,358</b>	<b>\$18,080,872</b>
<b>Net Present Value of Benefit (discounted @ 5.09%)</b>		<b><u>\$6,377,575</u></b>

There are no prepayment penalties arising from prepayment of RUS debt.

CASH FLOW SUMMARY

Period	Year	Combined RUS Loans				CoBank Loans				Patronage Refund	Total Annual Cash flow	Net Cash flow	Cumulative CF
		Principal Balance at Yearend	Annual Principal Payments	Annual Interest Payments	Total Annual Cash flow	Principal Balance at Yearend	Annual Principal Payments	Annual Interest Payments	Total Annual Net Cash flow Expense/(Savings)			Cumulative Net Cash flow Expense/(Savings)	
	Starting Balance	\$58,634,282.39				\$58,634,282.39							
1	2016	\$57,642,974.50	\$991,307.88	\$1,984,748.20	\$2,976,056.08	\$57,051,358.53	\$1,582,923.86	\$1,390,408.48		\$2,973,332.34		-\$2,723.74	-\$2,723.74
2	2017	\$56,091,004.52	1,551,969.99	2,912,114.13	4,464,084.12	54,604,712.77	2,446,645.76	2,013,352.75		4,459,998.51		-4,085.61	-6,809.35
3	2018	\$54,457,365.63	1,633,638.89	2,830,445.23	4,464,084.12	52,068,537.39	2,536,175.38	1,923,823.13		4,459,998.51		-4,085.61	-10,894.96
4	2019	\$52,737,741.24	1,719,624.39	2,744,459.73	4,464,084.12	49,439,556.23	2,628,981.15	1,831,017.36		4,459,998.51		-4,085.61	-14,980.57
5	2020	\$50,927,585.58	1,810,155.66	2,653,928.46	4,464,084.12	46,714,373.29	2,725,182.94	1,734,815.57		4,459,998.51		-4,085.61	-19,066.18
6	2021	\$49,022,111.53	1,905,474.05	2,558,610.07	4,464,084.12	43,889,468.27	2,824,905.02	1,635,093.49		4,459,998.51		-4,085.61	-23,151.79
7	2022	\$47,016,277.71	2,005,833.82	2,458,250.30	4,464,084.12	40,961,192.05	2,928,276.22	1,531,722.29		4,459,998.51		-4,085.61	-27,237.40
8	2023	\$44,904,774.94	2,111,502.77	2,352,581.35	4,464,084.12	37,925,762.00	3,035,430.05	1,424,568.46		4,459,998.51		-4,085.61	-31,323.01
9	2024	\$42,682,011.94	2,222,763.00	2,241,321.12	4,464,084.12	34,779,257.05	3,146,504.95	1,313,493.56		4,459,998.51		-4,085.61	-35,408.62
10	2025	\$40,342,100.30	2,339,911.64	2,124,172.48	4,464,084.12	31,517,612.66	3,261,644.38	1,198,354.13		4,459,998.51		-4,085.61	-39,494.23
11	2026	\$37,878,838.58	2,463,261.72	2,000,822.40	4,464,084.12	28,136,615.57	3,380,997.10	1,079,001.41		4,459,998.51		-4,085.61	-43,579.84
12	2027	\$35,285,695.63	2,593,142.95	1,870,941.17	4,464,084.12	24,631,898.31	3,504,717.26	955,281.25		4,459,998.51		-4,085.61	-47,665.45
13	2028	\$32,555,792.99	2,729,902.64	1,734,181.48	4,464,084.12	20,998,933.62	3,632,964.69	827,033.82		4,459,998.51		-4,085.61	-51,751.05
14	2029	\$29,681,886.30	2,873,906.69	1,590,177.43	4,464,084.12	17,233,028.57	3,765,905.05	694,093.46		4,459,998.51		-4,085.61	-55,836.66
15	2030	\$26,656,345.79	3,025,540.51	1,438,543.61	4,464,084.12	13,329,318.50	3,903,710.07	556,288.44		4,459,998.51		-4,085.61	-59,922.27
16	2031	\$23,471,135.68	3,185,210.11	1,278,874.01	4,464,084.12	9,282,760.74	4,046,557.77	413,440.75		4,459,998.51		-4,085.61	-64,007.88
17	2032	\$20,117,792.47	3,353,343.21	1,110,740.91	4,464,084.12	5,088,128.08	4,194,632.66	265,365.85		4,459,998.51		-4,085.61	-68,093.49
18	2033	\$16,587,402.08	3,530,390.39	933,693.73	4,464,084.12	740,002.06	4,348,126.02	111,872.49		4,459,998.51		-4,085.61	-72,179.10
19	2034	\$12,870,575.75	3,716,826.32	747,257.80	4,464,084.12	0.00	740,002.06	3,331.03		743,333.09		-3,720,751.03	-3,792,930.14
20	2035	\$8,957,424.69	3,913,151.06	550,933.06	4,464,084.12	0.00	0.00	0.00		0.00		-4,464,084.12	-8,257,014.26
21	2036	\$5,954,637.39	3,002,787.30	367,117.09	4,464,084.12	0.00	0.00	0.00		0.00		-3,369,904.40	-11,626,918.66
22	2037	\$3,972,413.38	1,982,224.01	235,137.17	4,464,084.12	0.00	0.00	0.00		0.00		-2,217,361.18	-13,844,279.84
23	2038	\$2,517,415.28	1,454,998.09	159,378.71	4,464,084.12	0.00	0.00	0.00		0.00		-1,614,376.80	-15,458,656.64
24	2039	\$990,824.22	1,526,591.06	87,785.74	4,464,084.12	0.00	0.00	0.00		0.00		-1,614,376.80	-17,073,033.44
25	2040	\$0.00	990,824.22	17,014.35	4,464,084.12	0.00	0.00	0.00		0.00		-1,007,838.57	-18,080,872.01
26	2041	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
27	2042	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
28	2043	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
29	2044	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
30	2045	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
31	2046	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
32	2047	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
33	2048	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
34	2049	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
35	2050	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
36	2051	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
37	2052	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
38	2053	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
39	2054	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
40	2055	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
41	2056	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
42	2057	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
43	2058	\$0.00	0.00	0.00	4,464,084.12	0.00	0.00	0.00		0.00		0.00	-18,080,872.01
<b>Totals</b>			<b>\$58,634,282.39</b>	<b>\$38,983,229.72</b>	<b>\$97,617,512.11</b>		<b>\$58,634,282.39</b>	<b>\$20,902,357.71</b>	<b>\$0.00</b>	<b>\$79,536,640.10</b>		<b>-\$18,080,872.01</b>	
RUS Weighted Average Interest Rate:			5.09%									<b>\$6,377,574.79</b>	<b>Net Present Value</b>