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November 29, 2011

VIA FEDERAL EXPRESS

MR JEFF DEROUEN
EXECUTIVE DIRECTOR
KENTUCKY PUBLIC SERVICE COMMISSION
211 SOWER BLVD.
FRANKFORT KY 40602

***Re: Application of Jackson Purchase Energy Corporation
for Authorization to Refinance from CoBank and Execute
Necessary Notes***

Dear Mr. Derouen:

Please find enclosed an original and ten (10) copies of Jackson Purchase Energy Corporation's Application to Refinance from CoBank and Execute Necessary Notes.

Jackson Purchase Energy Corporation respectfully requests expedited handling of this matter. Specifically, Jackson Purchase Energy Corporation requests that an order be issued in this matter no later than January 4, 2012.

Sincerely,



Melissa D. Yates
Attorney for Jackson Purchase Energy Corporation

Enclosures

125644

RECEIVED

NOV 30 2011

PUBLIC SERVICE
COMMISSION

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

NOV 30 2011

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF JACKSON PURCHASE ENERGY)
CORPORATION FOR AUTHORIZATION TO)
REFINANCE FROM COBANK AND EXECUTE)
NECESSARY NOTES)

CASE NO. _____

APPLICATION

Jackson Purchase Energy Corporation (“JPEC”), respectfully submits this application seeking approval of refinancing of certain RUS Notes pursuant to KRS 278.300. JPEC submits this original and ten (10) copies of the application with this filing.

1. JPEC is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member consumers in the Kentucky counties of Ballard, Carlisle, Graves, Livingston, Marshall and McCracken. See 807 KAR 5:001, Section 8 (1).

2. JPEC’s post office address is Post Office Box 4030, Paducah, Kentucky 42002-4030. See 807 KAR 5:001, Section 8 (1).

3. A certified copy of the Articles of Incorporation of JPEC and all amendments thereto were previously filed with the Commission in Case No. 2007-116, In The Matter of: Adjustment of Rates of Jackson Purchase Energy Corporation. Accordingly, reference is made thereto. See 807 KAR 5:001, Section 8 (3)

4. As of October 31, 2011, JPEC serves 29,202 meters. It has 2,916 miles of distribution lines in its six county service territory, and owns additional facilities necessary to

support this distribution system. The total original cost of these distribution lines and additional facilities as of October 31, 2011, is \$137,115,290.00 See 807 KAR 5:001, Section 11 (1)(a).

5. JPEC is not seeking authorization to issue any kind of stock as part of this application. See 807 KAR 5:001, Section 11 (1)(b).

6. JPEC seeks to borrow from CoBank \$9,403,475.00 and execute notes in conjunction with this borrowing from CoBank. The CoBank loan will be for a period of twenty-three (23) years and bear a fixed interest rate equal to or less than 4.50%. The note will be secured by virtue of a mortgage and security agreement. A more detailed analysis of the proposed loan can be found in Exhibit 1 attached hereto and incorporated herein by reference. See 807 KAR 5:001, Section 11 (1)(b).

7. JPEC will use the proceeds from the CoBank loan described in Numbered Paragraph 6 to repay various RUS loans which bear an interest rate of five percent (5%). The purpose of the present loan is simply to refinance JPEC's existing indebtedness, which will result in savings to JPEC and its members. A listing of all RUS loans to be paid with the CoBank funds referenced in Numbered Paragraphs 6 and 7 can be found in Exhibit 1 attached hereto and incorporated herein by reference. See 807 KAR 5:001, Section 11 (1)(c).

8. The financial exhibit required by 807 KAR 5:001, Section 11 (2)(a) is attached hereto and incorporated herein by reference as Exhibit 2.

9. JPEC's current outstanding mortgages are of record in Case No. 2010-00229:

i) The date of the mortgages are February 1, 2007 and July 14, 2010.

ii) The names of the Mortgagors are Rural Utilities Service, National Rural

Utilities Cooperative Finance Corporation and CoBank, ACB.

iii) The maximum indebtedness authorized by the mortgage is \$100,000,000.00. The actual indebtedness secured by the mortgage is described in detail in Exhibit 3 attached hereto and incorporated herein.

iv) The mortgage does not contain a sinking fund provision.

See 807 KAR 5:001, Section 6.

10. All outstanding notes, including date of issue, amount, date of maturity, rate of interest, in whose favor, together with the amount of interest paid thereon during the last fiscal year, are contained in Exhibit 3 attached hereto and incorporated by reference herein. See 807 KAR 5:001, Section 6 (6).

12. As no property is being acquired in conjunction with this financing, 807 KAR 4:001, Section 11 (2)(c) is not applicable.

WHEREFORE, JPEC respectfully requests that the Commission issue an Order authorizing JPEC to execute and issue evidences of indebtedness as security for the CoBank loan described herein, and for any other relief to which it may be entitled.

Dated this 29th day of November, 2011.

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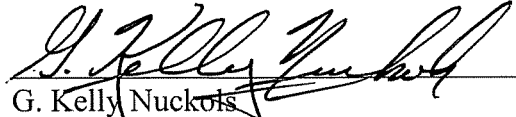
By: 

Melissa D. Yates

ATTORNEYS FOR JACKSON PURCHASE
ENERGY CORPORATION

VERIFICATION

Pursuant to KRS 278.300(2), the undersigned, G. KELLY NUCKOLS, being first duly sworn states that he is the President and Chief Executive Officer of Jackson Purchase Energy Corporation, that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.


G. Kelly Nuckols

STATE OF KENTUCKY)
)
COUNTY OF McCRACKEN)

29th Subscribed, sworn to, and acknowledged before me by G. Kelly Nuckols, this the
day of November, 2011.

My commission expires: 9-11-2012.



Notary Public, State at Large
(S E A L)

Jackson Purchase Energy Corp.

RUS Refinancing Term Loan
\$9,403,475

November 16, 2011

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Executive Summary

Jackson Purchase Energy Corp. (Jackson Purchase) currently holds approximately \$9.4 million in RUS debt at an interest rate of 5%, which would qualify for CoBank refinancing at a life time fixed rate currently of 4.50%. At such a rate, CoBank's patronage refunds would result in an effective rate of approximately 3.75%, an effective savings of 75 basis points. The total projected savings amounts to \$1,686,899 with a present value of \$999,570. CoBank requests Jackson Purchase's consideration as lender for these loans. Such refinancing of mortgage debt is permitted by RUS under Article II, Section 2.02 of the Mortgage.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), a side by side comparison of the RUS loans' interest cost versus CoBank's loan interest cost and patronage payments (Tab 2), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing (Tab 3) and a summary of anticipated closing procedures (Tab 4).

We propose to consolidate the three RUS notes into a single note with a principal repayment schedule matching the consolidated scheduled principal payments of all of the RUS refinanced notes (22.76 years). This would decrease Jackson Purchase's administration while, at the same time, not increase principal debt service.

CoBank is pleased to have this opportunity to present this information as part of its effort to find innovative ways for Jackson Purchase 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.

TAB 1

RUS notes proposed for refinancing:

Note ID	Principal Balance	Final Payment Date	Years Remaining	Weighted Average Life
1B310	2,141,719.62	03/31/2031	19.26	11.14
1B311	1,606,289.78	03/31/2031	19.26	11.14
1B320	5,655,465.85	09/30/2034	22.76	13.48
Totals	9,403,475.25		22.76	12.55

Interest Savings (over life of notes):

<u>Total Interest RUS @ 5.00%</u>	<u>Total Interest CoBank @ 4.50%</u>	<u>Total Savings</u>
\$5,906,665	\$5,404,899	\$501,765
CoBank Cash Patronage Refund:		\$770,337
CoBank Stock Patronage Refund:		<u>\$414,797</u>
Total Life Time Benefit:		<u>\$1,185,134</u>
Present Value of Benefit (discounted @ 4.50%)		<u>\$999,570</u>

There are no prepayment penalties arising from prepayment of RUS debt. Your estimated cost to close this loan is \$13,500 and is included in the loan analysis under tab 2 (shown in the column Patronage Refund). The documentation cost is considered in the effective interest rate analysis.

TAB 2

Jackson Purchase Annual Summary

Scenario - Matching RUS Principal Repayment

Run Date	11/16/11
Loan Amount	\$9,403,475
CoBank Loan Interest Rate	4.50%
Lifetime Cash Flow Savings	\$1,686,899
Lifetime CoBank Patronage	\$1,185,134
Lifetime Interest Savings	\$501,765
Lifetime NPV Benefit *	\$999,570
Net Effective Interest Rate	3.75%
* NPV Discount Rate = 5.00%	

	Combined RUS Loans						CoBank Loan				
	Principal Balance	Annual Principal Payment	Annual Interest Payment	Total Ann Cash Flow	Annual Cash Flow Differential	Annual Interest Expense Differential	Total Ann Cash Flow	Annual Interest Payment	Annual Principal Payment	Principal Balance	Patronage Refund
2012	\$9,168,966	\$234,509	\$428,137	\$660,646	\$25,220	\$25,220	\$635,426	\$400,917	\$234,509	\$9,168,966	\$0
2013	\$8,900,008	\$268,959	\$452,327	\$721,285	\$97,315	\$39,331	\$623,970	\$412,996	\$268,958	\$8,900,008	-\$57,984
2014	\$8,617,289	\$282,719	\$438,567	\$721,289	\$36,833	\$38,135	\$624,353	\$400,433	\$282,719	\$8,617,289	-\$58,799
2015	\$8,320,106	\$297,183	\$424,103	\$721,285	\$33,697	\$36,877	\$627,400	\$387,226	\$297,183	\$8,320,106	-\$67,010
2016	\$8,008,895	\$311,211	\$408,943	\$720,154	\$30,589	\$35,559	\$629,466	\$373,384	\$311,211	\$8,008,895	-\$55,129
2017	\$7,689,586	\$328,308	\$392,978	\$721,287	\$67,331	\$34,170	\$633,956	\$358,807	\$328,309	\$7,689,586	-\$53,160
2018	\$7,335,489	\$345,106	\$376,191	\$721,287	\$93,782	\$32,710	\$637,486	\$343,471	\$345,106	\$7,335,489	-\$51,082
2019	\$6,972,717	\$362,763	\$358,525	\$721,289	\$80,073	\$31,175	\$641,215	\$327,351	\$362,763	\$6,972,717	-\$48,899
2020	\$6,592,378	\$380,339	\$340,002	\$720,341	\$76,167	\$29,564	\$644,174	\$310,438	\$380,339	\$6,592,378	-\$46,603
2021	\$6,191,597	\$400,781	\$320,508	\$721,289	\$72,066	\$27,869	\$648,223	\$292,639	\$400,781	\$6,191,597	-\$44,198
2022	\$5,770,311	\$421,266	\$300,604	\$721,290	\$67,745	\$26,085	\$653,543	\$273,918	\$421,266	\$5,770,311	-\$41,660
2023	\$5,327,472	\$442,839	\$278,451	\$721,290	\$63,207	\$24,212	\$658,084	\$254,239	\$442,839	\$5,327,472	-\$38,995
2024	\$4,862,723	\$464,749	\$255,822	\$720,571	\$58,437	\$22,244	\$662,134	\$233,578	\$464,749	\$4,862,723	-\$36,192
2025	\$4,373,450	\$489,273	\$232,018	\$721,291	\$53,428	\$20,175	\$667,863	\$211,044	\$489,273	\$4,373,450	-\$33,253
2026	\$3,859,144	\$514,305	\$206,987	\$721,292	\$48,153	\$17,998	\$673,139	\$188,989	\$514,305	\$3,859,144	-\$30,155
2027	\$3,318,526	\$540,618	\$180,675	\$721,293	\$42,611	\$15,710	\$678,682	\$168,964	\$540,618	\$3,318,526	-\$26,901
2028	\$2,750,708	\$567,818	\$153,033	\$720,851	\$36,787	\$13,307	\$684,065	\$139,727	\$567,818	\$2,750,708	-\$23,680
2029	\$2,150,380	\$597,328	\$123,968	\$721,294	\$30,689	\$10,779	\$690,625	\$113,187	\$597,328	\$2,150,380	-\$19,890
2030	\$1,525,492	\$627,888	\$93,407	\$721,295	\$23,858	\$8,122	\$688,437	\$85,285	\$627,888	\$1,525,492	-\$15,736
2031	\$1,082,570	\$642,922	\$64,639	\$507,660	\$63,751	\$5,620	\$643,809	\$59,018	\$642,922	\$1,082,570	-\$8,131
2032	\$711,112	\$371,458	\$45,693	\$417,152	\$67,831	\$3,973	\$359,321	\$41,720	\$371,458	\$711,112	-\$53,858
2033	\$320,504	\$390,608	\$26,664	\$417,292	\$52,140	\$2,320	\$365,152	\$24,364	\$390,608	\$320,504	-\$49,820
2034	\$0	\$320,504	\$7,014	\$327,518	\$46,220	\$618	\$281,288	\$8,404	\$320,504	\$0	-\$45,610
2035	\$0	\$0	\$0	\$0	\$41,286	\$0	-\$41,286	\$0	\$0	\$0	-\$41,286
2036	\$0	\$0	\$0	\$0	\$37,114	\$0	-\$37,114	\$0	\$0	\$0	-\$37,114
2037	\$0	\$0	\$0	\$0	\$33,109	\$0	-\$33,109	\$0	\$0	\$0	-\$33,109
2038	\$0	\$0	\$0	\$0	\$28,899	\$0	-\$28,899	\$0	\$0	\$0	-\$28,899
2039	\$0	\$0	\$0	\$0	\$24,480	\$0	-\$24,480	\$0	\$0	\$0	-\$24,480
2040	\$0	\$0	\$0	\$0	\$19,824	\$0	-\$19,824	\$0	\$0	\$0	-\$19,824
2041	\$0	\$0	\$0	\$0	\$14,934	\$0	-\$14,934	\$0	\$0	\$0	-\$14,934
2042	\$0	\$0	\$0	\$0	\$10,334	\$0	-\$10,334	\$0	\$0	\$0	-\$10,334
2043	\$0	\$0	\$0	\$0	\$7,308	\$0	-\$7,308	\$0	\$0	\$0	-\$7,308
2044	\$0	\$0	\$0	\$0	\$4,263	\$0	-\$4,263	\$0	\$0	\$0	-\$4,263
2045	\$0	\$0	\$0	\$0	\$1,116	\$0	-\$1,116	\$0	\$0	\$0	-\$1,116
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2058	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0	\$0
Sum		\$9,403,475	\$5,906,665	\$15,310,140	\$1,686,899	\$501,765	\$13,623,241	\$5,404,899	\$9,403,475	\$113,843,415	\$1,185,134

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03/31/2056	530	0	0	0	0	0	0	0	0	0	0
04/30/2056	531	0	0	0	0	0	0	0	0	0	0
05/31/2056	532	0	0	0	0	0	0	0	0	0	0
06/30/2056	533	0	0	0	0	0	0	0	0	0	0
07/31/2056	534	0	0	0	0	0	0	0	0	0	0
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09/30/2056	536	0	0	0	0	0	0	0	0	0	0
10/31/2056	537	0	0	0	0	0	0	0	0	0	0
11/30/2056	538	0	0	0	0	0	0	0	0	0	0
12/31/2056	539	0	0	0	0	0	0	0	0	0	0
01/31/2057	540	0	0	0	0	0	0	0	0	0	0
02/28/2057	541	0	0	0	0	0	0	0	0	0	0
03/31/2057	542	0	0	0	0	0	0	0	0	0	0
04/30/2057	543	0	0	0	0	0	0	0	0	0	0
05/31/2057	544	0	0	0	0	0	0	0	0	0	0
06/30/2057	545	0	0	0	0	0	0	0	0	0	0
07/31/2057	546	0	0	0	0	0	0	0	0	0	0
08/31/2057	547	0	0	0	0	0	0	0	0	0	0
09/30/2057	548	0	0	0	0	0	0	0	0	0	0
10/31/2057	549	0	0	0	0	0	0	0	0	0	0
11/30/2057	550	0	0	0	0	0	0	0	0	0	0
12/31/2057	551	0	0	0	0	0	0	0	0	0	0
01/31/2058	552	0	0	0	0	0	0	0	0	0	0
02/28/2058	553	0	0	0	0	0	0	0	0	0	0
03/31/2058	554	0	0	0	0	0	0	0	0	0	0
04/30/2058	555	0	0	0	0	0	0	0	0	0	0
05/31/2058	556	0	0	0	0	0	0	0	0	0	0
06/30/2058	557	0	0	0	0	0	0	0	0	0	0
07/31/2058	558	0	0	0	0	0	0	0	0	0	0
08/31/2058	559	0	0	0	0	0	0	0	0	0	0
09/30/2058	560	0	0	0	0	0	0	0	0	0	0
10/31/2058	561	0	0	0	0	0	0	0	0	0	0
11/30/2058	562	0	0	0	0	0	0	0	0	0	0
12/31/2058	563	0	0	0	0	0	0	0	0	0	0
01/31/2059	564	0	0	0	0	0	0	0	0	0	0
Sum		9,403,475	5,006,885	15,310,140	13,623,241	5,391,399	9,403,475			-1,171,634	

TAB 3



Rural America's Cooperative Bank

Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projections are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Jackson Purchase
Schedule	Matching RUS Principal Repayment
Account Officer	RM Name
Prepared by:	Analyst Name
Quote Date	November 16, 2011
Origination Date	January 15, 2012
Amortization Start Date	February 29, 2012
Loan Amount	\$9,403,475
Years to Maturity	0.000
Nominal Interest Rate	4.50%
Estimated Legal Fees (\$)	13,500
Payments/Year	12
Amort Method	Irregular Payments
Days per Year	360
Payment Amount	\$0

Nominal Interest Rate	4.50%
Net Effective Interest Rate	3.75%
Reduction of Interest Rate	0.75%
Patronage Rate	1.00%
% Cash Patronage	65.00%
Initial Capital Purchase Amount	\$0
Target Equity	8.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Avg Loan Balance - 6 years ago	0
Avg Loan Balance - 7 years ago	0
Avg Loan Balance - 8 years ago	0

Borrower:		Jackson Purchase											
Quote Date		November 16, 2011		Schedule:				Matching RUS Principal Repayment					
Origination Date		January 15, 2012		Effective Interest Rate:				3.75%					
Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	10 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2012	9,403,475	234,509	400,917	0	0	0	8,768,049	31,222	31,222	9,168,966	8,920,657	892,066	71,365
2013	0	268,958	412,996	0	57,984	0	-623,970	31,661	62,883	8,900,008	9,045,965	1,796,662	143,733
2014	0	282,719	400,433	0	58,799	0	-624,353	30,698	93,581	8,617,289	8,770,735	2,673,736	213,899
2015	0	297,183	387,226	0	57,010	0	-627,400	29,685	123,266	8,320,106	8,481,424	3,521,878	281,750
2016	0	311,211	373,384	0	55,129	0	-629,466	28,625	151,890	8,008,895	8,178,499	4,339,728	347,178
2017	0	328,309	358,807	0	53,160	0	-633,956	27,506	179,396	7,680,586	7,858,843	5,125,612	410,049
2018	0	345,106	343,471	0	51,082	0	-637,495	26,330	205,726	7,335,480	7,522,877	5,877,900	470,232
2019	0	362,763	327,351	0	48,899	0	-641,215	25,094	230,821	6,972,717	7,169,724	6,594,872	527,590
2020	0	380,339	310,438	0	46,603	0	-644,174	23,799	254,619	6,592,378	6,799,618	7,274,834	581,987
2021	0	400,781	292,639	0	44,198	0	-649,223	22,433	277,052	6,191,597	6,409,293	7,915,763	633,261
2022	0	421,286	273,918	0	41,660	0	-653,543	20,997	298,049	5,770,311	5,999,167	7,623,614	609,889
2023	0	442,839	254,239	0	38,995	0	-658,084	19,488	317,537	5,327,472	5,568,057	7,275,824	582,066
2024	0	464,749	233,578	0	36,192	0	-662,134	17,906	335,443	4,862,723	5,115,919	6,910,342	552,827
2025	0	489,273	211,844	0	33,253	0	-667,863	16,238	351,680	4,373,450	4,639,304	6,526,130	522,090
2026	0	514,305	188,989	0	30,155	0	-673,139	14,485	366,165	3,859,144	4,138,622	6,122,142	489,771
2027	0	540,618	164,964	0	26,901	0	-678,682	12,643	378,809	3,318,526	3,612,323	5,697,490	455,799
2028	0	567,818	139,727	0	23,480	0	-684,065	10,710	389,519	2,750,708	3,060,019	5,251,205	420,096
2029	0	597,328	113,187	0	19,890	0	-690,625	8,673	398,192	2,153,380	2,478,039	4,782,036	382,563
2030	0	627,888	85,285	0	16,107	15,629	-681,437	6,534	389,097	1,525,492	1,866,782	4,288,753	343,100
2031	0	442,922	59,018	0	12,134	45,996	-443,809	4,521	347,621	1,082,570	1,291,770	3,777,000	302,160
2032	0	371,458	41,720	0	8,397	45,461	-359,321	3,197	305,357	711,112	913,446	3,268,428	261,474
2033	0	390,608	24,364	0	5,937	43,883	-365,152	1,865	263,339	320,504	532,838	2,764,906	221,192
2034	0	320,504	6,404	0	3,463	42,147	-281,298	488	221,681	0	139,462	2,267,260	181,381
2035	0	0	0	0	907	40,300	41,206	0	181,381	0	0	1,803,330	144,266
2036	0	0	0	0	0	37,114	37,114	0	144,266	0	0	1,389,468	111,157
2037	0	0	0	0	0	33,109	33,109	0	111,157	0	0	1,028,236	82,259
2038	0	0	0	0	0	28,899	28,899	0	82,259	0	0	722,234	57,779
2039	0	0	0	0	0	24,480	24,480	0	57,779	0	0	474,430	37,954
2040	0	0	0	0	0	19,824	19,824	0	37,954	0	0	287,752	23,020
2041	0	0	0	0	0	14,934	14,934	0	23,020	0	0	158,575	12,686
2042	0	0	0	0	0	10,334	10,334	0	12,686	0	0	67,230	5,378
2043	0	0	0	0	0	7,308	7,308	0	5,378	0	0	13,946	1,116
2044	0	0	0	0	0	4,263	4,263	0	1,116	0	0	0	0
2045	0	0	0	0	0	1,116	1,116	0	0	0	0	0	0
2046	0	0	0	0	0	0	0	0	0	0	0	0	0
2047	0	0	0	0	0	0	0	0	0	0	0	0	0
2048	0	0	0	0	0	0	0	0	0	0	0	0	0
2049	0	0	0	0	0	0	0	0	0	0	0	0	0
2050	0	0	0	0	0	0	0	0	0	0	0	0	0
2051	0	0	0	0	0	0	0	0	0	0	0	0	0
2052	0	0	0	0	0	0	0	0	0	0	0	0	0
2053	0	0	0	0	0	0	0	0	0	0	0	0	0
2054	0	0	0	0	0	0	0	0	0	0	0	0	0
2055	0	0	0	0	0	0	0	0	0	0	0	0	0
2056	0	0	0	0	0	0	0	0	0	0	0	0	0
2057	0	0	0	0	0	0	0	0	0	0	0	0	0
2058	0	0	0	0	0	0	0	0	0	0	0	0	0
2059	0	0	0	0	0	0	0	0	0	0	0	0	0
TOTAL	\$9,403,475	\$9,403,475	\$5,404,899	\$0	\$770,337	\$414,797		\$414,797					



Rural America's Cooperative Bank

Projection of Cash Flows and Effective Interest Rates

The following provides a column-by-column description of CoBank's Loan Rate Model. The Loan Rate Model provides projections of cash flows and effective interest rates based upon the assumptions given for each printout.

- Column C reflects the principal advances on the loan.
- Column E reflects the periodic principal payments.
- Column F reflects the periodic interest payments.
- Column H shows the capital purchases required based upon the assumptions. A new borrower must purchase \$1,000 capital.
- Column I reflects the cash patronage. Total patronage is calculated as a percentage of the one year average loan balance. CoBank is required by statute to pay a minimum of 20 percent patronage capital allocated to a borrower during each year in cash.
- Column J shows capital retirements in cash.
- Column K reflects the net cash flow for the borrower throughout the term of the loan.
- Column L reflects the allocated patronage used to purchase additional capital in CoBank. This represents the balance of the capital allocated each year which was not paid in cash.
- Column M shows the balance of purchased and allocated capital on a cumulative basis each year.
- Column N reflects the loan balance at the end of the year.
- Column O represents the one year average loan balance which is the basis for annual patronage.
- Column P represents average ten year loan balance which is the basis for determining the capital target for the borrower.
- Column Q shows the target equity for the borrower based upon the ten year average loan balance.

TAB 4

Refinancing Process

A refinancing of secured debt is permitted under the RUS Mortgage. Included below is an excerpt from the RUS Mortgage providing for such refinancing. CoBank can provide electronic copies of all CoBank documents.

The specific steps for refinancing RUS notes are:

1. Provide CoBank with your RUS form 613 (Quarterly RUS Statement of Loan Account) in order to analyze notes beneficial to refinance.
2. CoBank completes due diligence and provides loan commitment.
3. Provide notice to RUS of prepayment, designating notes to be prepaid and request for payoff memorandum. This notice must be at least four business days before the desired pay off date.
 - RUS Payoff Information: Direct Loan and Grant Branch (DLGB)
 - Telephone: 314-457-4049 or 314-457-4083
 - Fax: 314-457-4283 or 314-457-4284
 - Email: dlgb@stl.rural.usda.gov
 - Cash Transmittal Questions: Cash Management Branch (CMB)
 - Telephone: 314-457-4021
4. Obtain and forward to CoBank, RUS prepared spreadsheet setting forth principal and interest to be paid off.
5. Apply and obtain any required regulatory approval as defined by applicable state.
6. Provide borrowing resolution and return all executed loan documents to CoBank.
7. Borrower notifies CoBank as to whether prior period amounts due will be delivered to CoBank or if it will be drawn from borrower's CoBank line of credit for final settlement of RUS notes.
8. Principal balance and interest wired by CoBank to RUS paying off notes.
9. Supplemental mortgages filing complete and opinion of counsel delivered to CoBank.

Excerpt from Article II of the RUS Mortgage

SECTION 2.02. Refunding or Refinancing Notes: The Mortgagor shall also have the right without the consent of any Mortgagee or any Noteholder to issue Additional Notes for the purpose of refunding or refinancing any Notes so long as the total amount of outstanding indebtedness evidenced by such Additional Note or Notes is not greater than 105% of the then outstanding principal balance of the Note or Notes being refunded or refinanced. PROVIDED, HOWEVER, that the Mortgagor may not exercise its rights under this Section if an Event of Default has occurred and is continuing, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing. On or before the first advance of proceeds from Notes issued under this section, the Mortgagor shall notify each Mortgagee of the refunding or refinancing. Additional Notes issued pursuant to this Section [2.02] will thereupon be secured equally and ratably with the Notes.

Jackson Purchase Energy Corporation
Balance Sheet
October 31, 2011

Exhibit 2
Page 1 of 2

Assets

Electric Plant:	
In Service	\$ 130,577,577
Construction Work in Progress	6,537,713
	<u>137,115,290</u>
Less accumulated depreciation	45,008,804
	<u>92,106,486</u>
Nonutility Property - Net	0
Investments	3,204,237
Current Assets:	
Cash and cash equivalents	4,937,544
Accounts Receivable	5,510,926
Materials and supplies	1,574,781
Prepayments	474,144
Other current assets	784,371
Other assets	351,233
	<u>351,233</u>
Total assets	<u>\$ 108,943,722</u>

Liabilities and Equities

Members' Equities:	
Memberships	\$ 159,110
Patronage capital	41,364,802
Other Margins and Equities	(349,824)
	<u>41,174,088</u>
Long-term debt	<u>60,650,241</u>
Current Liabilities:	
Accounts payable	2,295,187
Short-term debt	-
Consumer deposits	1,743,839
Other current and accrued expenses	2,934,931
	<u>6,973,957</u>
Consumer advances for construction	<u>145,436</u>
Total Members' Equities and Liabilities	<u>\$ 108,943,722</u>

Jackson Purchase Energy Corporation
Income Statement
Twelve Months Ended October 31, 2011

Exhibit 2
Page 2 of 2

Operating Revenues:	
Electric revenues	\$ 45,066,265
Other electric revenues	1,129,260
	<hr/>
	46,195,525
	<hr/>
Operating Expenses:	
Cost of power	28,022,265
Distribution - operations	2,972,148
Distribution - maintenance	3,637,735
Consumer accounts	1,035,844
Customer service and information	90,276
Sales	14,454
Administrative and general	2,143,141
	<hr/>
	37,915,863
	<hr/>
Depreciation	4,677,502
Other tax expense	48,286
Interest on long-term debt	2,839,235
Other interest charges	150,574
Other deductions	1,950
	<hr/>
	45,633,410
	<hr/>
Operating Margins	562,115
	<hr/>
Non-operating margins - interest	327,301
Non-operating margins - other	29,972
G & T capital credits	0
Other capital credits	415,390
	<hr/>
Net margins	<u><u>\$ 1,334,778</u></u>

LONG-TERM DEBT SCHEDULE
JACKSON PURCHASE ENERGY CORPORATION
10/31/2011

Note Description	Interest Rate	Date of Draw	Original Balance	Current Balance	Interest Expensed YTD 2010
RUS/Treasury Notes:					
1B260	5.00%	8/25/1982	927,500	0	9,626
1B262	5.00%	8/25/1982	927,500	0	9,626
1B270/1B273	5.00%	9/20/1984	3,184,000	0	40,718
1B280	5.00%	6/22/1988	1,483,000	0	24,542
1B281/1B283	5.00%	6/22/1988	1,484,000	0	25,245
1B290/1B292	5.00%	8/20/1991	2,892,000	0	55,227
1B300/1B305	5.00%	9/3/1993	4,483,000	0	92,416
1B310/1B311	5.00%	1/25/1996	4,900,000	3,767,238	195,983
1B320	5.00%	2/4/2000	6,726,000	5,677,618	292,668
1B330	5.53%	7/24/2001	4,500,000	3,980,339	225,685
1B331	2.91%	6/3/2003	332,000	273,526	8,264
1B332	2.91%	6/3/2003	3,000,000	2,477,629	74,856
1A340	4.55%	8/11/2008	2,833,000	2,717,525	126,330
1A350	4.55%	8/11/2008	2,167,000	2,104,031	97,716
1A351	3.68%	2/20/2009	10,000,000	9,658,424	364,114
FFB Notes:					
H0010 (FFB)	2.071%	6/3/2003	2,668,000	1,990,738	43,560
H0015 (FFB)	4.422%	6/17/2004	2,250,000	1,732,143	80,931
H0020 (FFB)	5.283%	6/17/2004	2,250,000	1,732,143	96,690
H0025 (FFB)	4.534%	9/29/2005	5,500,000	4,409,091	211,225
H0030 (FFB)	4.913%	3/7/2006	5,922,000	4,827,176	250,581
F0035 (FFB)	4.264%	3/7/2011	4,000,000	4,000,000	0
F0040 (FFB)	4.157%	3/8/2011	4,000,000	4,000,000	0
CoBank Notes:					
ML0731T2	3.87% (Variable)	02/24/94	\$1,921,000	1,440,064	53,218
ML0731T3	3.87% (Variable)	08/27/91	1,240,000	973,350	35,876
ML0731T5	3.87% (Variable)	06/15/88	1,271,000	896,926	33,571
ML0731T6	4.78%	09/02/03	4,158,599	450,089	40,562
RX0731T7	4.69%	07/19/10	5,921,753	5,399,054	125,867
RX0731T8	4.90%	07/19/10	3,344,239	3,192,264	74,905
CFC Notes:					
9001 (CFC)	5.375% (Effective)	08/31/84	1,364,160	588,791	32,673
Sub-total			95,649,751	66,288,159	2,722,675
Cushion of Credit:	5.00%		n/a	(5,637,918)	(262,171)
Net Long Term Debt			95,649,751	60,650,241	2,460,504
CFC Line of Credit					0
CoBank Line of Credit					106,430