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Chairman

James Gardner  
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Charles R. Borders  
Commissioner

December 22, 2011

## PARTIES OF RECORD

Re: Case No. 2011-00466

Attached is a memorandum being filed in the case file of the case referenced above. If you wish to make any comments regarding the contents of this informal conference memorandum, please do so within five days of receipt of this letter. If you have any questions, please call Jim Livers of the Commission staff at 502/564-3940, ext. 268.

Sincerely,

A handwritten signature in black ink, appearing to read "Jeff Derouen".

Jeff Derouen  
Executive Director

Attachment

## INTRA-AGENCY MEMORANDUM

### KENTUCKY PUBLIC SERVICE COMMISSION

**TO:** File: Case No. 2011-00466

**FROM:** Jim Livers, Team Leader

**DATE:** December 22, 2011

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

A telephonic informal conference ("IC") was held in the above referenced case on December 21, 2011. A copy of the attendance list and the questions and answers from the IC are attached to this memorandum.

The purpose of the IC was to discuss Jackson Purchase Electric Corporation's ("JPEC") request for expedited treatment of its application and other issues surrounding the proposed financing application. JPEC submitted its application on November 30, 2011, requesting approval to refinance certain of its existing notes. However, the Application contained neither a date for the timeframe in which JPEC needed an order, nor the expiration date for the financing. In response to Commission Staff's ("Staff") questions concerning the timing of the issuance of a final order in this matter, JPEC responded that an order is needed by January 6, 2012 so that the refinancing can be closed by January 13, 2012.

Staff pointed out that there are other RUS notes that had higher interest rates than those being refinanced and asked why those were not selected for refinancing. JPEC stated that these notes were not chosen for refinancing due to large prepayment penalties associated with the number of years remaining on the life of these notes.

There being no further questions or other issues, the IC was adjourned.

Attachment: Sign-In Sheet  
Questions and Answers

SIGN IN SHEET  
INFORMAL CONFERENCE  
JACKSON PURCHASE ENERGY CORPORATION  
DECEMBER 21, 2011

1. Tim Livers

2. Steven Bailey

3. RICHARD RAFF

4. Daryl Newby

5. Chuck Williamson (via phone)

6. Melissa Yates "

7. Kelly Nichols "

8. \_\_\_\_\_

9. \_\_\_\_\_

10. \_\_\_\_\_

2011-00466

Informal Conference Questions and Answers

December 21, 2012

1. **What is the due date for the Jackson Purchase's refinancing from CoBank?** – The loan lock agreement expires on January 15, 2012 meaning that the loan must be closed by that date. However, practically speaking, because January 15, 2012 falls on a Sunday, the loan must actually be closed no later than Friday January 13, 2012.
2. **By what date must Jackson Purchase have an order granting the refinancing in order to timely complete the closing?** Because of the substantial time required to close this loan, JPEC's attorneys need an order on or before January 6, 2012.
3. **Explain why the 5 percent RUS notes are being refinanced when Jackson Purchase has other notes outstanding with a higher interest rate.** The other notes, which have higher interest rates, are not eligible for refinance without payment of a penalty. This was confirmed in an email from RUS.
4. **Explain how any amount over or under the proposed amount of financing would be handled at the closing?** No difference is expected because an exact payoff will be provided by the lender. However, if any difference did occur would likely be a de minimus amount.
5. **Explain the cushion of credit listed in Exhibit 3 of the Application** – The cushion of credit consists of pre-paid mortgage payments to RUS. Those payments go into an investment-type account which earns a guaranteed 5% rate of return and has no risk of principal loss. The amounts deposited in that account can only be used to make mortgage payments to RUS. JPEC has chosen to pay a sum into this account which would assist JPEC in the event it ever had difficulty meeting its mortgage obligations.