

LAW OFFICES

W. PATRICK HAUSER, P.S.C.

200 KNOX STREET

CASE NO. 2013-00018

P.O. Box 1900  
BARBOURVILLE, KENTUCKY 40906

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January 10, 2013

RECEIVED

JAN 14 2013

PUBLIC SERVICE  
COMMISSION

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, KY 40601

Re: Application of Cumberland Valley Electric, Inc. for authorization to borrow \$2,892,121 from CoBank and to execute necessary notes to prepay Cooperative Finance Corporation ("CFC") notes in the same amount.

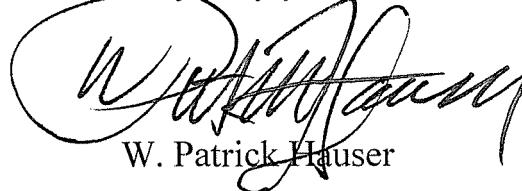
Dear Mr. Derouen:

We enclosed for filing the original and 10 copies of application pertaining to the above. Please notify the undersigned of the case number when it has been assigned.

The offer from CoBank to refinance the CFC notes expires on March 4, 2013. Accordingly, we request expedited handling of the application in order to have Commission approval prior to that date.

Thank you for your assistance in this matter.

Very truly yours,



W. Patrick Hauser

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

JAN 14 2013

PUBLIC SERVICE  
COMMISSION

CASE NO. 2013- 00018

In the Matter of:

APPLICATION OF CUMBERLAND VALLEY )  
ELECTRIC INCORPORATED FOR )  
AUTHORIZATION TO BORROW \$2,892,121 )  
FROM COBANK AND EXECUTE NECESSARY )  
NOTES AND TO REPAY COOPERATIVE )  
FINANCE CORPORATION NOTES IN THE )  
SAME AMOUNT )

APPLICATION

Cumberland Valley Electric, Inc. ("CVE") respectfully submits this application seeking expedited approval (by February 20, 2012 as the rate lock with CoBank expires on March 4, 2013) of long-term refinancing, pursuant to KRS 278.300. The petition respectfully shows:

1. CVE is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Bell, Harlan, Knox, Laurel, Leslie, Letcher, McCreary, and Whitley.
2. CVE's post office address is P. O. Box 440, Gray, KY 40734.
3. The Articles of Incorporation and all amendments thereto for CVE are filed in Case No. 7772 and amendments are filed in case No. 2005-187.
4. As of November 30, 2012, CVE served 23,621 active services for member-customers. It has 2,626 miles of distribution lines in its eight 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 November 30, 2012 is \$91,554,629.
5. The financial exhibit, as required by 807 KAR 5:001, section 17(2)(a) is attached as Exhibit 1 of this application.

6. CVE is not seeking authorization to issue any kinds of stock as part of this application.

7. CVE seeks to borrow from CoBank a total of \$2,892,121 and execute five notes in conjunction with this borrowing from CoBank. The CoBank notes will be for 1, 3, 8, 9, & 18 year periods and will approximately equal or be less than the maturity of the debt being refinanced. The notes will require a different fixed interest rate for each loan. The rates will range from a 1-year rate of 1.96% to an 18-year rate of 3.68%. The CoBank net effective interest rates, after patronage, will range from a 1-year rate of 1.03% to an 18-year rate of 2.87%.

8. CVE expects the actual payoff to be very close to the \$2,892,121. It's possible that the payoff will actually be lower depending on the time required to secure Commission approval and any payments made in the meantime.

9. CVE will use the proceeds from the CoBank loan to prepay notes of the same amount outstanding to Cooperative Finance Corporation ("CFC"). The notes being prepaid are listed in the CoBank proposal in Exhibit 2 Attachment B Pages 2-6 of 10.

10. The restated mortgage of CVE is filed in Case No. 2010-00378.


11. As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 17(2)(c) is not applicable.

12. Additional information in support of this application is included in attached Exhibit 2.

WHEREFORE, CVE asks that the Commission issue an Order authorizing CVE 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 at Gray, Kentucky this 10<sup>th</sup> day of January, 2013.

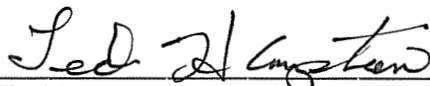
W. Patrick Hauser  
Attorney at Law  
Attorney for Applicant  
P.O. Box 1900  
Barbourville, KY 40906  
Phone: (606) 546-3811  
Fax: (606) 546-3050  
E-Mail: [phauser@barbourville.com](mailto:phauser@barbourville.com)



W. Patrick Hauser, Attorney for  
Cumberland Valley Electric, Inc.

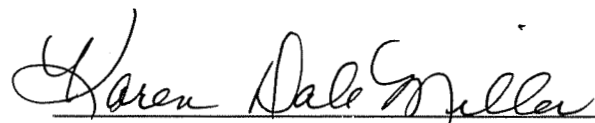
VERIFICATION

The undersigned, Ted Hampton, being first duly sworn states that he is the President and CEO of Cumberland Valley Electric, Inc.; and 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.



Ted Hampton, President & CEO  
Cumberland Valley Electric, Inc.

Subscribed and sworn to before me by Ted Hampton as President and CEO of Cumberland Valley Electric, Inc. this 10<sup>th</sup> day of January, 2013.



Karen Dale Miller  
Notary Public, Kentucky State At Large  
My Commission Expires: 4-11-2014

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 12

- Exhibit 1 – Attachment A.....Notes Executed
- Exhibit 1 – Attachment B.....Statement of Operations
- Exhibit 1 – Attachment C.....Financial & Statistical Report

SUPPLEMENTAL INFORMATION

- Exhibit 2 – Attachment A.....Board Resolution
- Exhibit 2 – Attachment B.....Proposal

APPLICATION OF CUMBERLAND VALLEY ELECTRIC, INC.  
EXHIBIT 1  
FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 12

Unless otherwise noted, the financial information contained in this Exhibit is for the twelve months ending or as of November 30, 2012, which is within the 90 day requirement of 807 KAR 5:001, section 12.

- Section 12(1) CVE has no stock authorized.
- Section 12(2) CVE has no stock issued or outstanding.
- Section 12(3) CVE has no preferred stock issued.
- Section 12(4) All of CVE's loans with the RUS and CFC are secured by the restated Mortgage which was executed on November 3, 2003. CVE is the mortgagor, while the RUS and CFC are the mortgagees. The total debt limit is \$100,000,000.00. The current actual indebtedness is shown as Attachment A, pages 1 - 4 of Exhibit 1. There are no sinking fund provisions contained in the Restated Mortgage.
- Section 12(5) CVE has no bonds authorized or issued.
- Section 12(6) Attachment A to this Exhibit contains the listing of CVE total notes outstanding.
- Section 12(7) CVE has no other indebtedness.
- Section 12(8) As CVE has no stock authorized, issued, or outstanding, no dividends have been paid during the five previous fiscal years.
- Section 12(9) Attachments B and C to this Exhibit contains CVE's detailed income statement and balance sheet.

**FINANCIAL EXHIBITS FOR CUMBERLAND VALLEY  
RUS NOTES EXECUTED  
AS OF NOVEMBER 30, 2012**

<b>Note Number</b>	<b>Interest Rate</b>	<b>Date</b>	<b>Maturity</b>	<b>Original Balance</b>	<b>Interest Paid in Past 12 Mo</b>	<b>Interest Accrued</b>	<b>Principal Payments</b>	<b>Funds Unadvanced</b>	<b>Balance</b>
1B290	5.375%	12/1/1997	6/2/2032	1,646,000.00	70,240.44		359,386.54		1,286,613.46
1B295	5.000%	11/12/1998	6/2/2032	1,646,000.00	64,305.05		380,825.42		1,265,174.58
1B300	0.025%	8/10/2000	3/1/2035	1,410,000.00	3,643.06		376,716.90		1,033,283.10
<b>Total RUS Loans</b>				<b>4,702,000.00</b>	<b>138,188.55</b>		<b>1,116,928.86</b>		<b>3,585,071.14</b>

FINANCIAL EXHIBITS FOR CUMBERLAND VALLEY  
CFC NOTES EXECUTED  
AS OF NOVEMBER 30, 2012

Note Number	Interest Rate	Date	Maturity	Original Balance	Interest Paid in Past 12 Mo	Interest Accrued	Total Principal Payments	Funds Unadvanced	Balance
9010	5.750%	3/1/1977	5/6/2012	457,000.00	122.47		457,000.00		-
9012	5.900%	11/1/1978	1/13/2013	457,000.00	1,261.18		457,000.00		-
9014	6.450%	1/1/1979	1/11/2014	873,000.00	6,998.56		803,450.98		69,549.02
9017	4.500%	1/1/1982	8/19/2016	676,000.00	8,380.52		511,181.79		164,818.21
9018	4.500%	1/1/1989	2/13/2021	675,000.00	13,647.45		381,793.21		293,206.79
9019	4.500%	12/1/1993	5/21/2025	1,281,000.00	32,917.48		555,916.25		725,083.75
9020	4.500%	4/1/1998	6/2/2032	1,411,000.00	50,037.10		289,438.06		1,121,561.94
9021	4.500%	8/1/2000	3/1/2035	604,000.00	23,023.38		86,098.52		517,901.48
<b>Total CFC Loans</b>				<b>6,434,000.00</b>	<b>136,388.14</b>		<b>3,541,878.81</b>		<b>2,892,121.19</b>



FINANCIAL EXHIBITS FOR CUMBERLAND VALLEY  
NCSC NOTES EXECUTED  
AS OF NOVEMBER 30, 2012

Note Number	Interest Rate	Date	Maturity	Original Balance	Interest Paid in Past 12 Mo	Interest Accrued	Total Principal Payments	Funds Unadvanced	Balance
2002	1.850%	11/30/2010	8/31/2012	406,077.70	2,828.00		406,077.70		-
2003	2.300%	11/30/2010	8/31/2013	466,772.19	10,735.76		115,691.38		351,080.81
2004	2.700%	11/30/2010	8/31/2014	330,403.10	8,920.88		-		330,403.10
2005	3.050%	11/30/2010	8/31/2015	301,948.87	9,209.44		-		301,948.87
2006	3.350%	11/30/2010	8/31/2016	320,665.49	10,742.28		-		320,665.49
2007	3.600%	11/30/2010	8/31/2017	202,674.75	7,296.28		-		202,674.75
2008	3.800%	11/30/2010	8/31/2018	253,479.96	9,632.24		-		253,479.96
2009	4.000%	11/30/2010	8/31/2019	248,981.06	9,959.24		-		248,981.06
2010	4.150%	11/30/2010	8/31/2020	264,048.38	10,958.00		-		264,048.38
2011	4.200%	11/30/2010	8/31/2021	211,859.16	8,898.08		-		211,859.16
2012	4.300%	11/30/2010	8/31/2022	164,699.46	7,082.08		-		164,699.46
<b>Total NCSC Loans</b>				<b>3,171,610.12</b>	<b>96,262.28</b>		<b>521,769.08</b>		<b>2,649,841.04</b>

FINANCIAL EXHIBITS FOR CUMBERLAND VALLEY  
FFB NOTES EXECUTED  
AS OF NOVEMBER 30, 2012

Note Number	Interest Rate	Date	Maturity	Original Balance	Interest Paid in Past 12 Mo	Interest Accrued	Principal Payments	Funds Unadvanced	Balance
H0010	0.095%	3/20/2001	12/31/2012	4,200,000.00	5,663.34		1,104,530.93		3,095,469.07
H0015	0.095%	7/1/2003	12/31/2012	4,887,000.00	6,801.66		1,169,346.06		3,717,653.94
H0020	0.095%	7/13/2004	12/31/2012	2,200,000.00	3,300.41		390,598.53		1,809,401.47
H0025	0.095%	2/2/2005	12/31/2012	2,000,000.00	3,000.35		355,089.60		1,644,910.40
H0030	0.095%	10/27/2005	12/31/2012	3,000,000.00	4,489.26		538,820.37		2,461,179.63
H0035	0.095%	9/15/2006	12/31/2012	2,000,000.00	3,054.51		325,404.93		1,674,595.07
H0040	0.095%	5/21/2007	12/31/2012	1,106,000.00	1,701.16		173,361.55		932,638.45
F0045	0.095%	8/1/2008	12/31/2012	4,000,000.00	6,721.91		301,044.05		3,698,955.95
F0050	0.095%	11/3/2008	12/31/2012	2,500,000.00	4,201.19		188,152.54		2,311,847.46
F0055	0.095%	1/8/2010	12/31/2012	3,000,000.00	5,041.37		225,813.52		2,774,186.48
F0060	0.095%	7/26/2011	12/31/2012	4,000,000.00	7,715.37		126,642.21		3,873,357.79
F0065	0.138%	7/17/2012	12/31/2012	2,340,000.00	1,277.92		-		2,340,000.00
<b>Total FFB Loans</b>				<b>35,233,000.00</b>	<b>52,968.45</b>		<b>4,898,804.29</b>		<b>30,334,195.71</b>
Total RUS Loans				4,702,000.00	138,188.55		1,116,928.86		3,585,071.14
Total CFC Loans				6,434,000.00	136,388.14		3,541,878.81		2,892,121.19
Total NCSC Loans				3,171,610.12	96,262.28		521,769.08		2,649,841.04
Total FFB Loans				35,233,000.00	52,968.45		4,898,804.29		30,334,195.71
<b>Total Loans</b>				<b>49,540,610.12</b>	<b>423,807.42</b>		<b>10,079,381.04</b>		<b>39,461,229.08</b>

CUMBERLAND VALLEY ELECTRIC, INC.  
STATEMENT OF OPERATIONS

ITEM (a)	TWELVE MONTHS ENDED NOVEMBER 30, 2012 (b)
1. Operating Revenue and Patronage Capital	47,397,333.00
2. Power Production Expense	
3. Cost of Purchased Power	36,108,008.00
4. Transmission Expense	
5. Distribution Expense - Operation	1,226,828.00
6. Distribution Expense - Maintenance	2,824,203.00
7. Customer Accounts Expense	1,839,799.00
8. Customer Service and Informational Expense	169,178.00
9. Sales Expense	
10. Administrative and General Expense	1,257,380.00
11. Total Operation & Maintenance Expense (2 thru 10)	43,425,396.00
12. Depreciation and Amortization Expense	2,956,809.00
13. Tax Expense - Property & Gross Receipts	
14. Tax Expense - Other	52,902.00
15. Interest on Long-Term Debt	427,739.00
16. Interest Charged to Construction - Credit	
17. Interest Expense - Other	48,725.00
18. Other Deductions	9,887.00
19. Total Cost of Electric Service (11 thru 18)	46,921,458.00
20. Patronage Capital & Operating Margins (1 minus 19)	475,875.00
21. Non Operating Margins - Interest	174,741.00
22. Allowance for Funds Used During Construction	
23. Income (Loss) from Equity Investments	
24. Non Operating Margins - Other	59,372.00
25. Generation and Transmission Capital Credits	2,700,063.00
26. Other Capital Credits and Patronage Dividends	44,581.00
27. Extraordinary Items	
28. Patronage Capital or Margins (20 thru 27)	3,454,632.00

According to the Paperwork Reduction Act of 1995, an agency may not conduct or sponsor, and a person is not required to respond to, a collection of information unless it displays a valid OMB control number. The valid OMB control number for this information collection is 0572-0032. The time required to complete this information collection is estimated to average 15 hours per response, including the time for reviewing instructions, searching existing data sources, gathering and maintaining the data needed, and completing and reviewing the collection of information.

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  <b>FINANCIAL AND OPERATING REPORT                  ELECTRIC DISTRIBUTION</b>	BORROWER DESIGNATION KY0057
	PERIOD ENDED November, 2012
	BORROWER NAME Cumberland Valley Electric, Inc
INSTRUCTIONS - See help in the online application	

This information is analyzed and used to determine the submitter's financial situation and feasibility for loans and guarantees. You are required by contract and applicable regulations to provide the information. The information provided is subject to the Freedom of Information Act (5 U.S.C. 552).

**CERTIFICATION**

We recognize that statements contained herein concern a matter within the jurisdiction of an agency of the United States and the making of a false, fictitious or fraudulent statement may render the maker subject to prosecution under Title 18, United States Code Section 1001.

We hereby certify that the entries in this report are in accordance with the accounts and other records of the system and reflect the status of the system to the best of our knowledge and belief.

**ALL INSURANCE REQUIRED BY PART 1788 OF 7 CFR CHAPTER XVII, RUS, WAS IN FORCE DURING THE REPORTING PERIOD AND RENEWALS HAVE BEEN OBTAINED FOR ALL POLICIES DURING THE PERIOD COVERED BY THIS REPORT PURSUANT TO PART 1718 OF 7 CFR CHAPTER XVII**

(check one of the following)

All of the obligations under the RUS loan documents have been fulfilled in all material respects.

There has been a default in the fulfillment of the obligations under the RUS loan documents. Said default(s) is/are specifically described in Part D of this report.

TED HAMPTON

12/20/2012

DATE

**PART A. STATEMENT OF OPERATIONS**

ITEM	YEAR-TO-DATE			THIS MONTH (d)
	LAST YEAR (a)	THIS YEAR (b)	BUDGET (c)	
1 Operating Revenue and Patronage Capital	44,083,190	42,539,372	43,747,508	4,299,608
2 Power Production Expense				
3 Cost of Purchased Power	33,907,573	32,454,699	33,411,609	3,470,378
4 Transmission Expense				
5 Regional Market Expense				
6 Distribution Expense - Operation	1,067,212	1,020,880	1,076,534	17,253
7 Distribution Expense - Maintenance	2,420,517	2,620,918	2,615,083	218,704
8 Customer Accounts Expense	1,687,925	1,681,425	1,714,011	150,432
9 Customer Service and Informational Expense	118,676	159,086	116,987	19,877
10 Sales Expense				
11 Administrative and General Expense	1,127,906	1,124,306	1,218,886	109,199
<b>12 Total Operation &amp; Maintenance Expense (2 thru 11)</b>	<b>40,329,809</b>	<b>39,061,314</b>	<b>40,153,110</b>	<b>3,985,843</b>
13 Depreciation and Amortization Expense	2,625,528	2,714,249	2,723,760	251,371
14 Tax Expense - Property & Gross Receipts				
15 Tax Expense - Other	47,235	52,902	49,833	
16 Interest on Long-Term Debt	412,380	390,929	411,915	34,041
17 Interest Charged to Construction - Credit				
18 Interest Expense - Other	65,519	41,890	76,336	122
19 Other Deductions	8,566	9,087	8,627	203
<b>20 Total Cost of Electric Service (12 thru 19)</b>	<b>43,489,037</b>	<b>42,270,371</b>	<b>43,423,581</b>	<b>4,271,580</b>
<b>21 Patronage Capital &amp; Operating Margins (1 minus 20)</b>	<b>594,153</b>	<b>269,001</b>	<b>323,927</b>	<b>28,028</b>
22 Non Operating Margins - Interest	74,862	118,315	116,311	4,550
23 Allowance for Funds Used During Construction				
24 Income (Loss) from Equity Investments				
25 Non Operating Margins - Other		59,372		
26 Generation and Transmission Capital Credits				
27 Other Capital Credits and Patronage Dividends	42,728	31,715	39,848	
28 Extraordinary Items				
<b>29 Patronage Capital or Margins (21 thru 28)</b>	<b>711,743</b>	<b>478,403</b>	<b>480,086</b>	<b>32,578</b>

UNITED STATES DEPARTMENT OF AGRICULTURE RURAL UTILITIES SERVICE  FINANCIAL AND OPERATING REPORT ELECTRIC DISTRIBUTION	BORROWER DESIGNATION  KY0057
INSTRUCTIONS - See help in the online application	PERIOD ENDED  November, 2012

PART B. DATA ON TRANSMISSION AND DISTRIBUTION PLANT					
ITEM	YEAR-TO-DATE		ITEM	YEAR-TO-DATE	
	LAST YEAR (a)	THIS YEAR (b)		LAST YEAR (a)	THIS YEAR (b)
1 New Services Connected	359	389	5 Miles Transmission		
2 Services Retired	658	305	6 Miles Distribution - Overhead	2,491.30	2,498.87
3 Total Services in Place	24,573	24,651	7 Miles Distribution - Underground	122.36	126.91
4 Idle Services (Exclude Seasonals)	934	1,030	8. Total Miles Energized (5 + 6 + 7)	2,613.66	2,625.78

PART C. BALANCE SHEET			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	90,822,934	30. Memberships	430,890
2. Construction Work in Progress	731,695	31. Patronage Capital	35,191,405
3. Total Utility Plant (1 + 2)	91,554,629	32. Operating Margins - Prior Years	0
4. Accum. Provision for Depreciation and Amort.	32,451,207	33. Operating Margins - Current Year	300,716
5. Net Utility Plant (3 - 4)	59,103,422	34. Non-Operating Margins	177,687
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	(838,977)
7. Investments in Subsidiary Companies	0	36. Total Margins & Equities (30 thru 35)	35,261,721
8. Invest. in Assoc. Org. - Patronage Capital	15,963,474	37. Long-Term Debt - RUS (Net)	3,585,071
9. Invest. in Assoc. Org. - Other - General Funds	0	38. Long-Term Debt - FFB - RUS Guaranteed	30,334,196
10. Invest. in Assoc. Org. - Other - Nongeneral Funds	903,937	39. Long-Term Debt - Other - RUS Guaranteed	0
11. Investments in Economic Development Projects	0	40. Long-Term Debt Other (Net)	5,541,959
12. Other Investments	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
13. Special Funds	0	42. Payments - Unapplied	1,249,141
14. Total Other Property & Investments (6 thru 13)	16,867,411	43. Total Long-Term Debt (37 thru 41 - 42)	38,212,085
15. Cash - General Funds	1,577,865	44. Obligations Under Capital Leases - Noncurrent	0
16. Cash - Construction Funds - Trustee	0	45. Accumulated Operating Provisions and Asset Retirement Obligations	3,204,000
17. Special Deposits	4,300	46. Total Other Noncurrent Liabilities (44 + 45)	3,204,000
18. Temporary Investments	5,000	47. Notes Payable	0
19. Notes Receivable (Net)	0	48. Accounts Payable	3,992,335
20. Accounts Receivable - Sales of Energy (Net)	4,374,080	49. Consumers Deposits	1,371,900
21. Accounts Receivable - Other (Net)	57,365	50. Current Maturities Long-Term Debt	0
22. Renewable Energy Credits	0	51. Current Maturities Long-Term Debt - Economic Development	0
23. Materials and Supplies - Electric & Other	660,900	52. Current Maturities Capital Leases	0
24. Prepayments	90,509	53. Other Current and Accrued Liabilities	1,387,769
25. Other Current and Accrued Assets	732,400	54. Total Current & Accrued Liabilities (47 thru 53)	6,752,004
26. Total Current and Accrued Assets (15 thru 25)	7,502,419	55. Regulatory Liabilities	0
27. Regulatory Assets	0	56. Other Deferred Credits	50,599
28. Other Deferred Debits	7,157	57. Total Liabilities and Other Credits (36 + 43 + 46 + 54 thru 56)	83,480,409
29. Total Assets and Other Debits (5+14+26 thru 28)	83,480,409		

**CUMBERLAND VALLEY ELECTRIC**

**RESOLUTION**

A resolution authorizing the refinancing of Cooperative Finance Corporation Notes and the setting and execution of forward setting fixed interest rates to obtain better terms and overall savings.

WHEREAS, Cumberland Valley Electric has approximately \$2,892,121.19 of Cooperative Finance Cooperation (CFC) notes to be refinanced with maturity dates of 1 ,3, 8, 12, 19 & 22 years.

WHEREAS, in the current interest rate environment, Cumberland Valley Electric can eliminate the interest rate risk associated with these CFC notes whose terms expire January 1, 2013.

WHEREAS, the interest rate changes daily and the exact date of the loan closing is undeterminable because Kentucky Public Service Commission (PSC) approval is required.

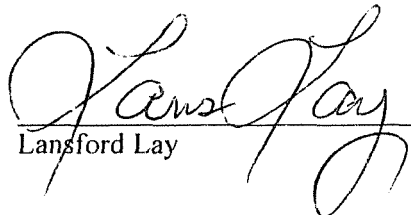
WHEREAS, the Board of Directors of Cumberland Valley Electric authorizes the following employees to execute the forward setting fixed interest rate and seek PSC approval for the refinancing of CFC notes:

Ted Hampton	President & CEO
Robert Tolliver	Office Manager
Barbara Elliott	Accounting Supervisor

BE IT THEREFORE RESOLVED, that the board of directors of Cumberland Valley Electric, hereby approves and adopts the above resolution presented on November 15, 2012.

**Certificate of Secretary**

I, Lansford Lay, secretary for Cumberland Valley Electric, do hereby certify that the above is a true and correct copy of the resolution, as adopted by the Board of Directors of the Cooperative, at their meeting on November 15, 2012, and that said resolution now appears in the record of the Cooperative's minutes without changes or alterations.

  
Lansford Lay

## SUMMARY

Cumberland Valley Electric, Inc. ("CVE") currently holds \$2,892,121 of debt in which the current rate terms expire on January 1, 2013. CVE has the opportunity to finance these six (6) notes with CoBank. Financing the notes until maturity would result in the following interest rates:

CoBank				CFC			
Loan Number	Term in Years	Interest Rate	Net Effective Interest Rate	Loan Number	Term	Interest Rate	Net Effective Interest Rate
9014	1	1.96%	1.03%	9014	1	2.55%	2.21%
9017	3	1.86%	0.93%	9017	3	2.55%	2.21%
9018	8	2.41%	1.51%	9018	8	3.20%	2.86%
9019	9	2.59%	1.70%	9019	12	3.65%	3.31%
9020 & 9021	18	3.68%	2.87%	9020	19	4.45%	4.11%
				9021	22	4.55%	4.21%

CoBank has shortened the term for loan number 9019 and has combined loan numbers 9020 and 9021 as well as shortening the term. The total projected savings before patronage is \$334,983.81 less a prepayment penalty due to CFC estimated at \$9,640.40 for a difference of \$325,343.41. The total projected savings after patronage and the prepayment penalty is \$446,177.50. See below:

	CoBank	CFC	Difference
Interest Payments	\$748,183.61	\$1,083,167.42	-\$334,983.81
CFC Prepayment penalty	\$9,640.40	\$0.00	\$9,640.40
Patronage	-\$216,298.19	-\$95,464.10	-\$120,834.09
	\$541,525.82	\$987,703.32	-\$446,177.50

Such refinancing of mortgage debt is permitted by CFC under Article II, Section 2.02 of the Mortgage.



**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	Cumberland Valley
Schedule	CFC refinance note #1- 9014
Account Officer	Bill LaDuca
Prepared by:	LaDuca
Quote Date	February 28, 2013
Origination Date	February 28, 2013
Amortization Start Date	March 1, 2013
Loan Amount	\$69,549
Years to Maturity	1
Nominal Interest Rate	1.96%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Level Payment
Days per Year	360
Payment Amount	\$7,821

Nominal Interest Rate	1.96%
<b>Net Effective Interest Rate</b>	<b>1.03%</b>
<b>Reduction of Interest Rate</b>	<b>0.93%</b>
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





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.

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Borrower Name	Cumberland Valley	Nominal Interest Rate	1.86%
Schedule	CFC refinance note #2-9017	<b>Net Effective Interest Rate</b>	<b>0.93%</b>
Account Officer	Bill LaDuca	<b>Reduction of Interest Rate</b>	<b>0.93%</b>
Prepared by:	LaDuca	Patronage Rate	1.00%
Quote Date	February 28, 2013	% Cash Patronage	65.00%
Origination Date	February 28, 2013	Initial Capital Purchase Amount	\$0
Amortization Start Date	March 1, 2013	Target Equity	8.00%
Loan Amount	\$164,818	Prior Year End Capital Balance	0
Years to Maturity	3	Avg Loan Balance - 1 year ago	0
Nominal Interest Rate	1.86%	Avg Loan Balance - 2 years ago	0
Origination Fee (\$)	0	Avg Loan Balance - 3 years ago	0
Payments/Year	12	Avg Loan Balance - 4 years ago	0
Amort Method	Level Payment	Avg Loan Balance - 5 years ago	0
Days per Year	360	Avg Loan Balance - 6 years ago	0
Payment Amount	\$4,364	Avg Loan Balance - 7 years ago	0
		Avg Loan Balance - 8 years ago	0



Rural America's Cooperative Bank

**Projection of Cash Flows and Effective Interest Rate**

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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	Cumberland Valley
Schedule	CFC refinance note #3-9018
Account Officer	Bill LaDuca
Prepared by:	LaDuca
Quote Date	February 28, 2013
Origination Date	February 28, 2013
Amortization Start Date	March 1, 2013
Loan Amount	\$293,207
Years to Maturity	8
Nominal Interest Rate	2.41%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Level Payment
Days per Year	360
Payment Amount	\$3,465

Nominal Interest Rate	2.41%
<b>Net Effective Interest Rate</b>	<b>1.51%</b>
<b>Reduction of Interest Rate</b>	<b>0.90%</b>
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



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	Cumberland Valley
Schedule	CFC refinance note #4-9019
Account Officer	Bill LaDuca
Prepared by:	LaDuca
Quote Date	February 28, 2013
Origination Date	February 28, 2013
Amortization Start Date	March 1, 2013
<hr/>	
Loan Amount	\$725,084
Years to Maturity	9
Nominal Interest Rate	2.59%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Level Payment
Days per Year	360
Payment Amount	\$7,548

Nominal Interest Rate	2.59%
<b>Net Effective Interest Rate</b>	<b>1.70%</b>
<b>Reduction of Interest Rate</b>	<b>0.89%</b>
<hr/>	
Patronage Rate	1.00%
% Cash Patronage	65.00%
Initial Capital Purchase Amount	\$0
Target Equity	8.00%
<hr/>	
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



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	Cumberland Valley
Schedule	Refi note #5 &6-9020-21 Consolidated
Account Officer	Bill LaDuca
Prepared by:	LaDuca
Quote Date	February 28, 2013
Origination Date	February 28, 2013
Amortization Start Date	March 1, 2013
Loan Amount	\$1,639,463
Years to Maturity	18
Nominal Interest Rate	3.68%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Level Payment
Days per Year	360
Payment Amount	\$10,334

Nominal Interest Rate	3.68%
<b>Net Effective Interest Rate</b>	<b>2.87%</b>
<b>Reduction of Interest Rate</b>	<b>0.81%</b>
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

EXHIBIT 2

Attachment B

**Borrower:** Cumberland Valley  
**Quote Date:** February 28, 2013  
**Origination Date:** February 28, 2013  
**Schedule:**  
**Summary of CFC Refinance Proposals**

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
2013	\$2,892,121.19	\$252,991.10	\$74,243.71	\$0.00	\$0.00	\$0.00	\$2,564,886.39	\$8,143.07	\$8,143.07	\$2,639,130.09	\$2,326,592.37	\$232,659.24	\$18,612.74
2014	\$0.00	\$225,927.83	\$82,601.92	\$0.00	\$15,122.85	\$0.00	-\$293,406.90	\$8,874.62	\$17,017.69	\$2,413,202.26	\$2,535,605.35	\$486,219.77	\$38,897.58
2015	\$0.00	\$232,235.08	\$76,294.67	\$0.00	\$16,481.43	\$0.00	-\$292,048.31	\$8,073.76	\$25,091.45	\$2,180,967.18	\$2,306,788.30	\$716,898.60	\$57,351.89
2016	\$0.00	\$207,896.40	\$69,946.15	\$0.00	\$14,994.12	\$0.00	-\$262,848.42	\$7,278.57	\$32,370.02	\$1,973,070.78	\$2,079,592.48	\$924,857.85	\$73,988.63
2017	\$0.00	\$192,009.09	\$64,154.16	\$0.00	\$13,517.35	\$0.00	-\$242,645.90	\$6,597.95	\$38,967.98	\$1,781,061.69	\$1,885,129.54	\$1,113,370.80	\$89,069.66
2018	\$0.00	\$197,879.88	\$58,283.37	\$0.00	\$12,253.34	\$0.00	-\$243,909.91	\$5,916.51	\$44,884.49	\$1,583,181.81	\$1,690,432.13	\$1,282,414.02	\$102,593.12
2019	\$0.00	\$203,936.78	\$52,226.47	\$0.00	\$10,987.81	\$0.00	-\$245,175.44	\$5,214.23	\$50,098.72	\$1,379,245.03	\$1,489,778.72	\$1,431,391.89	\$114,511.35
2020	\$0.00	\$206,619.10	\$45,977.55	\$0.00	\$9,683.56	\$0.00	-\$242,913.09	\$4,491.22	\$54,589.93	\$1,172,625.93	\$1,283,204.83	\$1,559,712.37	\$124,776.99
2021	\$0.00	\$174,496.33	\$40,086.66	\$0.00	\$8,340.83	\$0.00	-\$206,242.15	\$3,824.55	\$58,414.48	\$998,129.61	\$1,092,727.87	\$1,668,985.16	\$133,518.81
2022	\$0.00	\$103,665.79	\$35,227.44	\$0.00	\$7,102.73	\$0.00	-\$131,790.50	\$3,305.69	\$61,720.18	\$894,463.82	\$944,484.15	\$1,763,433.57	\$141,074.69
2023	\$0.00	\$92,203.45	\$31,807.28	\$0.00	\$6,139.15	\$0.00	-\$117,871.58	\$2,983.01	\$64,703.19	\$802,260.37	\$852,288.82	\$1,616,003.22	\$129,280.26
2024	\$0.00	\$95,703.11	\$28,307.62	\$0.00	\$5,539.88	\$101.96	-\$118,368.89	\$2,655.04	\$67,256.26	\$706,557.27	\$758,582.77	\$1,438,300.96	\$115,064.08
2025	\$0.00	\$99,335.60	\$24,675.13	\$0.00	\$4,930.79	\$533.93	-\$118,546.01	\$2,313.92	\$69,036.25	\$607,221.67	\$661,119.93	\$1,273,734.12	\$101,898.73
2026	\$0.00	\$103,105.96	\$20,904.77	\$0.00	\$4,297.28	\$623.79	-\$119,089.65	\$1,960.21	\$70,372.67	\$504,115.71	\$560,059.73	\$1,121,780.85	\$89,742.47
2027	\$0.00	\$107,019.43	\$16,991.30	\$0.00	\$3,640.39	\$4,055.85	-\$116,314.49	\$1,593.07	\$67,909.89	\$397,096.28	\$455,163.69	\$978,784.26	\$78,302.74
2028	\$0.00	\$111,081.44	\$12,929.28	\$0.00	\$2,958.56	\$4,302.53	-\$116,749.63	\$1,212.40	\$64,819.76	\$286,014.83	\$346,400.21	\$844,381.07	\$67,550.49
2029	\$0.00	\$115,297.63	\$8,713.10	\$0.00	\$2,251.60	\$3,345.08	-\$118,414.05	\$816.47	\$62,291.15	\$170,717.20	\$233,276.27	\$718,730.83	\$57,498.47
2030	\$0.00	\$119,673.85	\$4,336.88	\$0.00	\$1,516.30	\$4,792.68	-\$117,701.75	\$405.92	\$57,904.39	\$51,043.36	\$115,976.90	\$602,008.03	\$48,160.64
2031	\$0.00	\$51,043.36	\$476.17	\$0.00	\$753.85	\$9,743.74	-\$41,021.93	\$44.15	\$48,204.80	\$0.00	\$12,614.96	\$493,996.74	\$39,519.74
2032	\$0.00	\$0.00	\$0.00	\$0.00	\$82.00	\$8,685.06	\$8,767.05	\$0.00	\$39,519.74	\$0.00	\$0.00	\$399,548.33	\$31,963.87
2033	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$7,555.87	\$7,555.87	\$0.00	\$31,963.87	\$0.00	\$0.00	\$314,319.45	\$25,145.56
2034	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,818.31	\$6,818.31	\$0.00	\$25,145.56	\$0.00	\$0.00	\$238,461.17	\$19,076.89
2035	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$6,068.66	\$6,068.66	\$0.00	\$19,076.89	\$0.00	\$0.00	\$172,349.18	\$13,787.93
2036	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$5,288.96	\$5,288.96	\$0.00	\$13,787.93	\$0.00	\$0.00	\$116,343.20	\$9,307.46
2037	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$4,480.48	\$4,480.48	\$0.00	\$9,307.46	\$0.00	\$0.00	\$70,826.83	\$5,666.15
2038	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$3,641.31	\$3,641.31	\$0.00	\$5,666.15	\$0.00	\$0.00	\$36,186.81	\$2,894.95
2039	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$2,771.20	\$2,771.20	\$0.00	\$2,894.95	\$0.00	\$0.00	\$12,859.19	\$1,028.73
2040	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$1,866.21	\$1,866.21	\$0.00	\$1,028.73	\$0.00	\$0.00	\$1,261.50	\$100.92
2041	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$927.82	\$927.82	\$0.00	\$100.92	\$0.00	\$0.00	\$0.00	\$0.00
2042	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$100.92	\$100.92	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
<b>Total</b>	<b>\$2,892,121.19</b>	<b>\$2,892,121.19</b>	<b>\$748,183.61</b>	<b>\$0.00</b>	<b>\$140,593.82</b>	<b>\$75,704.37</b>		<b>\$75,704.37</b>					



**CFC LONG-TERM LOAN LISTING**

<b>Member Name:</b>	Cumberland Valley Electric
<b>Member ID:</b>	KY057
<b>Date Prepared:</b>	11/8/2012

Loan Number	Rate Type	Stated Rate	Effective Rate	Outstanding Balance	Reprice Date	Final Pmt Date
9014001	LTF	2.55%	2.21%	\$86,252.08	N/A	12/1/2013
9017001	LTF	2.55%	2.21%	\$175,632.47	N/A	6/1/2016
9018001	LTF	3.20%	2.86%	\$300,784.61	N/A	12/1/2020
9019001	LTF	3.65%	3.31%	\$736,132.35	N/A	3/1/2025
9020001	LTF	4.45%	4.11%	\$1,130,518.21	N/A	5/31/2032
9021001	LTF	4.55%	4.21%	\$521,277.70	N/A	2/28/2035
				<b>\$2,950,597.42</b>		