Chris Warren

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Thursday, November 21, 2013 10:41 AM
To: Chris Warren
Cc: Billie Richert; Thomas Hall
Subject: RE: 2014-2017 Forecast

RECEIVED
JAN 24 2014
PUBLIC SERVICE COMMISSION

Chris,

Thanks. This is very helpful.

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
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>--|
|Chris Warren <Christopher.Warren@bigrivers.com> |
>--|
|----------->
| To: |
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>--|
|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |
>--|
|----------->
| Cc: |
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>--|
|Billie Richert <Billie.Richert@bigrivers.com>, Thomas Hall <Thomas.Hall@nrucfc.coop>
|
>--|
|----------->
| Date: |
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>--|
|11/21/2013 10:45 AM |

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| Subject: |
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>---|
|RE: 2014-2017 Forecast |
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Dan,

This scenario is conservative by not including transmission revenues from the smelters, capacity opportunities, and the off-system market remaining depressed. The environmental surcharge increase is driven by the higher reagent expense at the Green Station as it uses higher priced lime instead of limestone. Wilson and Coleman currently have lower variable expenses and once they are removed from service the higher variable expense at Green drives up the total system variable expense and therefore the environmental surcharge. The additional reagents used to comply with MATS also increase the environmental surcharge.

The fuel expense in total decreases from 2013 to 2014 due to the idling of Coleman and Wilson, but on a $/MWh fuel expense continues to increase.
Also note that Station-Two (HMP&L) fuel expense is recorded on the "Operating Expense - Other Power Supply" line of the statement of operations.

Thanks.

Chris

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Thursday, November 21, 2013 7:36 AM
To: Chris Warren
Cc: Billie Richert; Thomas Hall
Subject: Re: 2014-2017 Forecast

I assume that this is your worst case scenario, where market prices don't improve for you to operate Coleman and Wilson. Also, other than the two replacement loads in 2016 & 2017, it does not assume any other new opportunities for capacity/energy sales. If environmental capex is only projected to be $20 million in 2014, why is the environmental surcharge increasing each year? Also, based on the income statement, fuel expense is going down each year but the FAC is increasing each year. If you could explain these, that would be helpful.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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>--|

|Chris Warren <Christopher.Warren@bigrivers.com>
|

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|------------>
| To: |
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>--|

|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
|

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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>
|

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| Date: |
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|11/20/2013 04:00 PM
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| Subject: |
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|2014-2017 Forecast
|

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Tom/Dan,

Please find the latest version of the Big Rivers' Financial Model for the 2014-2017 period attached. Please call with any questions. Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

The information contained in this transmission is intended only for the person or entity to which it is directly addressed or copied. It may contain material of confidential and/or private nature. Any review, retransmission, dissemination or other use of, or taking of any action in reliance upon, this information by persons or entities other than the intended recipient is not allowed. If you receive this message and the information contained therein by error, please contact the sender and delete the material from your/any storage medium.[attachment "Financial Forecast (2014-2017) 11-14-2013.xlsx" deleted by Dan Lyzinski/CFC]

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Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Wednesday, November 06, 2013 11:53 AM
To: Billie Richert
Subject: RE: Moodys

Thanks! Can I share this with our Farm Credit Service lender-participants?

Jeff

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Wednesday, November 06, 2013 7:51 AM
To: Childs, Jeffrey
Subject: RE: Moodys

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

From: Childs, Jeffrey [mailto:jchilds@cobank.com]
Sent: Tuesday, November 05, 2013 1:42 PM
To: Billie Richert
Subject: RE: Moodys

OK. So it sounds like that report could come out in the next couple days?

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, November 05, 2013 10:33 AM
To: Childs, Jeffrey
Subject: RE: Moodys

They are having some software glitches. They are working on getting these fixed so the report can be posted. I'll let you know as soon as I receive a copy.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation

201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

From: Childs, Jeffrey [mailto:jchilds@cobank.com]
Sent: Tuesday, November 05, 2013 11:04 AM
To: Billie Richert
Subject: Moodys

Hi Billie,

Is Moodys still working on a positive outlook report? When do you think that would be published?

Thanks!
Jeff

Jeffrey E. Childs | Vice President
CoBank, ACB | Power, Energy & Utilities Division
5500 S. Quebec Street | Greenwood Village, CO 80111
Tel: (303) 740-4005 | Cell: (303) 520-9351

Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Tuesday, November 05, 2013 1:42 PM
To: Billie Richert
Subject: RE: Moodys

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Subject: RE: Moodys

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Mobile: (270) 577-6221

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Subject: Moodys

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Thanks!
Jeff

Jeffrey E. Childs | Vice President
CoBank, ACB | Power, Energy & Utilities Division
5500 S. Quebec Street | Greenwood Village, CO 80111
Tel: (303) 740-4005 | Cell: (303) 520-9351

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From: Childs, Jeffrey <jchilds@cobank.com>
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To: Billie Richert
Subject: Moodys

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Jeff

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CoBank, ACB | Power, Energy & Utilities Division
5500 S. Quebec Street | Greenwood Village, CO 80111
Tel: (303) 740-4005 | Cell: (303) 520-9351

Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Tuesday, October 29, 2013 9:58 AM
To: Billie Richert
Cc: Calhoun, Julie
Subject: RE: Century Rate Case Order

Thanks Billie. They've approved a base rate increase of $54 million. Can you spare 30 minutes this afternoon to chat about this briefly?

Jeff

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Tuesday, October 29, 2013 8:32 AM
To: Childs, Jeffrey
Subject: Century Rate Case Order

FYI – We are evaluating.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
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Mobile: (270) 577-6221

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Billie Richert

From: Batchelder, Josh <JBatchelder@cobank.com>
Sent: Friday, October 11, 2013 12:12 PM
To: Billie Richert
Subject: RE: Thank you for the visit

Billie-

Thank you for taking the time as well. I enjoyed meeting you, Donna, and Nick, and appreciate your views on Big Rivers' cost competitiveness and your thoughtful strategy on selling the capacity. Henderson is a nice town in a beautiful part of the country. I look forward to the next visit and being part of this relationship.

Best regards,
Josh

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, October 10, 2013 1:49 PM
To: Childs, Jeffrey; Batchelder, Josh
Cc: Donna Windhaus; Nicholas R. Castlen
Subject: Thank you for the visit

Jeff/Josh,

We want to thank you for stopping by. We enjoyed lunch and hope you have a safe trip home.

Take care,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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Office Direct: (270) 844-6190
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Billie Richert

From:	Childs, Jeffrey <jchilds@cobank.com>
Sent:	Thursday, October 10, 2013 10:30 PM
To:	Billie Richert; Batchelder, Josh
Cc:	Donna Windhaus; Nicholas R. Castlen
Subject:	RE: Thank you for the visit

Billie, Nick and Donna,

Thanks so much for taking the time to meet up with us. We appreciate the update you provided as well and look forward to another discussion in the next week or two around the rate case order.

Thanks,
Jeff

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, October 10, 2013 1:49 PM
To: Childs, Jeffrey; Batchelder, Josh
Cc: Donna Windhaus; Nicholas R. Castlen
Subject: Thank you for the visit

Jeff/Josh,

We want to thank you for stopping by. We enjoyed lunch and hope you have a safe trip home.

Take care,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Thursday, October 10, 2013 7:39 AM
To: Billie Richert
Subject: Meeting today?

Hi Billie,

Just confirming our meeting with you this morning at 10:30 am central time. We look forward to visiting with you and your team.

Thanks,
Jeff

Jeffrey E. Childs | Vice President
CoBank, ACB | Power, Energy & Utilities Division
5500 S. Quebec Street | Greenwood Village, CO 80111
Tel: (303) 740-4005 | Cell: (303) 520-9351

Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Wednesday, October 02, 2013 5:21 PM
To: Billie Richert
Subject: Request/Suggestion

Hi Billie,

Can I make a quick request/suggestion?

Would it be possible for you and your team to prepare a financial projection with debt covenants and other ratios, and send it to us (I would guess your other lenders would appreciate this too) as soon as possible once the rate case order comes thru? Since you've probably sliced and diced your projections many different ways, hopefully you have one nearly ready to go. You would hopefully simply have to plug in the approved amount.

Let me know what you think.

Thanks!
Jeff

Jeffrey E. Childs | Vice President
CoBank, ACB | Power, Energy & Utilities Division
5500 S. Quebec Street | Greenwood Village, CO 80111
Tel: (303) 740-4005 | Cell: (303) 520-9351

Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Friday, September 13, 2013 3:18 PM
To: Billie Richert
Subject: Rate Case?

Maybe next week? I meant to get back to you earlier this week, but I think we covered a lot of ground in our phone call on Monday.

If you hear anything regarding the rate case, could you please let me know? Have a great weekend!

Thanks,
Jeff

Jeffrey E. Childs | Vice President
CoBank, ACB | Power, Energy and Utilities Division
5500 S. Quebec Street | Greenwood Village, CO 80111
Tel: (303) 740-4005 | Cell: (303) 520-9351

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Wednesday, December 18, 2013 12:57 PM
To: Craig Freme
Cc: Billie Richert; Donna Windhaus; Nicholas R. Castlen; Thomas Hall
Subject: Re: CFC Discounts

Nick,

Big Rivers will be eligible to interest rate discount as long as Big Rivers achieves an average MDSC of 1.15 over 2 of the last 3 years. This test is determined each year. Currently, Big Rivers qualifies for the discounts.

Let us know if you have any further questions.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
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>--|
|Craig Freme/CFC |
>--|
|----------->
| To: |
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>--|
|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
>--|
|----------->
| Cc: |
|----------->
>--|
|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>, Dan Lyzinski/CFC@CFC |

| Date: |

|12/18/2013 01:42 PM |

| Subject: |

|Re: FW: CFC Discounts |

Nick,

Your Associate Vice President, Dan Lyzinski, is more knowledgeable about the MDSC requirements of the discounts. Generally speaking, as long as your cooperative is meeting certain requirements, you will retain discounts, but I'll allow Dan to speak to that.

The performance discount will always be 0.125% applied to the principal balance during the billing period.

The volume discount can be an amount up to 0.125% and may change with the change in loan volume you have with CFC. The discount you are eligible for is applied to the principal balance during the billing period. After you look through the spreadsheet, you will be able to see this.

Dan and I are happy to work together to answer all of your questions. Take time to review the spreadsheet and let us know what questions you have.

Craig

[attachment "KY062 Volume Disc 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]

CFC: Created and Owned by America's Electric Cooperative Network

Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

|------------>
| From: |
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>--|
|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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|------------>
| To: |
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>--|
|"craig.freme@nrucfc.coop" <craig.freme@nrucfc.coop> |
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| Cc: |
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>--|
|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>
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| Date: |
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|12/18/2013 01:12 PM |
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| Subject: |
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|FW: CFC Discounts |
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Thanks Craig.

Can you go ahead and send me the volume discount spreadsheet also, or have the accountant who prepared it send it to me. I'd like to see how the volume discount is calculated and ensure that we properly accrue for those amounts in 2013 as well.

Also, a couple questions:

1. How long will we continue to receive the performance discount and/or volume discount (e.g. throughout the life of the loan, for the next ## billing periods, or is it dependent upon CFC's financial results, etc.)?

2. Will the performance discount rate always be 0.125%, applied to the principal balance during the billing period, or will it change? If the rate changes, is there a pre-determined schedule for what the rate(s) will be in subsequent periods, or is it dependent on CFC's financial results or some other measurement?

3. What is the volume discount based on and what is the rate (once I get the spreadsheet, I can probably answer these myself)?

4. How long will the volume discount apply and will the volume discount rate change during future billing periods?

Thanks again for your help, and feel free to call me if it'd be easier to discuss any of these items over the phone.

Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

-----Original Message-----
From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Wednesday, December 18, 2013 11:53 AM
To: Nicholas R. Castlen
Subject: CFC Discounts

Dear Nick,

Attached is a simple spreadsheet detailing the supporting calculation for the first two loans on the November 2013 Invoice. Please note the Prior Accrual Adjustment amount on the Invoice is the total of the discount for June, July and August. The total in the Performance Discount field is the discount for the current billing period, September, October and November.
Please let me know if you have questions regarding the calculations.

(See attached file: KY062 Performance Discount 12.18.13.xlsx)

In my research, I also see your cooperative is eligible for the Volume Discount effective 6/1/2013. Our accounting system is only able to calculate the volume discount from the current period of time forward, so a manual calculation was prepared and entered during December. You will see these figures on your February Invoice. I have a spreadsheet another accountant put together detailing the calculation, but I didn't want to cause you confusion since you will not have an invoice to compare it to.
Though, if you need it, I can give you the total Volume discount KY062 has received for the period 6/1 - 1/1/14.

Please let me know your thoughts and if there is anything more I can do to assist you.

Best Regards,
Craig

CFC: Created and Owned by America's Electric Cooperative Network

Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

[attachment "KY062 Performance Discount 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]

Billie Richert

From:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent:	Wednesday, October 16, 2013 7:49 AM
To:	Billie Richert
Subject:	Letter of Credit to MISO

Billie,

CFC currently has a $5 million letter of credit issued to MISO on behalf of Big Rivers which is scheduled to automatically renew for another 12 months, effective Feb. 28, 2014 unless terminated with 120 days written notice, which would be by Oct. 30, 2013. Does Big Rivers wish to have this letter of credit automatically renew for another 12 months?

Please let me know.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Billie Richert

From:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent:	Wednesday, October 09, 2013 6:43 AM
To:	Thomas Hall
Cc:	Billie Richert
Subject:	Re: Check In

That works for me. Do you want us to call you Billie?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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|Thomas Hall/CFC |
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| To: |
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>--|
|"Billie Richert" <Billie.Richert@bigrivers.com> |
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| Cc: |
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|Dan Lyzinski/CFC@CFC |
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| Date: |
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>--|
|10/08/2013 06:37 PM |
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|------------>
| Subject: |
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>--|
|Re: Check In |
>--|

If convenient for Dan, 2:30 Central tomorrow will work:

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-S6S3

----- Original Message -----
From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 10/08/2013 05:06 PM EST
To: Thomas Hall
Cc: Dan Lyzinski
Subject: RE: Check In

Tom,
Sorry I missed your call. We do not get good reception in the building so I missed the call you made to my cell. Anyway, how about any time after
2:00 p.m. Central tomorrow, Wednesday, or between 1:30 and 3:30 Central on Thursday?

Let me know if either of these two times work. I'm planning on taking a vacation day on Friday but I can certainly make myself available any time on Friday if this works better for you.

I'd also like Donna Windhaus and Nick Castlen on the call.

Regards,

Billie

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Tuesday, October 08, 2013 4:53 PM

To: Billie Richert
Cc: Dan Lyzinski
Subject: Check In

Billie,

Dan and I left you a message today and wanted to find some time on your calendar to catch up. We'd appreciate the opportunity to get a status report on the rate case as well as discuss the ECP financing.

I put in fedex the most recent legal bills CFC has incurred with regard to the ECP financing. We wanted to discuss that as well.

I hope all is well and let us know what might work for you.

-Tom

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Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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Billie Richert

From: Thomas Hall <Thomas.Hall@nrucfc.coop>
Sent: Tuesday, October 08, 2013 5:38 PM
To: Billie Richert
Cc: Dan Lyzinski
Subject: Re: Check In

If convenient for Dan, 2:30 Central tomorrow will work.

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

----- Original Message -----
From: Billie Richert [Billie.Richert@bigrivers.com]
Sent: 10/08/2013 05:06 PM EST
To: Thomas Hall
Cc: Dan Lyzinski
Subject: RE: Check In

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Let me know if either of these two times work. I'm planning on taking a vacation day on Friday but I can certainly make myself available any time on Friday if this works better for you.

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Regards,

Billie

-----Original Message-----
From: Thomas Hall [mailto:Thomas.Hall@nrucfc.coop]
Sent: Tuesday, October 08, 2013 4:53 PM
To: Billie Richert
Cc: Dan Lyzinski

Subject: Check In

Billie,

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I put in fedex the most recent legal bills CFC has incurred with regard to the ECP financing. We wanted to discuss that as well.

I hope all is well and let us know what might work for you.

-Tom

CFC: Created and Owned by America's Electric Cooperative Network

Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

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herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Billie Richert

From: Thomas Hall <Thomas.Hall@nrucfc.coop>
Sent: Tuesday, October 08, 2013 4:53 PM
To: Billie Richert
Cc: Dan Lyzinski
Subject: Check In

Billie,

Dan and I left you a message today and wanted to find some time on your calendar to catch up. We'd appreciate the opportunity to get a status report on the rate case as well as discuss the ECP financing.

I put in fedex the most recent legal bills CFC has incurred with regard to the ECP financing. We wanted to discuss that as well.

I hope all is well and let us know what might work for you.

-Tom

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Thomas Hall
Regional Vice President

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-2746
Cell: 703-483-1398
Fax: 703-467-5653

Billie Richert

From:	Nancy Neiman <Nancy.Neiman@nrucfc.coop>
Sent:	Tuesday, October 01, 2013 7:48 AM
To:	Billie Richert
Subject:	Semi-annual CTC interest payment
Attachments:	KY062.pdf

Good morning,

Please be advised, we will be wiring your semi-annual CTC interest payment of $891,300.24 to account ending in 559.

See attached for detail

~~~~~~

CFC: Created and Owned by America's Electric Cooperative Network

Nancy Neiman
Accountant II
General Accounting
National Rural Utilities
Cooperative Finance Corp.
Phone 703-467-1753
Fax 703-467-8949
nancy.neiman@nrucfc.coop

(See attached file; KY062.pdf)
~~~~~~

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Wednesday, September 25, 2013 6:38 AM
To: Nicholas R. Castlen
Cc: Billie Richert
Subject: RE: CFC Pat Cap

Nick,

That amount is the cash portion. An equal amount will be retired in 25 years. Your total pat cap allocation was double that amount or $1,257,036.88.

I hope this helps.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
|----------->
>--|
|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
>--|
|----------->
| To: |
|----------->
>--|
|"Lyzinski, Dan (dan.lyzinski@nrucfc.coop)" <dan.lyzinski@nrucfc.coop> |
>--|
|----------->
| Cc: |
|----------->
>--|
|Billie Richert <Billie.Richert@bigrivers.com> |
>--|
|----------->

| Date: |
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>--|
|09/24/2013 05:08 PM |
>--|
|------------>
| Subject: |
|------------>
>--|
|RE: CFC Pat Cap |
>--|

Dan,
Can you please confirm if Big Rivers' total patronage allocation from CFC for 2013 is $628,518.44, or is this just the cash distribution portion.
This is close to the total CFC patronage allocation I previously calculated for 2013, but based on my notes, the patronage allocation is generally distributed as 50% cash distribution and 50% equity distribution.? Is there an equity allocation/distribution also, or was the entire patronage allocation distributed as cash this year?
Thanks,
Nick

Nick Castien, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email:
nicholas.castien@bigrivers.com

From: Billie Richert
Sent: Tuesday, September 17, 2013 10:34 AM
To: Dan Lyzinski
Cc: Nicholas R. Castien
Subject: RE: CFC Pat Cap

Dan,
Thanks for the reminder. Nick had this as an item for follow-up today.
Hope you are doing well.

Regards,
Billie

From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, September 17, 2013 9:27 AM
To: Billie Richert
Subject: CFC Pat Cap

Billie,

I left you a voicemail message earlier today regarding Big Rivers selection

on how it wants to receive its CFC patronage capital retirement. You will
need to go to CFC's extranet account to make the selection. As I mentioned in my voicemail, Big Rivers will receive a little over $628,000. If you do not make a selection, you will receive a check for the retirement.

Please let me know if you have any questions.

Hope things are going well.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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Billie Richert

From:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent:	Tuesday, September 17, 2013 9:27 AM
To:	Billie Richert
Subject:	CFC Pat Cap

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Please let me know if you have any questions.

Hope things are going well.

Thanks,

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Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Billie Richert

From: Sheldon C. Petersen <fromthedeskofsheldonpetersen@nrucfc.coop>
Sent: Thursday, September 05, 2013 7:15 AM
To: Billie Richert
Subject: CFC 2013 Patronage Capital Distribution

CFC Patronage Capital Distribution

Now Available Online

Dear Billie,

I am proud to announce that for the 34th year in a row CFC is distributing patronage capital to our member-owners. Since 1980 we have returned nearly $1.5 billion to our members, helping to keep the cost of CFC financing as low as possible.

Beginning September 5 through September 18, you'll be able to use the CFC Member Website to select the distribution method you prefer for your disbursement. You can choose to receive your funds through:

- A wire transfer directly to your bank on October 1,
- A check mailed to you on October 1 or
- An investment in CFC Commercial Paper (CP) to mature any time beginning October 1, 2013, through June 17, 2014.

If you select the CFC Commercial Paper investment option, your funds will begin earning interest on September 20, 2013. Then, when your CP matures, the funds will be wired directly to the bank account you identified. If you prefer, you can use CFC's Paying Agent Service to reinvest your funds in CFC Commercial Paper or the CFC Daily Liquidity Fund (minimum investment $50,000) or you can use your matured investment to pay selected bills.

If you decide not to invest your patronage capital, **selecting the wire transfer as your distribution option will make the funds available to you up to seven business days sooner than receiving a check by mail.**

To make your distribution selection and view your cooperative's patronage capital distribution amount, please visit CFC's home page, log in to the CFC Member Website and click on "Go to Extranet Home."

If you have any questions concerning your system's patronage capital, please contact your regional vice president or associate vice president.

Your continued patronage is what keeps CFC strong and vibrant. As the only lender created and owned by America's electric cooperative network, our focus on electric cooperatives permeates everything we do. We value your loyalty in choosing CFC to meet your financing needs.

Sincerely,

Sheldon C. Petersen
CEO

Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Wednesday, January 08, 2014 10:13 AM
To: Billie Richert
Cc: Chris Warren; Nicholas R. Castlen
Subject: RE: FY 2014 Debt Service, Depreciation and TIER

Hi Billie,

Happy New Year! When you have a moment, could you please send me your latest long-range financial projections including all assumptions and requests being sought from the KPSC?

Thanks,
Jeff

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, November 25, 2013 11:56 AM
To: Childs, Jeffrey
Cc: Chris Warren; Nicholas R. Castlen
Subject: FW: FY 2014 Debt Service, Depreciation and TIER

Jeff,

Attached is the analysis which reflects cash required for 2014 debt service; total debt service amount included in 2014 rates if Coleman depreciation is deferred and not expensed; and if both Coleman and Wilson depreciation amounts are deferred and not expensed. The Alcan (Sebree) rate case hearing is scheduled for January 7th and we still have the Wilson depreciation amount included in our ask.

We will be presenting the 2014 budget and 2015-2017 financial plan to the Board on December 20th. We will forward this to you once these have been approved.

I will be out of the office the rest of this week but will respond to any inquiries upon my return.

Have a wonderful Thanksgiving with your family and friends.

Regard,

Billie

Billie Richert

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Monday, November 25, 2013 1:02 PM
To: Billie Richert
Cc: Chris Warren; Nicholas R. Castlen
Subject: RE: FY 2014 Debt Service, Depreciation and TIER

Billie, Chris and Nick,

Thanks very much for this. And Happy Thanksgiving to you all as well.

Best Regards,
Jeff

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, November 25, 2013 11:56 AM
To: Childs, Jeffrey
Cc: Chris Warren; Nicholas R. Castlen
Subject: FW: FY 2014 Debt Service, Depreciation and TIER

Jeff,

Attached is the analysis which reflects cash required for 2014 debt service; total debt service amount included in 2014 rates if Coleman depreciation is deferred and not expensed; and if both Coleman and Wilson depreciation amounts are deferred and not expensed. The Alcan (Sebree) rate case hearing is scheduled for January 7th and we still have the Wilson depreciation amount included in our ask.

We will be presenting the 2014 budget and 2015-2017 financial plan to the Board on December 20th. We will forward this to you once these have been approved.

I will be out of the office the rest of this week but will respond to any inquiries upon my return.

Have a wonderful Thanksgiving with your family and friends.

Regard,

Billie

Billie Richert

From:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent:	Thursday, January 02, 2014 11:01 AM
To:	Billie Richert; Darrius Vaughn
Cc:	Thomas Hall
Subject:	Re: Amendment to Letter of Credit for Big Rivers
Attachments:	KY062-H-5102-012 Amendment #1.PDF

NJR has signed off on the amendment this morning. If you can sign and pdf a copy back to me, we will distribute the completed letter of credit amendment to all parties?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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>--|
|Dan Lyzinski/CFC |
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|------------>
| To: |
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>--|
|kodea@njresources.com |
>--|
|------------>
| Cc: |
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>--|
|Darrius.Vaughn@bigrivers.com, Billie.Richert@bigrivers.com, Thomas Hall/CFC
|
>--|
|------------>
| Date: |
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>---|
|12/31/2013 10:17 AM |
>---|

|------------>
| Subject: |
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>---|
|Amendment to Letter of Credit for Big Rivers |
>---|

Attached is a pdf copy of an amendment to the letter of credit issued to NJR Service Corporation on behalf of Big Rivers Electric Corporation. The original will be sent to your attention for delivery on Thursday, Jan. 2.
Please let me know if you have any questions.

Thanks and Happy New Year!

(See attached file: KY062-H-5102-012 Amendment #1.PDF)

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Tuesday, December 31, 2013 9:37 AM
To: Billie Richert
Subject: Re: Do you have time for a brief call?

Sure. Any time.

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
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>---|
|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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>---|
|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop> |
>---|
|----------->
| Date: |
|----------->
>---|
|12/31/2013 10:32 AM |
>---|
|----------->
| Subject: |
|----------->
>---|
|Do you have time for a brief call? |
>---|

Happy New Year, Dan. Do you have time for a brief call?

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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Billie Richert

From:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent:	Tuesday, December 31, 2013 9:17 AM
To:	kodea@njresources.com
Cc:	Darrius Vaughn; Billie Richert; Thomas Hall
Subject:	Amendment to Letter of Credit for Big Rivers
Attachments:	KY062-H-5102-012 Amendment #1.PDF

Attached is a pdf copy of an amendment to the letter of credit issued to NJR Service Corporation on behalf of Big Rivers Electric Corporation. The original will be sent to your attention for delivery on Thursday, Jan. 2. Please let me know if you have any questions.

Thanks and Happy New Year!

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Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Tuesday, December 03, 2013 10:08 AM
To: Billie Richert
Cc: Chris Warren; Thomas Hall
Subject: RE: Forecast

Billie,

Would 11:30 your time be OK?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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>---|
|Billie Richert <Billie.Richert@bigrivers.com> |
>---|
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| To: |
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>---|
|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |
>---|
|----------->
| Cc: |
|----------->
>---|
|Chris Warren <Christopher.Warren@bigrivers.com>, Thomas Hall <Thomas.Hall@nrucfc.coop>
|
>---|
|----------->
| Date: |
|----------->

|12/03/2013 10:03 AM |

| Subject: |

|RE: Forecast |

Dan,
I have a meeting from 10:30 to 11:30. Any time other than that works.

Thanks.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, December 03, 2013 8:39 AM
To: Billie Richert
Cc: Chris Warren; Thomas Hall
Subject: RE: Forecast

Billie,

Can I call you around 11:30 am (Eastern)/10:30 am (Central)?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|---------->
| From: |
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>---|

|Billie Richert <Billie.Richert@bigrivers.com>
|

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| To: |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
|

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|---------->
| Cc: |
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>---|

|Thomas Hall <Thomas.Hall@nrucfc.coop>, Chris Warren <Christopher.Warren@bigrivers.com>
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| Date: |
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|12/03/2013 09:10 AM
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|--------->
| Subject: |
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>--|

|RE: Forecast
|

>--|

Dan,
Good morning. Do you have time today for a call with Chris and me?

Thanks,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, December 02, 2013 2:05 PM
To: Billie Richert
Cc: Thomas Hall
Subject: RE: Forecast

Billie,

Is it possible to get a forecast with the scenario assuming you only get 50% of the second rate increase? If so, how long would it take you to get it completed?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|---------->
| From: |
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|Billie Richert <Billie.Richert@bigrivers.com>
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|---------->
| To: |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
|

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|---------->
| Cc: |
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>--|

|Thomas Hall <Thomas.Hall@nrucfc.coop>
|

>--|

|------------>
| Date: |
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>--|

|11/19/2013 08:57 AM
|

>--|

|------------>
| Subject: |
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>--|

|RE: Forecast
|

>--|

Dan,

Chris just finished the changes to the forecast last Friday. I am in the process of reviewing and will have this to you by COB tomorrow. Hope all is well.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561

Office Direct: (270) 844-6190
Mobile: (270) 577-6221

From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, November 19, 2013 7:46 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Forecast

Billie,

Hope you are doing well.

Just following up on when we may expect to get the financial forecast based on the new approved rates?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
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Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Tuesday, December 03, 2013 8:39 AM
To: Billie Richert
Cc: Chris Warren; Thomas Hall
Subject: RE: Forecast

Billie,

Can I call you around 11:30 am (Eastern)/10:30 am (Central)?

Thanks,

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Fax: (703) 467-5653

|----------->
| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |
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| Cc: |
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>--|
|Thomas Hall <Thomas.Hall@nrucfc.coop>, Chris Warren <Christopher.Warren@bigrivers.com>
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>--|
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| Date: |
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>---|
|12/03/2013 09:10 AM |
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| Subject: |
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>---|
|RE: Forecast |
>---|

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Thanks,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, December 02, 2013 2:05 PM
To: Billie Richert
Cc: Thomas Hall
Subject: RE: Forecast

Billie,

Is it possible to get a forecast with the scenario assuming you only get 50% of the second rate increase? If so, how long would it take you to get it completed?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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|Billie Richert <Billie.Richert@bigrivers.com>
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| To: |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
|

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|------------>
| Cc: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop>
|

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|------------>
| Date: |
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|11/19/2013 08:57 AM
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|----------->
| Subject: |
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>--|

|RE: Forecast
|

>--|

Dan,

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Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, November 19, 2013 7:46 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Forecast

Billie,

Hope you are doing well.

Just following up on when we may expect to get the financial forecast based on the new approved rates?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Monday, December 02, 2013 2:05 PM
To: Billie Richert
Cc: Thomas Hall
Subject: RE: Forecast

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Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

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20701 Cooperative Way
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Fax: (703) 467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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>--|
|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |
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|------------>
| Cc: |
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>--|
|Thomas Hall <Thomas.Hall@nrucfc.coop> |
>--|
|------------>
| Date: |
|------------>

|11/19/2013 08:57 AM |

| Subject: |

|RE: Forecast |

Dan,

Chris just finished the changes to the forecast last Friday. I am in the process of reviewing and will have this to you by COB tomorrow. Hope all is well.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, November 19, 2013 7:46 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Forecast

Billie,

Hope you are doing well.

Just following up on when we may expect to get the financial forecast based on the new approved rates?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Thursday, November 21, 2013 10:41 AM
To: Chris Warren
Cc: Billie Richert; Thomas Hall
Subject: RE: 2014-2017 Forecast

Chris,

Thanks. This is very helpful.

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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>---|
|Chris Warren <Christopher.Warren@bigrivers.com> |
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| To: |
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>---|
|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |
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| Cc: |
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>---|
|Billie Richert <Billie.Richert@bigrivers.com>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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| Date: |
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>---|
|11/21/2013 10:45 AM |

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| Subject: |
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>--|
|RE: 2014-2017 Forecast |
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Dan,

This scenario is conservative by not including transmission revenues from the smelters, capacity opportunities, and the off-system market remaining depressed. The environmental surcharge increase is driven by the higher reagent expense at the Green Station as it uses higher priced lime instead
of limestone. Wilson and Coleman currently have lower variable expenses
and once they are removed from service the higher variable expense at Green drives up the total system variable expense and therefore the environmental surcharge. The additional reagents used to comply with MATS also increase the environmental surcharge.

The fuel expense in total decreases from 2013 to 2014 due to the idling of Coleman and Wilson, but on a $/MWh fuel expense continues to increase.
Also note that Station-Two (HMP&L) fuel expense is recorded on the "Operating Expense - Other Power Supply" line of the statement of operations.

Thanks.

Chris

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Thursday, November 21, 2013 7:36 AM
To: Chris Warren
Cc: Billie Richert; Thomas Hall
Subject: Re: 2014-2017 Forecast

I assume that this is your worst case scenario, where market prices don't improve for you to operate Coleman and Wilson. Also, other than the two replacement loads in 2016 & 2017, it does not assume any other new opportunities for capacity/energy sales. If environmental capex is only projected to be $20 million in 2014, why is the environmental surcharge increasing each year? Also, based on the income statement, fuel expense is
going down each year but the FAC is increasing each year. If you could
explain these, that would be helpful.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
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>--|

|Chris Warren <Christopher.Warren@bigrivers.com>
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|----------->
| To: |
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>--|

|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
|

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|----------->
| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>
|

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|----------->
| Date: |
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|11/20/2013 04:00 PM
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|----------->
| Subject: |
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>--|

|2014-2017 Forecast
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>--|

Tom/Dan,

Please find the latest version of the Big Rivers' Financial Model for the 2014-2017 period attached. Please call with any questions. Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

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Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Thursday, November 21, 2013 7:36 AM
To: Chris Warren
Cc: Billie Richert; Thomas Hall
Subject: Re: 2014-2017 Forecast

I assume that this is your worst case scenario, where market prices don't improve for you to operate Coleman and Wilson. Also, other than the two replacement loads in 2016 & 2017, it does not assume any other new opportunities for capacity/energy sales. If environmental capex is only projected to be $20 million in 2014, why is the environmental surcharge increasing each year? Also, based on the income statement, fuel expense is going down each year but the FAC is increasing each year. If you could explain these, that would be helpful.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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|Chris Warren <Christopher.Warren@bigrivers.com> |
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| To: |
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>--|
|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| Date: |
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>--|
|11/20/2013 04:00 PM |
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|------------>
| Subject: |
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>--|
|2014-2017 Forecast |
>--|

Tom/Dan,

Please find the latest version of the Big Rivers' Financial Model for the 2014-2017 period attached. Please call with any questions. Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

[attachment "Financial Forecast (2014-2017) 11-14-2013.xlsx" deleted by Dan Lyzinski/CFC]

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Wednesday, November 20, 2013 3:09 PM
To: Chris Warren
Cc: Billie Richert; Thomas Hall
Subject: Re: 2014-2017 Forecast

Chris,

Can you provide a summary of the assumptions used in the forecast? Such as, does the base rate include the actual rate increase approved for Century as well as the projected rate increase for Alcan.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Chris Warren <Christopher.Warren@bigrivers.com> |
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| To: |
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>--|
|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| Date: |

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>--|
|11/20/2013 04:00 PM |
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| Subject: |
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>--|
|2014-2017 Forecast |
>--|

Tom/Dan,

Please find the latest version of the Big Rivers' Financial Model for the 2014-2017 period attached. Please call with any questions. Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

[attachment "Financial Forecast (2014-2017) 11-14-2013.xlsx" deleted by Dan Lyzinski/CFC]

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Wednesday, November 20, 2013 3:02 PM
To: Chris Warren
Cc: Billie Richert; Thomas Hall
Subject: Re: 2014-2017 Forecast

Thank you.

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Chris Warren <Christopher.Warren@bigrivers.com> |
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| To: |
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>---|
|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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| Cc: |
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>---|
|Billie Richert <Billie.Richert@bigrivers.com> |
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| Date: |
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>---|
|11/20/2013 04:00 PM |
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| Subject: |
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>--|
|2014-2017 Forecast |
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Tom/Dan,

Please find the latest version of the Big Rivers' Financial Model for the 2014-2017 period attached. Please call with any questions. Thanks.

Chris Warren
Big Rivers Electric
(270) 844-6065
mailto:chris.warren@bigrivers.com

[attachment "Financial Forecast (2014-2017) 11-14-2013.xlsx" deleted by Dan Lyzinski/CFC]

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Tuesday, November 19, 2013 7:58 AM
To: Billie Richert
Cc: Thomas Hall
Subject: RE: Forecast

Thanks Billie.

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

| From: |
|Billie Richert <Billie.Richert@bigrivers.com> |

| To: |
|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |

| Cc: |
|Thomas Hall <Thomas.Hall@nrucfc.coop> |

| Date: |
|11/19/2013 08:57 AM |

| Subject: |

|----------->
>--|
|RE: Forecast |
>--|

Dan,

Chris just finished the changes to the forecast last Friday. I am in the process of reviewing and will have this to you by COB tomorrow. Hope all is well.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, November 19, 2013 7:46 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Forecast

Billie,

Hope you are doing well.

Just following up on when we may expect to get the financial forecast based on the new approved rates?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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Billie Richert

From:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent:	Tuesday, November 19, 2013 7:46 AM
To:	Billie Richert
Cc:	Thomas Hall
Subject:	Forecast

Billie,

Hope you are doing well.

Just following up on when we may expect to get the financial forecast based on the new approved rates?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Thursday, November 07, 2013 10:41 AM
To: Billie Richert
Subject: Re: Moody's Report
Attachments: Big Rivers Issuer Comment Nov 1 2013.pdf

Billie,

Are you still on track to get the financial forecast with the latest rate increase to me sometime this week?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
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>---|
|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|"Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>, Thomas Hall <Thomas.Hall@nrucfc.coop>
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| Date: |
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>---|
|11/06/2013 09:52 AM |
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|----------->
| Subject: |
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|Moody's Report |

Per attached.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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(See attached file: Big Rivers Issuer Comment Nov 1 2013.pdf)

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Monday, November 04, 2013 8:12 AM
To: Billie Richert
Cc: Thomas Hall
Subject: RE: Follow-up

Thanks Billie.

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|------------>
| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |
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| Cc: |
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>---|
|Thomas Hall <Thomas.Hall@nrucfc.coop> |
>---|
|------------>
| Date: |
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>---|
|11/04/2013 09:00 AM |
>---|
|------------>
| Subject: |

|------------>
>---|
|RE: Follow-up |
>---|

Dan,
We should have this done Wednesday and will provide shortly thereafter.

Billie

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, November 04, 2013 7:54 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Re: Follow-up

Billie,

Have you updated your financial model with the new rate increase? If so, can I get a copy?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|---------->
| From: |
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>---|

|Billie Richert <Billie.Richert@bigrivers.com>
|

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| To: |
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|Thomas Hall <Thomas.Hall@nrucfc.coop>, "Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>
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| Date: |
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|10/31/2013 03:04 PM
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|---------->
| Subject: |
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|Follow-up
|

>---|

Per our discussion.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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[attachment "10-30-130001.pdf" deleted by Dan Lyzinski/CFC]

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Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Monday, November 04, 2013 7:54 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Re: Follow-up

Billie,

Have you updated your financial model with the new rate increase? If so, can I get a copy?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

|----------->
| From: |
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>--|
|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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>--|
|Thomas Hall <Thomas.Hall@nrucfc.coop>, "Dan Lyzinski (Dan.Lyzinski@nrucfc.coop)" <Dan.Lyzinski@nrucfc.coop>
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| Date: |
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|10/31/2013 03:04 PM |
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| Subject: |
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>---|
|Follow-up |
>---|

Per our discussion.

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) B27-2561
Office Oirect: (270) 844-6190
Mobile: (270) 577-6221

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[attachment "10-30-130001.pdf" deleted by Dan Lyzinski/CFC]

Billie Richert

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Thursday, October 31, 2013 7:15 AM
To: Billie Richert
Cc: Thomas Hall
Subject: Update Call

Billie,

I got your voicemail. Would 1pm (Eastern)/12 noon (Central) time work for you for a call? If so, we can call you.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Nicholas R. Castlen

From: Proffitt, Martha - RD, St. Louis, MO <martha.proffitt@stl.usda.gov>
Sent: Thursday, January 02, 2014 1:13 PM
To: Nicholas R. Castlen
Subject: RE: Big Rivers - RUS Ser. A Note Payment Schedule (as of 2012.07.27)
Attachments: image001.jpg; image002.png; image003.png; image004.jpg; image005.png; image006.png; image007.jpg

Thanks.

Martha Proffitt
Accountant | Direct Loan and Grant Branch
Deputy Chief Financial Officer
Rural Development
U.S. Department of Agriculture
4300 Goodfellow Blvd. | St. Louis, MO 63120
Phone: 314.457.4070 | Fax: 314.457.4283
rd.dcfo.rus@stl.usda.gov
rd.dcfo.ffb@stl.usda.gov

www.rurdev.usda.gov "Committed to the future of rural communities"
"Estamos dedicados al futuro de las comunidades rurales"

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USDA is an equal opportunity provider and employer.

From: Nicholas R. Castlen [mailto:Nicholas.Castlen@bigrivers.com]
Sent: Thursday, January 02, 2014 10:15 AM
To: Proffitt, Martha - RD, St. Louis, MO
Subject: Big Rivers - RUS Ser. A Note Payment Schedule (as of 2012.07.27)

Thanks Martha.

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

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Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Thursday, January 02, 2014 10:15 AM
To: 'martha proffitt@stl.usda.gov'
Subject: Big Rivers - RUS Ser. A Note Payment Schedule (as of 2012.07.27)
Attachments: RUS Series A Note - Revised Payment Sched (as of 2012.07.27).pdf

Thanks Martha.

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

Nicholas R. Castlen

From: RA.dc2.RD-RUSELECTRIC <RUSElectricQuarterlyNewsletter@wdc.usda.gov>
Sent: Friday, December 20, 2013 1:32 PM
To: RA.dc2.RD-RUSELECTRIC
Subject: RUS Electric Program Quarterly Newsletter - December 2013
Attachments: RUS ELECTRIC QUARTERLY NEWSLETTER Vol 3 Issue 1.pdf

Please find attached the December 2013 edition of the Electric Program's quarterly newsletter. We welcome your comments, questions or recommendations and may be reached at RUSElectricQuarterlyNewsletter@wdc.usda.gov

Happy Holidays!

Nicholas R. Castlen

From:	RA.dc2.RD-RUSELECTRIC <RUSElectricQuarterlyNewsletter@wdc.usda.gov>
Sent:	Tuesday, October 22, 2013 9:23 AM
To:	RA.dc2.RD-RUSELECTRIC
Subject:	Update on Rural Development Operations and FY 14 Continuing Resolution
Attachments:	FY 14 Continuing Resolution.pdf

Please see the attached memorandum from Nivin Elgohary, Assistant Administrator – Electric Program.

Nicholas R. Castlen

From:	RA.dc2.RD-RUSELECTRIC <RUSElectricQuarterlyNewsletter@wdc.usda.gov>
Sent:	Tuesday, October 01, 2013 9:27 AM
To:	RA.dc2.RD-RUSELECTRIC
Subject:	Update on Rural Development Operations

Due to a lapse in appropriations for Rural Development as of October 1, Rural Development has initiated the process of orderly shutdown of nonessential operations. You can view USDA's plans for a lapse in appropriations at http://www.whitehouse.gov/omb/contingency-plans.

We understand the uncertainty that the current circumstances present for Americans that USDA serves every day, as well as our many partners around the country. Effective today, many Rural Development staff will be furloughed pending reinstatement of funding by Congress. These staff will not be available by phone or email, and cannot carry out work for the Agency, until funding is restored.

In Rural Development, this means that many services will be delayed or interrupted. For example, Rural Development will not be able to make any new loans or grants; the only exceptions will be for emergency purposes and to protect the Government's interest. Automatic disbursements for previously obligated Rental Assistance (RA) funds will continue, but no RA contracts will be renewed or issued.

We are committed to keeping you as up to date as possible, within the limits of current circumstances.

Nicholas R. Castlen

From:	RA.dc2.RD-RUSELECTRIC <RUSElectricQuarterlyNewsletter@wdc.usda.gov>
Sent:	Friday, September 13, 2013 10:06 AM
Subject:	RUS Electric Program Quarterly Newsletter - September 2013
Attachments:	RUS ELECTRIC QUARTERLY NEWSLETTER Vol 2 Issue 4.pdf

Please find attached the September 2013 edition of the Electric Program's quarterly newsletter. We welcome your comments, questions or recommendations and may be reached at RUSElectricQuarterlyNewsletter@wdc.usda.gov

Nicholas R. Castlen

From:	RA.dc2.RD-RUSELECTRIC <RUSElectricQuarterlyNewsletter@wdc.usda.gov>
Sent:	Thursday, September 05, 2013 5:05 PM
To:	RA.dc2.RD-RUSELECTRIC
Subject:	Rural Utilities Service Borrower Relending Activities
Attachments:	RUS Borrower Relending Activities.pdf
Follow Up Flag:	Follow up
Flag Status:	Completed

Please see the attached memo to All Electric Program Borrowers from RUS Administrator John C. Padalino.

Nicholas R. Castlen

From: CoLink mailbox <CoLink@CoBank.com>
Sent: Thursday, January 02, 2014 11:20 AM
To: Nicholas R. Castlen
Subject: CoBank Billing Statement available in CoLink

Your latest Billing Statement from CoBank is now available in CoLink. You can view your statement by clicking on Statement under the Reporting menu in CoLink.

If you have questions regarding your statement please contact us at 1-800-255-6190 or cash@cobank.com.

Nicholas R. Castlen

From: CoLink mailbox <CoLink@CoBank.com>
Sent: Monday, December 02, 2013 11:18 AM
To: Nicholas R. Castlen
Subject: CoBank Billing Statement available in CoLink

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If you have questions regarding your statement please contact us at 1-800-255-6190 or cash@cobank.com.

Nicholas R. Castlen

From:	Childs, Jeffrey <jchilds@cobank.com>
Sent:	Monday, November 25, 2013 1:02 PM
To:	Billie Richert
Cc:	Chris Warren; Nicholas R. Castlen
Subject:	RE: FY 2014 Debt Service, Depreciation and TIER

Billie, Chris and Nick,

Thanks very much for this. And Happy Thanksgiving to you all as well.

Best Regards,
Jeff

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Monday, November 25, 2013 11:56 AM
To: Childs, Jeffrey
Cc: Chris Warren; Nicholas R. Castlen
Subject: FW: FY 2014 Debt Service, Depreciation and TIER

Jeff,

Attached is the analysis which reflects cash required for 2014 debt service; total debt service amount included in 2014 rates if Coleman depreciation is deferred and not expensed; and if both Coleman and Wilson depreciation amounts are deferred and not expensed. The Alcan (Sebree) rate case hearing is scheduled for January 7th and we still have the Wilson depreciation amount included in our ask.

We will be presenting the 2014 budget and 2015-2017 financial plan to the Board on December 20th. We will forward this to you once these have been approved.

I will be out of the office the rest of this week but will respond to any inquiries upon my return.

Have a wonderful Thanksgiving with your family and friends.

Regard,

Billie

Nicholas R. Castlen

From: CoBank <corp.comm@cobank.com>
Sent: Monday, November 18, 2013 7:55 AM
To: Nicholas R. Castlen
Subject: CoBank Fraud Warning

To view this email as a web page, go here.

lovember 18, 2013

ear Valued Customer,

ı an ongoing effort to inform you about online banking fraud, we want to alert you about a new and growing tactic cyber-criminals are sing to circumvent security measures taken by banks and their customers.

lalicious software known as malware is circulating the Internet and is broadly making its way onto computers throughout the United tates. Malware allows a cyber-criminal to covertly control your computer as you access online banking services, including what is isplayed on your screen, in an attempt to initiate fraudulent transactions.

o mitigate this risk, financial institutions, such as CoBank, have implemented controls that require two parties to authorize ansactions. Cyber-criminals are **now bypassing** this security control by creating fake screen messages to trick you into providing the econd authorization. As a reminder, initiating and approving transactions on separate computers is a best practice.

you see a screen message asking for another user to log onto your computer, **It is fake!** Do not follow the instructions on the screen ıstead, **immediately shut down your computer** and contact your IT department to scan your computer for malware. You should alsc otify CoBank immediately by calling 1-800-255-6190.

or CoBank customers, a fraudulent message could look something like this:

:oBank will **never** ask you to have a second party log in on the same computer, and we will **never** ask for your log-in ID or password.
ee the Security tips page on CoLink for more information or call us at 1-800-255-6190.

incerely yours,

:ick Scholz
enior Vice President, Non-Credit Services Division

Nicholas R. Castlen

From: CoLink mailbox <CoLink@CoBank.com>
Sent: Friday, November 01, 2013 11:19 AM
To: Nicholas R. Castlen
Subject: CoBank Billing Statement available in CoLink

Your latest Billing Statement from CoBank is now available in CoLink. You can view your statement by clicking on Statement under the Reporting menu in CoLink.

If you have questions regarding your statement please contact us at 1-800-255-6190 or cash@cobank.com.

Nicholas R. Castlen

From: Childs, Jeffrey <jchilds@cobank.com>
Sent: Thursday, October 10, 2013 10:30 PM
To: Billie Richert; Batchelder, Josh
Cc: Donna Windhaus; Nicholas R. Castlen
Subject: RE: Thank you for the visit

Billie, Nick and Donna,

Thanks so much for taking the time to meet up with us. We appreciate the update you provided as well and look forward to another discussion in the next week or two around the rate case order.

Thanks,
Jeff

From: Billie Richert [mailto:Billie.Richert@bigrivers.com]
Sent: Thursday, October 10, 2013 1:49 PM
To: Childs, Jeffrey; Batchelder, Josh
Cc: Donna Windhaus; Nicholas R. Castlen
Subject: Thank you for the visit

Jeff/Josh,

We want to thank you for stopping by. We enjoyed lunch and hope you have a safe trip home.

Take care,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

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otherwise protected from disclosure. If you are not the intended recipient of this email, please notify the sender, and delete it from your system. In communicating via email with CoBank, you consent to the foregoing

Nicholas R. Castlen

From: CoLink mailbox <CoLink@CoBank.com>
Sent: Tuesday, October 01, 2013 11:20 AM
To: Nicholas R. Castlen
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Nicholas R. Castlen

From: CoLink mailbox <CoLink@CoBank.com>
Sent: Tuesday, September 03, 2013 11:20 AM
To: Nicholas R. Castlen
Subject: CoBank Billing Statement available in CoLink

Your latest Billing Statement from CoBank is now available in CoLink. You can view your statement by clicking on Statement under the Reporting menu in CoLink.

If you have questions regarding your statement please contact us at 1-800-255-6190 or cash@cobank.com.

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Monday, September 30, 2013 2:00 PM
To: 'Jay Srinivasan'
Subject: RE: Patronage Allocation Calculation

Thanks Jay.

From: Jay Srinivasan [mailto:Jay.Srinivasan@nrucfc.coop]
Sent: Monday, September 30, 2013 1:49 PM
To: Nicholas R. Castlen
Subject: RE: Patronage Allocation Calculation

It is from June 1, 2012 to May 31, 2013.

CFC: Created and Owned by America's Electric Cooperative Network

Jayasri Srinivasan
Manager - Financial Planning and Analysis
National Rural Utilities Cooperative Finance Corporation (NRUCFC)
20701 Cooperative Way
Dulles, VA 20166
jay.srinivasan@nrucfc.coop
703-467-1745

From: "Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com>
To: Jay Srinivasan <Jay.Srinivasan@nrucfc.coop>
Date: 09/30/2013 02:42 PM
Subject: RE: Patronage Allocation Calculation

Thanks Jay, that helps. Can you tell me what period the interest expense ($13,118,151) used to calculate the patronage allocation is from? I thought it was based on the previous calendar year (i.e. 2012 interest expense), but that doesn't appear to be correct.

I just want to make sure I understand so I can update my calculations to forecast next year's patronage income more accurately.

Thanks again,

Nick

From: Jay Srinivasan [mailto:Jay.Srinivasan@nrucfc.coop]
Sent: Monday, September 30, 2013 1:17 PM
To: Nicholas R. Castlen
Subject: Re: Patronage Allocation Calculation

Hi Nick,

This year we allocated 9.582% of the eligible interest income back to our members in the form of patronage capital allocation. Interest income of $13,118,151 paid by Big Rivers to CFC was eligible for patronage capital.

This percentage is dependent on the net margins earned by CFC during the year and is not the same every year. In the past 3 years it has been between 8% and 10%.

I hope this helps. At this time, it is extremely difficult for me to predict what the percentage of allocation might be for the next year or the next 5 years.

Thanks and please let me know if you have further questions.

Thanks,

Jay

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Jayasri Srinivasan
Manager - Financial Planning and Analysis
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20701 Cooperative Way
Dulles, VA 20166
jay.srinivasan@nrucfc.coop
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To: "Jay Srinivasan (jay srinivasan@nrucfc.coop)" <jay srinivasan@nrucfc.coop>
Date: 09/30/2013 01:17 PM
Subject: Patronage Allocation Calculation

Jay,

Can you please provide the calculation of Big Rivers' Sep. 2013 patronage allocation (i.e. the $1,257,036.88)?

Based on my notes, CFC's patronage is allocated to members each September based on 8% of their annual interest expense on CFC loans during the prior calendar year (e.g. Sep-13 allocation would be calculated as Big Rivers' Total Annual Interest Expense on CFC Loans during 2012 multiplied by 8%). Is this correct?

Thanks for your help.

Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

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herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

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Sent: Monday, September 30, 2013 1:49 PM
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Thanks for your help.

Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

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Nick Castlen, CPA
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Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

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Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Monday, September 30, 2013 12:18 PM
To: Jay Srinivasan (jay.srinivasan@nrucfc.coop)
Subject: Patronage Allocation Calculation

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Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

Nicholas R. Castlen

From: CFCSolutions@nrucfc.mmsend.com on behalf of CFCSolutions@nrucfc.coop
Sent: Monday, September 30, 2013 9:48 AM
To: Nicholas R. Castlen
Subject: CFC Solutions | G&Ts Negotiate Indentures with RUS

September 30, 2013 | Vol. 15, No. 36

CFC: Created and Owned by America's Electric Cooperative Network

The latest issue of CFC's Solutions News Bulletin is now available online.

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This week's issue includes the following headlines:

- G&Ts Negotiate Indentures with RUS
- CFC Headquarters Receives LEED Gold Certification
- Natural Gas Use Drops in 2013
- 'Cooperative Exemption' Relieves CFC from Regulatory Cost
- EYES ON THE ECONOMY: Consumer Sentiment Takes a Nose Dive
- FINANCIAL FEATURE: Federal Reserve Continues Pace of Quantitative Easing

THIS WEEK: **CFC Patronage Capital Distribution**
CFC is retiring $41 million in patronage capital this week, marking the 34th consecutive calendar year CFC has returned patronage capital to its members. With this retirement, CFC has returned nearly $1.5 billion to its member-owners since 1980. Wire transfers and patronage capital packets, including CFC Patronage Capital Certificates, will be sent to CFC members this week. Please contact your regional vice president or associate vice president with any questions regarding FY2013 patronage capital.

G&Ts Negotiate Indentures with RUS
A group of 10 regional generation and transmission cooperatives recently worked with the Rural Utilities Service (RUS) to convert existing mortgages to indentures, facilitating easier access to private financing. The group included members of both Springfield, Mo-based Associated Electric Cooperative and Bismarck, N.D.-based Basin Electric Power Cooperative.

The G&Ts serve electric cooperatives in portions of six states (see sidebar) and continue to have increasing capital needs. Due in part to the unique relationship between each of the G&Ts and their respective "Super G&T," the group was successful in advocating for a comprehensive, constructive and beneficial set of terms and conditions.

"In the finest tradition of cooperatives, we focused on our common goals and worked together to achieve them. The cooperative effort was very successful." East River Electric Power Cooperative General Manager Jeff Nelson said. "RUS was helpful and accommodative throughout the conversion process, which will assure that, should we need to secure capital beyond RUS, we can access it in a timely manner."

With the benefit of their new indentures, future borrowing activity will be more streamlined and efficient. CFC was consulted for assistance early in the process and worked with the group to facilitate the conversions.

"Our relationship with CFC was a common value for all 10 systems," Nelson said. "We approached CFC based on that and their experience with similar conversions, and they certainly came through. They were committed to this effort from the start."

Through the conversions, each G&T moved from a traditional RUS mortgage, which limits borrowing from other lenders without the approval of a lien accommodation—to a more flexible indenture agreement. Each G&T also re-documented their individual loan agreements. The collective nature of the group effort streamlined the process for all participants.

"The cost to pursue an indenture for any individual G&T of our size would have been prohibitive," said Doug Aellts, CEO and general manager of Northeast Missouri Electric Power Cooperative. "This indenture project was a significant financing decision for our board of directors, which will have impacts for Northeast Power and our member distribution cooperatives for generations to come."

Associated Electric Members

- Central Electric Power Cooperative (Jefferson City, Mo.)
- KAMO Electric Cooperative (Vinita, Okla.)
- M&A Electric Cooperative (Poplar Bluff, Mo.)
- Northeast Missouri Electric Power Cooperative (Palmyra, Mo.)
- N.W. Electric Power Cooperative (Cameron, Mo.)
- Sho-Me Power Electric Cooperative (Marshfield, Mo.)

Basin Electric Members

- Central Power Electric Cooperative (Minot, N.D.)
- Corn Belt Power Cooperative (Humboldt, Iowa)
- East River Electric Power Cooperative (Madison, S.D.)
- Northwest Iowa Power Cooperative (LeMars, Iowa)

CFC Headquarters Receives LEED Gold Certification

CFC's headquarters facility recently received Leadership in Energy & Environmental Design (LEED®) Gold certification from the U.S. Green Building Council (USGBC). The distinction is achieved by meeting a comprehensive list of cost- and energy-saving criteria throughout a building's structure, systems and during the construction process.

"CFC's LEED Gold certification demonstrates tremendous green building leadership," said Rick Fedrizzi, USGBC president, CEO and founding chair. "USGBC's commitment to cost-efficient, energy-saving construction has challenged the industry to move faster and reach further than ever before, and CFC serves as a prime example of just how much we can accomplish."

Sustainable features include reclaimed water use for 90 percent of the buildings systems—including irrigation, fire suppression, toilet flushing and HVAC—sensor-controlled lighting, and ground-source heating and cooling.

"CFC's Board of Directors provided guidance and insight throughout the entire planning and construction process," CFC CEO Sheldon C. Petersen said. "Bill Kopacz [retired general manager of La Pine, Ore.-based Midstate Electric Cooperative] headed the Building Committee, which put in extra hours to ensure no detail was overlooked. Their efforts are reflected in this certification."

Natural Gas Use Drops in 2013

Total natural gas use for U.S. power generation was down 14 percent during the first seven months of 2013 compared with the same period last year, according to the U.S. Energy Information Administration (EIA). Higher natural gas prices relative to coal prices drove the decline, as demand outpaced supply. The drop was counter to an upward trend in recent years.

"Gas use for power generation in the United States has generally risen since 2008," EIA said. "High natural gas-fired generation in 2012 occurred as a result of the lowest spot natural gas prices in a decade."

Natural gas prices at the Henry Hub, a benchmark measure for natural gas prices nationwide, averaged $3.75 per million Btu (MMBtu) during the first half of 2013, a 57-percent increase over the $2.39/MMBtu average for the same period last year (*see chart in full online and PDF versions*). Average natural gas prices nationwide increased 40 percent to 60 percent during the period. Colder winter temperatures for the year, slowed growth in natural gas production and decreased storage inventories contributed to the price shift.

Although use has dropped relative to 2012, natural gas generation remains consistently higher than years prior to 2012, and coal and natural gas' share of the fuel mix remains relatively consistent. Coal-fired capacity has accounted for roughly 40 percent of U.S. generation since November 2012; natural gas-fired capacity has accounted for roughly 25 percent over the same period, according to EIA.

'Cooperative Exemption' Relieves CFC from Regulatory Costs

A final rule that benefits CFC and its members, issued by the Commodity Futures Trading Commission (CFTC), took effect last week.

In 2010, the Dodd-Frank Wall Street Reform and Consumer Protection Act tasked the CFTC with writing rules to regulate the derivatives marketplace. Misuse of certain types of derivatives—not those used by CFC or its members—was cited as a contributing factor to the financial meltdown of 2008.

CFC uses over-the-counter interest rate swaps to provide loan options for electric cooperatives while mitigating business risks and helping to reduce costs. Congress provided an exemption for end users of such swaps (including electric cooperatives) from new regulations, although cooperative lenders like CFC were not specified in that exemption. The CFTC's final rule extends this exemption to cooperative lenders like CFC who operate exclusively for the benefit of end-users such as electric co-ops. The CFTC exemption would apply to the requirement that trades be executed through a central clearinghouse, known as the clearing requirement.

"This is a significant accomplishment for CFC," said Rich Larochelle, CFC senior vice president, Corporate Relations. "But potential regulatory challenges remain since costs could still be imposed through other requirements, so we are continuing our efforts."

A second possible regulation could impose margin requirements on derivatives users, including CFC. CFC recently stated its case in a letter to regulating agencies, including the Board of Governors of the Federal Reserve System and the Federal Deposit Insurance Corporation.

Several members of Congress also have spoken out in support of a margin requirement exemption for end-users of derivatives, and the U.S. House of Representatives passed a bill to that end in June.
"Congress never intended for these companies to be required to post collateral on their derivatives, because that would needlessly raise their costs and could even discourage companies from prudently managing their

risks," said U.S. Rep. Gary Peters of Michigan.

"Rural cooperatives in my district provide a great service at the lowest rates possible," said U.S. Rep. Vicky Hartzler of Missouri. "Requiring these rural cooperatives to post margin on their swaps merely ties up working capital and will unnecessarily lead to higher electricity costs across the United States."
NRECA is supporting CFC's position as the legislation moves through Congress.

EYES ON THE ECONOMY

Consumer Sentiment Takes a Nose Dive
Buyer attitudes were decidedly less optimistic in September than in recent months, when the University of Michigan index of consumer confidence reached multiyear highs. The index fell 5.3 points to 76.8 in the preliminary reading for September. The index reflects consumer attitudes about the general business situation and job availability; it is no wonder the negative reading occurred amid slowed job growth over the past several months, and uncertainty surrounding monetary and fiscal policy.

Labor market slack has prevented pay raises while bargaining power still remains with employers. Furthermore, disposable personal income growth has been weak throughout the recovery, and the payroll tax hike at the beginning of the year only made this situation worse. The increase in federal tax withholdings is taking disposable income out of the hands of consumers, which are the driving force of the economy.

Business Inventories Rise
Business inventories rose by 0.4 percent in July, surpassing expectations of a 0.2-percent increase. Given the soft consumer spending environment, businesses have been proceeding cautiously to limit gains in their inventory relative to the pace of sales. Despite the stronger inventory accumulation in July, retailers are still slightly behind last year's inventory levels. This means that businesses are well positioned to accumulate inventory and contribute to gross domestic product (GDP) growth in the final quarter of 2013.

This is a welcome sign given the other headwinds swirling in the economy regarding the uncertainty of monetary and fiscal policy. It appears that businesses are finally feeling comfortable enough to add modestly to their stockpiles, which in turn will boost GDP growth.

Consumer Prices Remain in Check
Between July and August, the consumer price index (CPI) and core consumer price index (core CPI), which excludes food and energy, both increased by 0.1 percent. The median estimate of economists surveyed by Bloomberg called for both indices to rise by 0.2 percent. The two major components of CPI—food and energy prices—increased by 0.1 percent and decreased by 0.3 percent, respectively. The two components of core CPI—goods and services—remained unchanged and rose by 0.2 percent, respectively. On a year-over-year basis, CPI increased by 1.5 percent, whereas core CPI climbed by 1.8 percent.

By many measures, inflation remains below the Federal Reserve's target of 2 percent. Following the Federal Open Market Committee meeting on Sept. 18, the central bank asserted that persistently low inflation could pose risks to economic performance.

Retail Sales Expand at a Modest Pace
In August, retail sales grew by 0.2 percent, which was the smallest increase in four months and below the consensus estimate of 0.5 percent. The increase was driven by strong auto sales. Excluding auto sales, retail sales grew by only 0.1 percent, due to increased sales at furniture, drug, department and appliance stores. July's report was revised from an initial reading of 0.2 percent to 0.4 percent. Sales at building supply and nonretail stores were revised upward.

Higher taxes, weak income gains and shaky confidence are beginning to slow the pace of retail sales. Between July and August, the year-over-year pace of retail sales declined from 5.7 percent to 4.7 percent. As we approach another debt ceiling debate, confidence may decline, which could potentially hurt retail sales in the near term. Throughout the next few months, consumers will contribute to economic growth but may not be the driving force.

Producer Prices Rise in August
The producer price index (PPI) rose 0.3 percent in August, led by a jump in prices for finished energy goods and food. The uptick followed a flat reading for the previous month. Economists were forecasting a 0.2-percent increase in prices in August. Slower growth overseas held down costs for some raw materials, helping to keep prices in check. Core prices, which exclude food and energy costs, were flat for the month, following a 0.1-percent increase the previous month. On a year-over-year basis, core prices were up 1.1 percent, slightly less than the 1.4-percent increase for the headline index.

Prices for finished energy goods rose 0.8 percent for the month, as gasoline, liquefied petroleum gas and electricity prices all increased. Finished consumer foods rose 0.6 percent, driven largely by vegetable prices. Even though PPI jumped in August, analysts are forecasting prices will moderate through the end of the year as key crop prices and gasoline prices are expected to remain in check.

FINANCIAL FEATURE
Federal Reserve Continues Pace of Quantitative Easing
By Eric Levine, CFC Financial Analyst, Capital Markets Research & Analysis

Beginning in May, Federal Reserve officials made several comments indicating that the pace of monthly asset purchases may be scaled back if they believe the economic recovery justifies it. Market participants began to anticipate this would happen. Consequently, investors sold Treasury bonds as they surmised that reduced Fed bond buying would no longer support strong price gains. Over the past five months—as the sellers outweighed the willing buyers of Treasuries—prices fell, and interest rates on sovereign, corporate and consumer credit products have surged.

On Sept. 18, the Federal Reserve decided to maintain the status quo and continue purchasing a combined $85 billion per month of mortgage-backed securities and longer-term Treasury securities. This took analysts and economists by surprise. In a recent Wall Street Journal survey of economists, 67 percent of respondents anticipated the central bank would announce a reduction in its pace of asset purchases in September.

However, the policy decision should come as less of a surprise considering the Fed's dual mandate of maintaining price stability and achieving maximum employment. In the past few months, the pace of nonfarm payroll growth has slowed, with the 12-month average at 183,000. Furthermore, the Fed's policy statement cited concerns surrounding higher interest rates, restrictive fiscal policy, persistently low inflation and elevated unemployment.

Many economists assert that the U.S. economy needs to create 200,000 to 300,000 new jobs per month to repair the labor market. Although the unemployment rate declined to 7.3 percent as of Aug. 31, this statistic has been driven by a declining labor force and uneven job growth. Last month, the Bureau of Labor Statistics reported that the labor force participation rate, which measures the share of working-age people holding a job or looking for one, fell to the lowest level since August 1978.

Furthermore, inflation has been stuck below the Fed's 2-percent target, as measured by the personal consumption expenditure deflator (the Fed's preferred measure) and the consumer price index. Although prices are rising—albeit at a slower than targeted pace—disinflation or deflation remains a concern. The Fed may believe that if it maintains loose monetary policy, prices will rise due to increased economic activity and/or a larger money supply.

Immediately after the Fed's policy decision was released, investors jumped back into Treasuries, driving prices up and rates down. Borrowers now are presented with an opportunity to lock in fixed-rate financing at a slightly lower cost. In addition, the committee reaffirmed that the federal funds rate will remain between 0 to 0.25 percent as long as unemployment remains above 6.5 percent and inflation expectations are no more than 2.5 percent for up to two years forward.

We value your feedback; please share your thoughts!
If you would prefer not to receive e-mails like this, please click here.

Scott Gates
Solutions Managing Editor
scott.gates@nrucfc.coop
Phone: 800-424-2954, x1652

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Wednesday, September 25, 2013 10:52 AM
To: Cynthia Pisinski
Subject: RE: Contact Info

Thanks.

-----Original Message-----
From: Cynthia Pisinski [mailto:Cynthia.Pisinski@nrucfc.coop]
Sent: Wednesday, September 25, 2013 10:50 AM
To: Nicholas R. Castlen
Subject: Re: Contact Info

Hi Nick,

Here you go.

Jay Srinivasan

Jay.Srinivasan@nrucfc.coop

Her direct # is 703-467-1745

CFC: Created and Owned by America's Electric Cooperative Network

Cindy Pisinski
Loan Accounting Manager

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: 703-467-1737 or toll-free 800-424-2954
Fax: 703-467-5178

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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |

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| To: |
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|"Cynthia Pisinski (Cynthia.Pisinski@nrucfc.coop)" <Cynthia.Pisinski@nrucfc.coop> |
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Cindy,

Can you please send me Joy's contact information when you have a chance?

Thanks,

Nick

Nick Castien, CPA
Manager Finance|Big Rivers Electric Corporation|201 Third Street, Henderson, KY 42420
Office: (270) 844-6141|Mobile: (270) 831-0981|Fax: (270) 844-6408 |Email:
nicholas.castien@bigrivers.com<mailto:nicholas.castien@bigrivers.com>

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Subject: Re: Contact info

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|"Cynthia Pisinski (Cynthia.Pisinski@nrucfc.coop)" <Cynthia.Pisinski@nrucfc.coop> |
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nicholas.castlen@bigrivers.com<mailto:nicholas.castlen@bigrivers.com>

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Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

Nicholas R. Castlen

From:	Nicholas R. Castlen
Sent:	Wednesday, September 25, 2013 9:16 AM
To:	Dan Lyzinski
Cc:	Billie Richert
Subject:	RE: CFC Pat Cap

That helps. Thanks Dan.

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Wednesday, September 25, 2013 6:38 AM
To: Nicholas R. Castlen
Cc: Billie Richert
Subject: RE: CFC Pat Cap

Nick,

That amount is the cash portion. An equal amount will be retired in 25 years. Your total pat cap allocation was double that amount or $1,257,036.88.

I hope this helps.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |

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| To: |
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|"Lyzinski, Dan (dan.lyzinski@nrucfc.coop)" <dan.lyzinski@nrucfc.coop> |
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| Date: |
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|09/24/2013 05:08 PM |
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| Subject: |
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|RE: CFC Pat Cap |
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Dan,
Can you please confirm if Big Rivers' total patronage allocation from CFC for 2013 is $628,S18.44, or is this just the cash distribution portion.
This is close to the total CFC patronage allocation I previously calculated for 2013, but based on my notes, the patronage allocation is generally distributed as 50% cash distribution and 50% equity distribution.? Is there an equity allocation/distribution also, or was the entire patronage allocation distributed as cash this year?
Thanks,
Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email:
nicholas.castlen@bigrivers.com

From: Billie Richert
Sent: Tuesday, September 17, 2013 10:34 AM
To: Dan Lyzinski
Cc: Nicholas R. Castlen
Subject: RE: CFC Pat Cap

Dan,
Thanks for the reminder. Nick had this as an item for follow-up today.

Hope you are doing well.

Regards,
Billie

From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, September 17, 2013 9:27 AM
To: Billie Richert
Subject: CFC Pat Cap

Billie,

I left you a voicemail message earlier today regarding Big Rivers selection on how it wants to receive its CFC patronage capital retirement. You will need to go to CFC's extranet account to make the selection. As I mentioned in my voicemail, Big Rivers will receive a little over $628,000. If you do not make a selection, you will receive a check for the retirement.

Please let me know if you have any questions.

Hope things are going well.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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Nicholas R. Castlen

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Wednesday, September 25, 2013 6:38 AM
To: Nicholas R. Castlen
Cc: Billie Richert
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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| To: |
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|"Lyzinski, Dan (dan.lyzinski@nrucfc.coop)" <dan.lyzinski@nrucfc.coop> |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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|09/24/2013 05:08 PM |
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|RE: CFC Pat Cap |
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Cc: Nicholas R. Castien
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Sent: Tuesday, September 17, 2013 9:27 AM
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Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Tuesday, September 24, 2013 4:08 PM
To: Lyzinski, Dan (dan.lyzinski@nrucfc.coop)
Cc: Billie Richert
Subject: RE: CFC Pat Cap

Dan,

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Fax: (703) 467-5653

Nicholas R. Castlen

From: CFCSolutions@nrucfc.mmsend.com on behalf of CFCSolutions@nrucfc.coop
Sent: Monday, September 23, 2013 9:28 AM
To: Nicholas R. Castlen
Subject: CFC Solutions | JDEC Rebuilds, Positions for Growth with CFC

September 23, 2013 | Vol. 15, No. 35

CFC: Created and Owned by America's Electric Cooperative Network

The latest issue of CFC's Solutions News Bulletin is now available online.

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This week's issue includes the following headlines:

- JDEC Rebuilds, Positions for Growth with CFC
- CFC Releases 2012 G&T Key Performance Indicators
- SMEC Celebrates Acquisition
- CFC SPOTLIGHT: Alaska Electric Cooperatives
- EYES ON THE ECONOMY: Pace of Construction Spending Rebounds
- FINANCIAL FEATURE: U.S. Housing: Is Positive Momentum a Mirage?

JDEC Rebuilds, Positions for Growth with CFC
Jefferson Davis Electric Cooperative (JDEC) recently refinanced more than $10.7 million in outstanding debt with other lenders, becoming a 100-percent CFC borrower. Although Hurricane Rita took its toll on the Jennings, La.-based cooperatives' coastal service territory in 2005, new opportunities for the region are on the horizon.

"We're expecting substantial growth over the next 10 years, and there's no better partner than CFC," JDEC General Manager Michael Heinen said.

Effects of the ongoing boom in domestic natural gas production have made their way to southwest Louisiana, where there is a growing need for processing and shipping infrastructure. South Africa-based chemical company Sasol, for example, has plans to invest billions in JDEC's service territory.

The potential growth follows a period of rebuilding for the region after Hurricane Rita. The storm made landfall just west of JDEC's territory, and 120-mph winds leveled 25 percent of its system overnight.

"We had to go beyond our regional suppliers because Hurricane Katrina, which hit to the east of us a month before, had already sapped local resources," Heinen said. "But CFC was there for us on the spot. We would not have survived, financially, without CFC."

Although some of JDEC's members have yet to return following the storm, rebuilding efforts have brought the 60-MW system back to its former size. The cooperative recently completed its Charles S. Hackett branch office in Sweet Lake, La., which replaces a location that had been razed by the hurricane.
JDEC serves 7,000 members across five parishes.

CFC Releases 2012 G&T Key Performance Indicators
CFC's second annual G&T Key Performance Indicators (KPI) report reflects the national trend of declining MWh sales and shifting fuel economics for electric generation and transmission cooperatives.

Thirty-seven of the 54 reporting systems saw a decline in MWh sales in 2012, up from 26 in 2011 and seven in 2010. Median MWh sales dropped by nearly 2 percent, and the median effective rate per MWh to distribution members increased by just over 1 percent.

"Despite the overall decline in sales, G&Ts have maintained good coverage ratios and equity positions through timely recovery of costs and rate increases," said Krishna Murthy, CFC vice president, Energy and Industry Analysis. "Most of the G&Ts are reporting metrics that suggest investment-grade or higher credit ratings. The strong and consistent financial performance of our members is a key factor that enables CFC to provide attractive and flexible financing—both to G&Ts and other CFC member-owners."

Industry-wide generation from combined-cycle natural gas plants increased to 16 percent of total generation—up from 12 percent in 2011 and the highest on record. Coal inventories were also at record levels, with the median system having more than 100 days of inventory on hand, compared with less than 80 in 2011. Both trends are reflective of record-low natural gas prices following a boom in domestic production.

Individual KPI reports were recently e-mailed to G&T managers and CFOs. Contact your G&T RVP for more information.

SMEC Celebrates Acquisition
At the CFC Districts 5 & 8 meeting in Minneapolis, the Southern Minnesota Energy Cooperative (SMEC) executive team took a moment to celebrate the recent acquisition of Alliant Energy. CFC provided bridge financing for the deal, which will add 43,000 accounts to a dozen electric cooperative systems (*see "SMEC Co-ops Acquire Alliant Assets," Solutions News Bulletin, Sept. 9, 2013*).

CFC SPOTLIGHT
Alaska Electric Cooperatives: Progress in the Last Frontier
Serving both developed areas and remote communities with little in the way of a central grid, electric cooperatives in Alaska are using creative initiatives to reduce costs to members—as demonstrated during a recent CFC trip to the state.

"Conditions in Alaska are as varied as it gets," said CFC CEO Sheldon C. Petersen. "The co-ops there adapt so well to their unique situations—their creativity in meeting member needs is nothing short of remarkable." Petersen traveled to the state with his wife and CFC Regional Vice President Dan Kessler earlier this month.

Alaska's electric cooperatives serve 237,577 members along 13,803 miles of line, according to 2012 CFC Key Ratio Trend Analysis data. Due to the high cost of fuel, 2012 electric revenue per kWh sold in the state was roughly three times higher than the U.S. median. Many of the projects outlined here are part of a broader effort to bring those costs down.

(See full online or PDF versions for photos)

1. Kotzebue Electric Association (KEA), Kotzebue
Earlier this year, KEA closed a $3 million CFC New Clean Renewable Energy Bond transaction to support the installation of two 900-kW wind turbines, expanding capacity at an existing site *(see "Kotzebue Electric Funds Wind Power with CFC NCREBs," Solutions News Bulletin, Feb. 18, 2013)*. The new turbines were erected in April 2012 and nearly tripled the site's capacity to 2.94 MW. KEA estimated the completed plant will meet an estimated 26 percent of its total system demand.

2. Copper Valley Electric Association (CVEA), Valdez
CVEA, a 100-percent CFC borrower, serves more than 3,550 members east of Anchorage with its 13-MW Solomon Gulch hydroelectric facility, a 5-MW cogeneration plant and nearly 20 MW of diesel generation. A 106-mile, 138-kv transmission line, owned and operated by CVEA, links its four generating stations. Plans for a 6.5-MW hydroelectric facility at Allison Creek are under way. The addition of the new hydro capacity will eliminate an estimated 1 million gallons of fossil fuel each year, according to CVEA CEO Robert Wilkinson.

3. Alaska Village Electric Cooperative (AVEC), Anchorage
AVEC serves 55 remote villages, powering the communities with more than 165 diesel generators and 34 wind turbines. It has recently trimmed costs by purchasing two sets of tugs and barges for fuel transport *(see "Alaska Co-op Cuts Costs with New Tugs," Solutions News Bulletin, June 11, 2012)* and is working with CFC to acquire electric utility assets of the Bethel Utilities Corporation. The Regulatory Commission of Alaska is expected to rule on the transfer in December 2013. "Our friends at CFC are second to none. They stand beside us through thick and through thin, and are not shy at supporting what may appear to be quite outlandish investments to conventional investors," said AVEC President and CEO Meera Kohler, who also serves on the National Rural Electric Cooperative Association (NRECA) board of directors.

4. Matanuska Electric Association (MEA), Palmer
MEA is the state's oldest electric cooperative and a 100-percent CFC borrower. CFC and the National Cooperative Services Corporation (NCSC) are providing financing for a 171-MW plant that will utilize 10 Wärtsilä dual-fuel generating sets *(see "MEA Breaks Ground on Dual-Fuel Plant," Solutions News Bulletin, Aug. 20, 2011)*. The Eklutna Generating Station is expected to come online in early 2015. Each of its generators, weighing 315 tons, must be transported individually along rail and roads to reach the 70-acre site northeast of Anchorage. The railcar being used for the move is the only in the country capable of hauling the massive generators.

5. Homer Electric Association (HEA), Homer
HEA, a 100-percent CFC borrower, is working to expand its current generation assets: the 40-MW Nikiski Generation Plant, the 14-MW Bradley Lake Hydroelectric Plant and the 67.5-MW Bernice Lake Power Plant. Through its NCSC-supported Independent Light Initiative, HEA is converting the Nikiski plant to a combined-cycle facility with an increased capacity of 80 MW. A second Independent Light project involves the repowering of the Soldotna Power Plant, which, when upgraded with a 48-MW simple-cycle natural gas turbine, will serve as peaking generation. It and the Nikiski project are scheduled to be online by Jan. 1, 2014.

6. Political Action in the State, Anchorage
At a Commonwealth North luncheon co-sponsored by CFC, NRECA recently presented Sen. Lisa Murkowski with its Distinguished Service Award for her longstanding support of electric cooperatives. Murkowski was nominated for the award by AVEC's Kohler and Marilyn Leland, executive director of the Alaska Power Association. Murkowski has consistently called into question proposed air regulations' effects on electric grid reliability, and recently cosponsored legislation to provide electric cooperatives with more flexibility in offering pension benefit plans.

7. Golden Valley Electric Association (GVEA), Fairbanks
GVEA is currently working with CFC on the roughly $45 million purchase of a 50-MW coal-fired power plant. The plant was built in the late 1990s with pollution-control systems that were new at the time, although GVEA plans to invest an additional $50 million to $80 million in emissions control system upgrades. The plant, which will be named Healy Unit 2, is expected to come online in early 2015.

EYES ON THE ECONOMY

Pace of Construction Spending Rebounds

In July, the Commerce Department reported that construction spending rose 0.6 percent to an annualized rate of $900.8 billion—the highest since June 2009. Private construction spending climbed 0.9 percent to $631.4 billion, whereas public construction spending shed 0.3 percent to $269.4 billion. Private residential construction spending, a component of private spending, surged by 17.2 percent since July of last year due to strong demand for single-family and multifamily homes. Spending on utility and power structures, which is part of private nonresidential construction spending, has climbed 5 percent since July 2012.

Public construction spending continues to drag on growth, as governments at all levels are making due with reduced tax revenue and the need to balance the limited funds between multiple outlays. Construction spending has been led higher by strong gains in private residential construction spending. Since July 2012, private nonresidential spending has increased by only 2 percent, whereas public spending has fallen by 3.7 percent.

New-Home Sales Disappoint

New-home sales for July missed expectations considerably, posting in an annual rate of 394,000 units—13.4 percent below the downwardly revised June rate of 455,000 and only 6.8 percent higher than estimated July 2012 sales. The deceleration caused the supply of homes to rise from a revised 4.3 months in June to 5.2 months in July. The median price rose by 8.3 percent to $254,000.

The main factor affecting all home sales is the current rise in mortgage interest rates, along with increasing house prices across the nation. Even though the share of households planning to buy a home in the next six months is near an all-time high, as measured by the Conference Board, this latest release might signal that many lack the financial wherewithal. If the labor market continues to add 200,000 jobs per month, housing demand should continues to build momentum, and new-home sales likely will rise to 500,000 units this year.

Pending Home Sales Fall

The Pending Home Sales Index—a lead indicator for the housing market—fell 1.3 percent to 109.5 points in July, following the June decline of 0.4-percent to 110.9. Higher mortgage rates, more expensive homes and a very low supply of available homes on the market are causing would-be buyers to wait.

Although potential home sales have recently fallen, the broader trend points to a recovery. An index level of 100 coincides with record high contract activity, according to the National Association of Realtors, which took place beginning in 2001—the first year the data were analyzed. If the index remains above 100, the economy has a historically high level of home sale activity.

Leading Indicators Improve

The Conference Board's Leading Indicators Index increased 0.6 percent in July, following an unchanged reading in June. Eight of the 10 components increased, whereas only five of the 10 components posted gains in June. Trends that emerge in the leading indicators index generally foretell what may occur in the broader economy. The index was driven higher by the financial components, increased new orders for manufactured goods, higher building permits and fewer jobless claims. Rising bond yields, higher equity prices and favorable credit conditions boosted the financial measures.

Several subcomponents of the July index—financial and nonfinancial—indicated positive momentum may be developing. Domestically, more employed citizens with faster income growth should propel the recovery. Globally, as Europe and the faster growing emerging markets recover from recession and slow growth, the U.S. economy also may benefit.

Personal Income Slumps in July

Personal income growth slumped in July, growing 0.1 percent after 0.3-percent rise in the prior two months. The recent decline was attributed to a 0.3-percent drop in wage income. Income growth was led by surging dividend income, with rental income also up, although employment income is the major influence in consumers' personal income overall. Wage and salary income was upwardly revised to $10.7 billion for the first quarter, reducing the size of the decline in income.

Consumer spending rose 0.1 percent in July. The growth was led by nondurable goods, which gained 0.9

percent. Spending on durable goods fell 0.2 percent, and service spending was essentially unchanged. Although still relatively weak, consumer spending growth continues to outpace income growth, supported by pent-up demand and positive wealth effects from increasing home and stock prices.

FINANCIAL FEATURE

U.S. Housing: Is Positive Momentum a Mirage?

By John Suter, Vice President, Capital Market Research and Development

Housing demand is governed by the growth of gross domestic product (GDP) and credit availability. Both of these economic underpinnings were severely hit during the last economic recession, which lasted 18 months. In fact, housing prices were estimated to have fallen almost 33 percent since the beginning of the crisis.

Lately, the economy has seen positive momentum in the housing market even though the monthly statistics covering the different form of housing measures are often mixed from month to month. For example, the latest reading for new-home sales, housing starts and pending home sales were all down for July compared with existing-home sales, which rose 6.5 percent and exceeded analysts' expectations. Home prices appear to be on the rebound given that GDP has picked up, credit availability is improving and there is less supply of available homes for sale on the market. In fact, a balanced amount of market supply of homes is around six months historically, and recently, that number has fallen below this threshold to 5.2 months of inventory as of July.

There are still headwinds, however, that may result in a much slower housing recovery than expected. A good example is home foreclosures, which have tended to vary depending on what part of the country you are analyzing. Between January and June, Maryland went from having one of the lowest foreclosure rates in the nation to the third highest as banks have worked their way through a backlog of delinquent loans. Maryland is not the only state suffering. Nevada, Florida, Michigan and Georgia also are feeling the foreclosure pain. Foreclosures are particularly bad because they increase the supply of home inventory on the market, dampening housing values. It was estimated that the percentage of homes underwater rose to a high of 29 percent during the fourth quarter of 2009, so another round of foreclosures is going to have a negative impact on home values and homeowner equity.

Adding to this dilemma is the rule-of-thumb that to have a sustainable economic recovery, the United States must have a robust housing market. To achieve this, the labor market needs to be stronger to keep this momentum from petering out. The U.S. Census Bureau recently reported the rapid 33-percent rise in the number of homes with at least one unemployed parent since before the recession began. There are many areas within the country that have been hit much harder by the recession, combined with a rising number of long-term unemployed workers. The combination is the root cause of many home foreclosures, which affect both GDP and credit availability.

Until potential home owners have more jobs, rising wages and the ability to afford a mortgage from a bank that will lend to them, the housing recovery is going to be slow.

We value your feedback; please share your thoughts!
If you would prefer not to receive e-mails like this, please click here.

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Nicholas R. Castlen

From: CFCSolutions@nrucfc.mmsend.com on behalf of CFCSolutions@nrucfc.coop
Sent: Monday, September 09, 2013 9:43 AM
To: Nicholas R. Castlen
Subject: CFC Solutions | CFC, Federated, NRCO Launch Solar Program

September 9, 2013 | Vol. 15, No. 33

CFC: Created and Owned by America's Electric Cooperative Network

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The latest issue of CFC's Solutions News Bulletin is now available online.

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This week's issue includes the following headlines:

- CFC, Federated, NRCO Launch Community Solar Program
- CFC Seeks Feedback from Member-Owners
- SMEC Co-ops Acquire Alliant Assets
- Renewable Investments Drop In 2012
- EYES ON THE ECONOMY: Existing Home Sales Surprise in July
- FINANCIAL FEATURE: Long-Term Rates Remain Out of Fed Control

FY 2013 Patronage Capital Distribution
The CFC Board of Directors has approved retirement of patronage capital to members for the 34th straight calendar year. With this retirement, CFC will have returned nearly $1.5 billion to its members since 1980. Information on member cooperatives' individual patronage capital distribution amounts is now available on the CFC Extranet. Members will be able to select their preferred method for disbursement through Sept. 18.

Patronage capital packets, including CFC Patronage Capital Certificates, will be mailed the week of Sept. 30. Please contact your regional vice president or associate vice president with any questions concerning your system's patronage capital for FY 2013.

CFC, Federated, NRCO Launch Community Solar Program
CFC, Federated Rural Electric Insurance Exchange (Federated) and the National Renewables Cooperative Organization (NRCO) have launched a program that seeks to make solar photovoltaic generation more cost

effective for electric cooperatives and their members.

"This collaborative program will provide electric cooperatives with a streamlined process to develop solar energy projects in a mora cost-effective way," CFC CEO Sheldon C. Petersen said. "Our network has a history of working together to solve complex problems. This effort is another example of cooperation among cooperatives for the graater good, and CFC is proud to be a part of it."

The program was developed in the context of decreasing technology costs combined with tax incentives, which have contributed to the popularity and affordability of solar power among consumers. Taxable third-party solar vendors ara able to harness the benefits of investment tax credits and accelerated depreciation to deploy solar projects—incentives that nonprofit electric cooperatives cannot traditionally access.

"Our organizations will be able to provide an electric cooperative interasted in developing one or mora solar power projects with all of the essential services needed to do so," NRCO CEO Amadou Fall said. "Basic project concepts can be expanded and scaled up depending on the interast of cooperative memberships, and as more projects develop."

Through the initiative, NRCO will oversee program management and supporting marketing and legal documents. CFC will provide debt capital as needed for solar projects. Federated has committed up to $6 million as tax equity investment for initial solar projects.

"Our structura as an insurance exchange provides a unique opportunity to provide tax equity investment for initial projects under this program," Federated CEO Phil Irwin said. "We ara pleased to be able to provide this as a service to our members, helping to strengthen their systems and the communities they serve."

Electric cooperatives interasted in pursuing solar power options can contact CFC's Krishna Murthy (703-467-2743 or krishna.murthy@nrucfc.coop) or NRCO's Todd Bartling (317-344-7900 or todd.bartling@nrco.coop) for more information.

SIDEBAR: **Pathways to Solar Engagement**
A new raport raleased by CFC and the Solar Electric Power Association provides an overview evaluating solar power options within the cooperative business model. "Electric Cooperative Pathways to Solar Engagement" includes an overview of four potential "pathways"—purchased power, cooperative ownership, distributed generation at member sites and community solar— including associated challenges and opportunities, as well as applicable case studies and information on applicable mandates, rate design issues, integration issues and legal considerations.

The raport is available for CFC member-owners at www.nrucfc.coop; Log into the Member Website and click on the Library tab.

CFC Seeks Feedback from Member-Owners
CFC recently invited its member-owners to participate in its annual "Let's Connect" member survey. Invitations wera distributed last month via e-mail to electric cooperative CEOs, CFOs and directors, and all rasponses ara due by close of business on Friday, Sept. 13.

"CFC works hard to stay connected to our member-owners—their input is vital to our long-term success," said Rich Larochelle, CFC senior vice prasident, Corporate Relations.

This year's Let's Connect survey provides an opportunity to offer input on a variety of operational issues of importance to CFC and its member-owners. The survey should take about 30 minutes to complete, although raspondents do not have to answer all questions at one time.

Participants will have the option to be included in two prize drawings. The grand-prize winner will be provided a round-trip airline ticket (up to $1,000) and up to thrae nights at the Hilton San Diego Bayfront for CFC Forum 2014. The first-prize winner will be provided up to three nights at the Hilton San Diego Bayfront for CFC

Forum 2014.

For questions about the survey, or if you are a cooperative CEO, CFO or director and did not receive the survey invitation, please contact CFC's Laurie Greene at laurie.graene@nrucfc.coop.

SMEC Co-ops Acquire Alliant Assets
Southern Minnesota Energy Cooperative (SMEC), the operating entity of 12 neighboring electric distribution cooperatives serving southern Minnesota, has signed a definitive agreement to acquira electric service territory from investor-owned utility Alliant Energy. The acquisition will add approximately 43,000 electric accounts to the systems of the 12 SMEC member cooperatives, which combined currently serve nearly 135,000 members.

"This acquisition will give SMEC's 12 member cooperatives new economies of scale to spread our fixed costs over mora member-owners," said Brian Krambeer, SMEC spokesperson and president and CEO of Rushford, Minn.-based Tri-County Electric Cooperative. "Keeping rates stable is mora challenging these days with the cost of environmental compliance, integrating renewables, declining energy sales and general inflation affecting our rates. This acquisition is the single-biggest positive action we can take to offset a portion of these cost prassures."

Alliant Energy's Minnesota natural gas business will be sold to Minnesota Energy Resources Corporation, a subsidiary of Integrys Energy Group, Inc. The combined sales price of the electric and natural gas assets is approximately $128 million, subject to customary closing adjustments. CFC provided bridge financing for SMEC's portion of the acquisition.

SMEC was formed as the single point of contact for the purchase. Its member cooperatives are BENCO Electric Cooperative, Brown County Rural Electrical Association, Federated Rural Electric, Fraebom-Mower Cooperative Services, Minnesota Valley Electric Cooperative, Nobles Cooperative Electric, People's Energy Cooperative, Redwood Electric Cooperative, Sioux Valley Energy, South Central Electric Association, Steele-Waseca Cooperative Electric and Tri-County Electric Cooperative.

"SMEC was created by the 12 cooperatives to be a single point of contact in dealing with Alliant, working with the Minnesota Public Utilities commission," BENCO General Manager Wade Hensel said. "We wanted to have a single point of contact because it would be too difficult to complete such a transaction with so many parties involved."

Alliant Energy will continue to operate its electric generation facilities in Minnesota. The electric sales agraement includes a 10-year purchased power agraement between SMEC and Alliant Energy's Iowa electric utility.

"Our Minnesota customers will be part of utilities with a significant, longstanding presence in the state," said Tom Aller, president of Alliant Energy's Minnesota and Iowa utility. "We would expect long-term customer benefits from the efficiencies achieved by combining our customer base with those of the purchasing utilities."

The transaction—contingent upon regulatory approval—is expected to close next year.

Renewable Investments Drop in 2012
U.S. Renewables energy projects accounted for nearly 50 percent of generation capacity additions last year, according to a raport from Ernst & Young. Although generation additions wera up—with more than 13 GW of wind capacity and 3.3 GW of solar capacity added—the total annual investment dropped.

"While overall U.S. investment in clean energy is down, it's still ahead of annual investment from prior years," said Michael Bernier, Ernst & Young senior manager, National Tax. "The $44.2 billion invested is not representative of the industry's true expansion. Solar technology, for example, is increasingly cost effective. As prices fall, the initial investment goes a lot further; $1 billion installs a lot mora solar than it did five years ago."

For example, the cost of utility-scale photovoltaic generation—supported by government subsidies and mandates—currently averages close to $2 per watt installed, according to the Solar Electric Power Association. That represents a significant drop from the average of approximately $8 per watt installed seven years ago, according to U.S. Department of Energy data.

States that led in 2012 overall renewable capacity additions were, in order, California, Hawaii, Texas, Colorado and Nevada.

Ernst & Young's latest U.S. Attractiveness Indices report, which scores renewable energy markets by state twice per year, is available at www.ey.com.

EYES ON THE ECONOMY

Existing Home Sales Surprise in July
Sales of existing homes rose 6.5 percent in July to 5.39 million units. Analysts had expected a much smaller increase from June's dip. Rising mortgage rates threatened the housing rally, although prospective home buyers seem to be taking them in stride. Headline inventory improved 5.6 percent in July, rising to 2.28 million homes, however months of available supply is unchanged from June at 5.1. The median home price fell for the first time since December 2012, falling to $213,500 from $214,000. On a year-ago basis, housing prices continued their upward trend advancing from 13.3 percent in June to 13.7 percent in July.

Existing home sales improved across the country with all regions reporting month-over-month increases of at least 5 percent. Distressed home sales as a percent of total sales remained steady at 15 percent, the lowest level since 2008. Rising mortgage rates remain the number one threat to the housing market in the short-term, with the debt ceiling deadline and its impact on consumer confidence also on the near-term horizon.

Durable Goods Orders Disappoint
New orders for durable manufactured goods plummeted in July, far surpassing analyst expectations for a modest decline. The headline number dropped 7.3 percent for the month, following a 3.9-percent gain in June and missing analyst expectations for a 4-percent drop. This was the largest decline since last August and snapped three consecutive months of gains. Durable goods orders, excluding the volatile transportation segment, declined 0.6 percent for the month.

The large drop in orders could indicate that business investment is softening. Over the next several months, orders and shipments will serve as an important barometer for the continuing recovery.

Home Prices Continue to Gain
In June, the S&P Case-Shiller Home Price Indices indicated that residential real estate prices continued to soar. Homes in the nation's 10 largest cities rose 11.9 percent since June of last year, while the 20 city index had climbed 12.1 percent year over year. From 52 weeks ago, regional gains range from 3.3 percent in New York to 24.9 percent in Las Vegas. However, prices remain below peak levels reached during 2005 and 2006. As of June, the 10- and 20-city indices are 23.4 and 22.7 percent below their June and July 2006 high-water marks, respectively. Month over month, the 10-city and 20-city indices increased by 1.1 and 0.9 percent, respectively.

Although mortgage rates have jumped from the 2012 all-time lows, the housing market continues to strengthen. High affordability, an improving labor market, and increasing income growth are encouraging consumers and investors to buy.

Consumer Confidence Improves
The Conference Board index of consumer confidence improved modestly in August, jumping from an upwardly revised reading of 81 points in July to 81.5 for the month. Analysts were expecting the index to drop slightly to 79 for the month. The most recent reading marked the first time since the first few months of the recession that the index has been above 80 for three consecutive months. Although the present conditions

component of the index dropped from 73.6 to 70.7, the gain in the expectations component from 86 to 88.7 leading the headline number higher.

Consumers had mixed thoughts on the labor market, as the number of respondents who felt jobs are plentiful fell, although the percentage of surveyed individuals who expected future income to increase jumped for the month. The employment numbers and condition of the housing market could play a large part in the consumer confidence during the remainder of the year, as these two indicators are sure to stay in the headlines.

GDP Revised Upwards
The pace of second quarter gross domestic product (GDP) growth was revised upward by 0.8 percent to a seasonally annualized rate 2.5 percent. Economists were expecting an upward revision, although the report exceeded the median estimate of Bloomberg economists of 2.2 percent. Second-quarter growth was driven by fixed investment and consumer spending.

As the worst of the fiscal cuts have past, the government spending dreg is declining. An improving residential housing market and greater investments by business may help accelerate growth. Bloomberg's survey of contributors forecast that GDP growth in the third and fourth quarters will grow by 2.3 and 2.6 percent, respectively.

FINANCIAL FEATURE
Long-Term Rates Remain Out of Fed Control
By John Suter, Vice President, Capital Market Research and Development

The U.S. Federal Reserve has a dual strategy of promoting full employment and price stability—an often difficult task. Since the end of the economic recession in June 2009, a slow growing labor market, as opposed to inflation, has been the core problem. Currently, 2013 real gross domestic product is averaging just slightly over 2 percent, compared with the long-term potential of 3.2 percent.

The Fed is trying to close this recessionary gap and return real GDP to potential GDP through accommodative monetary policy. While short-term and long-term rates have remained low for quite some time, recent talks of the Fed tapering its monetary stimulus plan has caused more volatility and greater divergence between the Fed's ability to control both short and long-term rates.

The Fed lowered the Fed Funds rate to 0.25 percent back in 2008—down from the presumed "neutral" Fed Funds rate of 4 percent—to keep the economy from falling deeper into recession. Five years later we have not seen shot-term rates normalize, with projections to remain low for the rest of the year. The real concern is how to begin raising the Fed funds rate back to neutral without causing a drag on economic growth, with a market that has become accustomed to very low short-term rates.

The Fed definitely controls the short end of the yield curve; it is the exit strategy that has all market participants worried. This month's Federal Open Market Committee meeting is bound to shed additional light on what current Fed thinking is on whether to taper or remain consistent for now. Conversely, the Fed does not control the long-end of the yield curve, and long-term rates have recently risen significantly.

Between May and August, the 10-year Treasury has jumped more than 119 basis points, from 1.63 percent to 2.82 percent on Aug. 23 (see chart). Long-term rates are more a function of real GDP growth and inflation rather than current Fed policy. But how much further can bond yields go before the Fed decides to adjust the Federal Funds rate upwards? The 10-year Treasury yield is already 257 bps higher than the current Fed Funds rate of 0.25 percent.

Usually, higher bond yields signal a reaction to greater GDP growth or additional inflation, but neither seems to be a current threat in this recovery. The Fed does not want long-term rates to rise given the negative impact on the economy, but as we have seen, the Fed does not control long-term rates. Higher yields could be a reason for the Fed to delay tapering its monetary stimulus in September.

We value your feedback; please share your thoughts!
If you would prefer not to receive e-mails like this, please click here.

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Nicholas R. Castlen

From: Darrius Vaughn
Sent: Thursday, January 02, 2014 1:42 PM
To: Nicholas R. Castlen
Subject: FW: Amendment to Letter of Credit for Big Rivers
Attachments: KY062-H-5102-012 Signed Amendment.pdf

-----Original Message-----
From: Darrius Vaughn
Sent: Thursday, January 02, 2014 11:11 AM
To: 'Dan Lyzinski'
Subject: RE: Amendment to Letter of Credit for Big Rivers

Here is the signed copy you requested.

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Thursday, January 02, 2014 11:01 AM
To: Billie Richert; Darrius Vaughn
Cc: Thomas Hall
Subject: Re: Amendment to Letter of Credit for Big Rivers

NJR has signed off on the amendment this morning. If you can sign and pdf a copy back to me, we will distribute the completed letter of credit amendment to all parties?

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Darrius.Vaughn@bigrivers.com, Billie.Richert@bigrivers.com, Thomas Hall/CFC
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|Amendment to Letter of Credit for Big Rivers |
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Attached is a pdf copy of an amendment to the letter of credit issued to NJR Service Corporation on behalf of Big Rivers Electric Corporation. The original will be sent to your attention for delivery on Thursday, Jan. 2.
Please let me know if you have any questions.

Thanks and Happy New Year!

(See attached file: KY062-H-5102-012 Amendment #1.PDF)

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
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Ph.: (703) 467-2741
Fax: (703) 467-S6S3

Nicholas R. Castlen

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Thursday, January 02, 2014 11:13 AM
To: Billie Richert
Cc: Darrius Vaughn; Donna Windhaus; Nicholas R. Castlen; Thomas Hall
Subject: RE: Amendment to Letter of Credit for Big Rivers

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Billie Richert <Billie.Richert@bigrivers.com> |
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| To: |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>, Darrius Vaughn <Darrius.Vaughn@bigrivers.com>
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|Thomas Hall <Thomas.Hall@nrucfc.coop>, Donna Windhaus <Donna.Windhaus@bigrivers.com>, "Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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|01/02/2014 12:03 PM |
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|RE: Amendment to Letter of Credit for Big Rivers |
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Dan,
Good morning. Darrius will see this gets done.

Thanks,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

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-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Thursday, January 02, 2014 11:01 AM
To: Billie Richert; Darrius Vaughn
Cc: Thomas Hall
Subject: Re: Amendment to Letter of Credit for Big Rivers

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Dan Lyzinski

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|Dan Lyzinski/CFC
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|Darrius.Vaughn@bigrivers.com, Billie.Richert@bigrivers.com, Thomas Hall/CFC
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|Amendment to Letter of Credit for Big Rivers
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Nicholas R. Castlen

From:	Billie Richert
Sent:	Thursday, January 02, 2014 11:03 AM
To:	Dan Lyzinski; Darrius Vaughn
Cc:	Thomas Hall; Donna Windhaus; Nicholas R. Castlen
Subject:	RE: Amendment to Letter of Credit for Big Rivers
Follow Up Flag:	Follow up
Flag Status:	Completed

Dan,
Good morning. Darrius will see this gets done.

Thanks,

Billie Richert, CPA, CITP
VP Accounting, Rates and CFO
Big Rivers Electric Corporation
201 Third Street
Henderson, KY 42420

Corporate: (270) 827-2561
Office Direct: (270) 844-6190
Mobile: (270) 577-6221

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Thursday, January 02, 2014 11:01 AM
To: Billie Richert; Darrius Vaughn
Cc: Thomas Hall
Subject: Re: Amendment to Letter of Credit for Big Rivers

NJR has signed off on the amendment this morning. If you can sign and pdf a copy back to me, we will distribute the completed letter of credit amendment to all parties?

Thanks,

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Dan Lyzinski/CFC |
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| To: |
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|kodea@njresources.com |
>--|
|------------>
| Cc: |
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>--|
|Darrius.Vaughn@bigrivers.com, Billie.Richert@bigrivers.com, Thomas Hall/CFC
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|------------>
| Date: |
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|12/31/2013 10:17 AM |
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| Subject: |
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|Amendment to Letter of Credit for Big Rivers |
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Attached is a pdf copy of an amendment to the letter of credit issued to NJR Service Corporation on behalf of Big Rivers Electric Corporation. The original will be sent to your attention for delivery on Thursday, Jan. 2.
Please let me know if you have any questions.

Thanks and Happy New Year!

(See attached file: KY062-H-5102-012 Amendment #1.PDF)

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Nicholas R. Castlen

From: Darrius Vaughn
Sent: Tuesday, December 31, 2013 9:19 AM
To: Donna Windhaus; Nicholas R. Castlen
Subject: FW: Amendment to Letter of Credit for Big Rivers
Attachments: KY062-H-5102-012 Amendment #1.PDF

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Tuesday, December 31, 2013 9:17 AM
To: kodea@njresources.com
Cc: Darrius Vaughn; Billie Richert; Thomas Hall
Subject: Amendment to Letter of Credit for Big Rivers

Attached is a pdf copy of an amendment to the letter of credit issued to NJR Service Corporation on behalf of Big Rivers Electric Corporation. The original will be sent to your attention for delivery on Thursday, Jan. 2.
Please let me know if you have any questions.

Thanks and Happy New Year!

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Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Wednesday, December 18, 2013 1:55 PM
To: 'Craig Freme'
Subject: RE: FW: CFC Discounts

Thanks Craig.

-----Original Message-----
From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Wednesday, December 18, 2013 12:55 PM
To: Nicholas R. Castlen
Subject: Re: FW: CFC Discounts

Nick,

I forgot to mention the spreadsheet compares what our accounting system, LA Pro, calculated, compared to the manual calculation. Let me know as you have questions. If a phone call is easy that works for me.

Craig

CFC: Created and Owned by America's Electric Cooperative Network

Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| To: |
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|"craig.freme@nrucfc.coop" <craig.freme@nrucfc.coop> |
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>
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| Date: |
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|12/18/2013 01:12 PM |
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| Subject: |
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|FW: CFC Discounts |
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Thanks Craig.

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Also, a couple questions:

1. How long will we continue to receive the performance discount and/or volume discount (e.g. throughout the life of the loan, for the next ## billing periods, or is it dependent upon CFC's financial results, etc.)?

2. Will the performance discount rate always be 0.125%, applied to the principal balance during the billing period, or will it change? If the rate changes, is there a pre-determined schedule for what the rate(s) will be in subsequent periods, or is it dependent on CFC's financial results or some other measurement?

3. What is the volume discount based on and what is the rate (once I get the spreadsheet, I can probably answer these myself)?

4. How long will the volume discount apply and will the volume discount rate change during future billing periods?

Thanks again for your help, and feel free to call me if it'd be easier to discuss any of these items over the phone.

Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420

Office: (270) 844-6141|Mobile: (270) 831-0981|Fax: (270) 844-6408 |Email:
nicholas.castien@bigrivers.com

-----Original Message-----
From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Wednesday, December 18, 2013 11:53 AM
To: Nicholas R. Castien
Subject: CFC Discounts

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Please let me know if you have questions regarding the calculations.

(See attached file: KY062 Performance Discount 12.18.13.xlsx)

In my research, I also see your cooperative is eligible for the Volume Discount effective 6/1/2013. Our accounting system is only able to calculate the volume discount from the current period of time forward, so a manual calculation was prepared and entered during December. You will see these figures on your February invoice. I have a spreadsheet another accountant put together detailing the calculation, but I didn't want to cause you confusion since you will not have an invoice to compare it to.
Though, if you need it, I can give you the total Volume discount KY062 has received for the period 6/1 - 1/1/14.

Please let me know your thoughts and if there is anything more I can do to assist you.

Best Regards,
Craig

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Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

(See attached file: KY062 Performance Discount 12.18.13.xlsx)

person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Wednesday, December 18, 2013 1:53 PM
To: 'Dan Lyzinski'
Subject: RE: FW: CFC Discounts

Thanks Dan.

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Wednesday, December 18, 2013 12:57 PM
To: Craig Freme
Cc: Billie Richert; Donna Windhaus; Nicholas R. Castlen; Thomas Hall
Subject: Re: FW: CFC Discounts

Nick,

Big Rivers will be eligible to interest rate discount as long as Big Rivers achieves an average MDSC of 1.15 over 2 of the last 3 years. This test is determined each year. Currently, Big Rivers qualifies for the discounts.

Let us know if you have any further questions.

Thanks,

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Dan Lyzinski

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Fax: (703) 467-5653

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|Craig Freme/CFC |
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| To: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| Cc: |
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>--|
|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>, Dan Lyzinski/CFC@CFC |
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| Date: |
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>--|
|12/18/2013 01:42 PM |
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|----------->
| Subject: |
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|Re: FW: CFC Discounts |
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The volume discount can be an amount up to 0.125% and may change with the change in loan volume you have with CFC. The discount you are eligible for is applied to the principal balance during the billing period. After you look through the spreadsheet, you will be able to see this.

Dan and I are happy to work together to answer all of your questions. Take time to review the spreadsheet and let us know what questions you have.

Craig

[attachment "KY062 Volume Disc 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]

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Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
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Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

From: "Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com>

To: "craig.freme@nrucfc.coop" <craig.freme@nrucfc.coop>

Cc: Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>

Date: 12/18/2013 01:12 PM

Subject: FW: CFC Discounts

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Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

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Please let me know your thoughts and if there is anything more I can do to assist you.

Best Regards,
Craig

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Fax: (703) 467-3934

(attachment "KY062 Performance Discount 12.18.13.xlsx" deleted by Dan Lyzinski/CFC)

Nicholas R. Castlen

From:	Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent:	Wednesday, December 18, 2013 12:57 PM
To:	Craig Freme
Cc:	Billie Richert; Donna Windhaus; Nicholas R. Castlen; Thomas Hall
Subject:	Re: FW: CFC Discounts
Follow Up Flag:	Follow up
Flag Status:	Completed
Categories:	Red Category

Nick,

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Dan Lyzinski

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Ph.: (703) 467-2741
Fax: (703) 467-5653

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|Craig Freme/CFC |
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| To: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>, Dan Lyzinski/CFC@CFC |
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|12/18/2013 01:42 PM |
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[attachment "KY062 Volume Disc 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]

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Lead Loan Accountant

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20701 Cooperative Way
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Office: (703) 467-1738 or toll-free (800) 424-2954
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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| To: |
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|"craig.freme@nrucfc.coop" <craig.freme@nrucfc.coop> |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>
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Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

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To: Nicholas R. Castlen
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Best Regards,
Craig

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Craig Freme
Lead Loan Accountant

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[attachment "KY062 Performance Discount 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]

Nicholas R. Castlen

From: Craig Freme <craig.freme@nrucfc.coop>
Sent: Wednesday, December 18, 2013 12:55 PM
To: Nicholas R. Castlen
Subject: Re: FW: CFC Discounts
Attachments: KY062 Performance Discount 12.18.13.xlsx

Follow Up Flag: Follow up
Flag Status: Completed

Categories: Red Category

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Craig

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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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|"craig.freme@nrucfc.coop" <craig.freme@nrucfc.coop> |
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>
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Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

(See attached file: KY062 Performance Discount 12.18.13.xlsx) This may contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Nicholas R. Castlen

From: Craig Freme <craig.freme@nrucfc.coop>
Sent: Wednesday, December 18, 2013 12:42 PM
To: Nicholas R. Castlen
Cc: Billie Richert; Donna Windhaus; Dan Lyzinski
Subject: Re: FW: CFC Discounts
Attachments: KY062 Volume Disc 12.18.13.xlsx; KY062 Performance Discount 12.18.13.xlsx

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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>
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1. How long will we continue to receive the performance discount and/or volume discount (e.g. throughout the life of the loan, for the next ## billing periods, or is it dependent upon CFC's financial results, etc.)?

2. Will the performance discount rate always be 0.125%, applied to the principal balance during the billing period, or will it change? If the rate changes, is there a pre-determined schedule for what the rate(s) will be in subsequent periods, or is it dependent on CFC's financial results or some other measurement?

3. What is the volume discount based on and what is the rate (once I get the spreadsheet, I can probably answer these myself)?

4. How long will the volume discount apply and will the volume discount rate change during future billing periods?

Thanks again for your help, and feel free to call me if it'd be easier to discuss any of these items over the phone.

Nick.

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

-----Original Message-----
From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Wednesday, December 18, 2013 11:53 AM
To: Nicholas R. Castlen
Subject: CFC Discounts

Dear Nick,

Attached is a simple spreadsheet detailing the supporting calculation for the first two loans on the November 2013 Invoice. Please note the Prior Accrual Adjustment amount on the invoice is the total of the discount for June, July and August. The total in the Performance Discount field is the discount for the current billing period, September, October and November.
Please let me know if you have questions regarding the calculations.

(See attached file: KY062 Performance Discount 12.18.13.xlsx)

In my research, I also see your cooperative is eligible for the Volume Discount effective 6/1/2013. Our accounting system is only able to calculate the volume discount from the current period of time forward, so a manual calculation was prepared and entered during December. You will see these figures on your February invoice. I have a spreadsheet another accountant put together detailing the calculation, but I didn't want to cause you confusion since you will not have an invoice to compare it to.
Though, if you need it, I can give you the total Volume discount KY062 has received for the period 6/1 - 1/1/14.

Please let me know your thoughts and if there is anything more I can do to assist you.

Best Regards,
Craig

CFC: Created and Owned by America's Electric Cooperative Network

Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954

Fax: (703) 467-3934

(See attached file: KY062 Performance Discount 12.18.13.xlsx) This may contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Wednesday, December 18, 2013 12:12 PM
To: craig.freme@nrucfc.coop
Cc: Billie Richert; Donna Windhaus
Subject: FW: CFC Discounts
Attachments: KY062 Performance Discount 12.18.13.xlsx

Thanks Craig.

Can you go ahead and send me the volume discount spreadsheet also, or have the accountant who prepared it send it to me. I'd like to see how the volume discount is calculated and ensure that we properly accrue for those amounts in 2013 as well.

Also, a couple questions:

1. How long will we continue to receive the performance discount and/or volume discount (e.g. throughout the life of the loan, for the next ## billing periods, or is it dependent upon CFC's financial results, etc.)?

2. Will the performance discount rate always be 0.125%, applied to the principal balance during the billing period, or will it change? If the rate changes, is there a pre-determined schedule for what the rate(s) will be in subsequent periods, or is it dependent on CFC's financial results or some other measurement?

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Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

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Please let me know your thoughts and if there is anything more I can do to assist you.

Best Regards,
Craig

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Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
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Office: (703) 467-1738 or toll-free (800) 424-2954
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Best Regards,
Craig

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Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

Nicholas R. Castlen

From: Rich Larochelle <fromthedeskofrichardlarochelle@nrucfc.coop>
Sent: Monday, December 16, 2013 10:32 AM
To: Nicholas R. Castlen
Subject: The CFC January Webinar: Improving Co-op Culture

If you are reading this on a mobile device, please view this e-mail again when you return to your office so you can read all relevant information.

IMPROVING CO-OP CULTURE: THE ROLE OF THE MANAGEMENT TEAM

What one word would you use to describe the culture at your cooperative? Would it be Competent? Humble? Easy? Obsessive? If you are having problems coming up with just the right word, don't feel bad. Many in the business world have the same dilemma—they can't describe their culture but they certainly see the aftermath when key elements are missing.

During the January segment of the CFC Financial Webinar series, our guests will show us through words, slides and exercises what culture at a cooperative is all about and how being without a positive culture can mean more than poor morale, it also can mean unengaged employees and dissatisfied members. The goal of this session is to help the co-op management team describe their current corporate culture and define their role in the care and feeding of that culture. On January 16, we will move to the next level and describe to board members what their responsibility is when it comes to not only encouraging a corporate culture but also serving as a corporate role model! Here is the registration link:

IMPROVING CO-OP CULTURE

If you would like to learn more about the Continuing Professional Education (CPE) credits offered for the webinar series, visit the CFC Webinar Series web page.

The webinar is now available live through your iPad. Simply download the MOBILEMEETINGS App from the Apple App Store at least a day or two before the event. The App is free!

If you have any questions about the webinar or the registration process, e-mail Bill Clayton. I am sure he will be able to give you the answers you need.

Best regards,

Richard Larochelle
Senior Vice President
Corporate Relations

20701 Cooperative Way, Dulles, VA 20166

Nicholas R. Castlen

From: CFCSolutions@nrucfc.mmsend.com on behalf of CFCSolutions@nrucfc.coop
Sent: Monday, December 09, 2013 11:19 AM
To: Nicholas R. Castlen
Subject: CFC Solutions | Larochelle Announces Retirement from CFC

December 9, 2013 | Vol. 15, No. 45

CFC: Created and Owned by America's Electric Cooperative Network

The latest issue of CFC's Solutions News Bulletin is now available online.

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This week's issue includes the following headlines:

- Moody's Affirms CFC's 'Stable' Outlook and Debt Ratings
- Larochelle Announces Retirement from CFC
- ANEC Serves Coastal Spaceport
- EIA: Natural Gas Prices Inch Up
- EYES ON THE ECONOMY: Retail Sales Gain Despite Shutdown
- FINANCIAL FEATURE: When Indices Fail To Characterize Industry Trends
- IN BRIEF: Top Websites | Holiday LEDs

Moody's Affirms CFC's 'Stable' Outlook and Debt Ratings
Moody's Investors Service recently maintained CFC's "stable" outlook and affirmed its debt ratings (see table). The credit rating agency considered CFC's electric cooperative-focused loan portfolio, its market position and its diversity of funding sources in issuing the credit opinion.

"The A2 senior unsecured debt rating of [CFC] reflects its consistently high quality asset portfolio and its unique market position as the dominant lender to electric distribution cooperatives," Moody's said in its assessment.

At the close of the first quarter of FY 2014, nearly 98 percent of CFC's $20.4 billion in gross loans to members were to rural electric systems. Of that, $15.1 billion in loans were to rural electric distribution cooperatives.

"We view the electric distribution segment, [CFC's] principal lending market, to be among the least volatile across the electric sector," Moody's said. "The resiliency demonstrated by [CFC's] members through the recession period several years ago, continues today as many of them are showing steady, albeit gradual signs of growth."

Member investments in CFC, including through the Member Capital Securities program (see "CFC Offers New Member Capital Securities," Solutions News Bulletin, Oct. 21, 2013), also were cited as a credit positive in the assessment. Member investments totaled $4.3 billion, or 21 percent, of CFC's funding at Aug. 31, 2013.

Moody's full assessment can be found on CFC's website, www.nrucfc.coop, under the Investor Relations tab.

The ratings discussed have the meanings assigned to them by the rating agency and are not recommendations to buy, sell or hold securities. They are subject to revision at any time by Moody's Investors Service.

Larochelle Announces Retirement from CFC

CFC Senior Vice President, Corporate Relations, Rich Larochelle has announced he will retire, effective Dec. 31, 2013. Through roles at the Rural Electrification Administration (REA), NRECA and CFC, Larochelle has served the electric cooperative network for four decades.

"I think it's safe to say that Rich is the kind of guy that really has never had a 'job' or even a 'career'—Rich has been on a mission for the last 40 years, and that mission has all been focused on the electric cooperative program," CFC CEO Sheldon C. Petersen said.

Larochelle began his work with electric cooperatives as a program analyst at REA, where he worked on policy analysis, loan writing and retail rate analysis. He also worked for the U.S. Department of Agriculture's (USDA) former Farmers Home Administration.

In 1984 Larochelle joined NRECA as an economic and policy analyst, later moving on to NRECA's legislative team and to serve as the association's legislative director.

Larochelle joined CFC in 1996 as director of corporate relations. Two years later he became senior vice president of corporate relations, responsible for corporate communications, regulatory affairs and industry data analysis. He also served as CFC's liaison with several government agencies, trade associations and membership groups.

"It's been my privilege to work with and for a number of wonderful cooperative leaders," Larochelle said. "Most particularly, I am grateful for Sheldon's inspirational leadership, under whose direction CFC is a members-first and thoroughly co-op centric organization."

Larochelle was a key driver in developing new funding sources for CFC and its members, including through USDA's Guaranteed Underwriter Program and the inclusion of rural utility loans as part of Farmer Mac's program purpose.

He also played an integral role in several electric cooperative acquisitions of investor-owned utility territory, particularly in facilitating a community-led effort to create Lihue, Hawaii-based Kaua'i Island Electric Cooperative, the state's first electric cooperative.

"Rich's passion is to make co-ops successful," said John List, CFC senior vice president, Member Services. "He uses his energy and talents to solve challenges and create opportunities. Throughout his career, Rich interacted with uncountable CEOs, CFOs, key staff and directors to make co-ops better."

Larochelle currently serves on the boards of directors of the National Cooperative Business Association and the Cooperative Development Foundation. He received a 2005 President's Award from the National Rural Economic Developers Association in recognition of his dedication and leadership to rural America.

"It's been enormously enjoyable to work for the electric cooperative network for the past 40 years," Larochelle said. "I don't think there are better, more dedicated or more down to earth people anywhere in the world than those who work for electric cooperatives and the organizations created and owned by them."

"Rich's work at CFC has been nothing short of remarkable. CFC and our members will continue to benefit from that work for years to come" Petersen said. "He will be missed, but we wish him all the best in a well-deserved retirement."

SIDEBAR: A Tribute to Rich Larochelle
CFC has created a tribute page on Facebook for those wishing to send Rich into retirement with a parting message. Facebook users cen "Like" the page, as well as post messages, photos and videos, at www.facebook.com/RLRetirement.

ANEC Serves Coastal Spaceport
Late last month, a U.S. military rocket cerrying an historic payload of satellites streaked across the Virginian sky. Its journey started at NASA's Wallops Flight Facility along the Atlantic coast—a spaceport powered by the Tasley, Va.-based A&N Electric Cooperative (ANEC).

The NASA facility was established in 1945 and has been the site of more than 16,000 rocket launches. ANEC began serving the facility in 2008 following its $40 million acquisition of investor-owned utility Delmarva Power's service territory on Virginia's Eastern Shore. The addition brought 22,000 members onto the cooperative's lines.

"CFC was instrumental in that transaction, providing us with bridge financing to make the transaction viable," ANEC President and CEO Dodd Obenshain said.

The November launch included a payload of 29 satellites—the most ever aboard a U.S. rocket—including 11 small research satellites developed by college and high school students. Traffic out of the spaceport is relatively steady, and a NASA partnership with the Virginia Commercial Space Flight Authority led to the creation of the Mid-Atlantic Regional Spaceport at the same site in the late 1990s. NASA expects commercial launch activity to increase in coming years.

The spaceport has two large power accounts for a combined 8-MW load and has presented ANEC with some unique requirements.

"The launches depend on reliable power, so we rebuilt some components of the Wallops substation such as relays and regulators—we also maintain power monitoring equipment for this facility," Obenshain said.

Additionally, the large craft moved into the spaceport for launch require additional clearance for overhead lines.

"Working with both our county and state governments, we raised our facilities along a roadway for approximately 2.5 miles to clear the way for spacecraft to pass while being transported," Obenshain said. "After raising our facilities, we were on-site while the first rocket was being transported to the facility to ensure clearance (see photo in full online and PDF versions)."

ANEC provides service to nearly 35,000 members across two counties on Virginia's Eastern Shore, as well as Smith Island in Maryland. More information is available at www.anec.com.

EIA: Natural Gas Prices Inch Up
In September, spot prices for natural gas surpassed the price of Central Appalachian coal for the first time in four months, according to U.S. Energy Information Administration (EIA) data. The comparison was made on a cost-per-MWh basis, a top-level means of accounting for differences in heat rates among generation types.

Natural gas prices at the Henry Hub, a benchmark measure for natural gas prices nationwide, reached an average $3.72 per million Btu (or equivalent to $29.81 per MWh) in September, a 26-percent increase from September of 2012. The price of Central Appalachian coal averaged $28.32 per MWh during the same month. As a comparison, the price of Powder River Basin coal averaged $4.79 per MWh for the month.

Due to the September shift in fuel prices, generation from natural gas for the month decreased in all regions but Texas, and coal-fired generation increased in all but the West and Northeast.

EYES ON THE ECONOMY

Retail Sales Gain Despite Shutdown
In October, retail sales grew by 0.4 percent, after remaining unchanged in September. The median estimate of Bloomberg-surveyed economists had called for a 0.1-percent increase. Overall sales growth was driven by stronger sales in sporting goods and hobby stores, clothing and accessories, electronics and appliances, and motor vehicles and parts. Declining sales at gasoline stations and building material retailers were a drag on the headline number. Year over year, retail sales have increased by 3.9 percent—up from 3.4 percent in September. Excluding auto sales, retail sales have increased by 2.4 percent since October of last year.

Although the federal government remained shuttered for the first half of October, this report reveals little evidence retail sales were affected. As we enter the holiday season, weak income gains and wavering consumer confidence may temper holiday shopping.

Home Prices Continue to Climb
The S&P Case Shiller Home Price Indices indicated that prices continued to gain in September across the 20 major metropolitan cities included in the survey. Both the 10- and 20-city surveys revealed that home prices have increased by 13.3 percent since September of last year.

Due to a tight inventory of homes available for sale and strong demand, prices have continued to climb. The pace of home sales, however, has slowed since the summer due to higher mortgage rates. As the labor market continues to improve and incomes increase, consumers will likely have a greater tolerance for higher mortgage rates and home prices.

Existing-Home Sales Come to Standstill
Existing-home sales, which is a lagging indicator of housing activity, fell to 5.12 million annualized units in October. Despite the slowing sales pace, months of inventory stand at five months – still an indication of a tight market. The slowdown was expected due to the multitude of headwinds the industry currently faces. Rising mortgage rates in the summer and declining consumer confidence in the fall have had a negative effect on homebuyers. Even so, economic fundamentals of the housing market are on solid footing and should improve over the next several quarters.

Recent job gains should certainly help the housing recovery. A better job market puts more discretionary spending in the hands of consumers and potentially opens the door for big-ticket purchases. Combine this with an improvement in overall household credit and lower mortgage delinquency rates, and the market is showing signs of strength.

Trade Deficit Widens in September
In September, the U.S. trade deficit increased from $38.7 billion to $41.8 billion. Exports fell $2.4 billion to $186.9 billion, while imports gained $2.7 billion to $230.7 billion. The goods deficit, which measures the balance between imports and exports, widened by $3 billion to $61.3 billion. Because the U.S. economy offers globally competitive services, the balance of service trade remained in surplus, but declined by $0.1 billion to $19.5 billion. September's trade data indicate that global demand remained soft, while U.S. demand was slightly stronger.

The strength of the U.S. dollar vis-à-vis our trading partners' currencies will continue to be influenced by the central bank monetary policy. If the Federal Reserve reduces policy accommodation, U.S. rates may increase, causing the U.S. dollar to gain. This would cheapen imports for Americans, while making U.S. goods more expensive for foreigners.

Empire State Manufacturing Contracts
Manufacturing conditions in New York slipped below the zero threshold to -2.2 in November, according to the N.Y. Fed's Empire State Survey. That marked an end to a six-month string of increases, and was down from 1.5 in October. November's results likely reflect some lingering responses to the partial government shutdown that occurred in the first half of October.

The Empire State Survey was weak largely due to the state's high dependency on defense contracting, which has taken a hit in recent months. For example, several rounds of layoffs at Lockheed Martin has substantially hurt the local economies of Syracuse and Binghamton. Looking ahead, other industries, such as high-tech, are going to have to make up the difference in order to keep the state's economy moving forward.

FINANCIAL FEATURE
When Indices Fail to Characterize Industry Trends
By John Suter, Vice President, Capital Markets Research & Analysis

Market indices are often derived to mimic actual economic data that is reported out on a monthly basis. Some indices are good approximations for economic trends while others are not very good at all. Take the housing industry, which is so important to an economy's turnaround following a recession. From 1980 to 2007, new-home construction and remodeling contributed on average 4.5 percent to U.S. gross domestic product (GDP). In fact, during the boom years of 2004?2006, it constituted an even greater amount, peaking at 6.3 percent of GDP in the last quarter of 2005. Once the housing bubble burst in 2007, new-home construction's share of GDP plummeted to 2.2 percent of GDP in the third quarter of 2011. The rebound and future health of the housing industry is especially important considering that it is a significant source of consumer wealth.

A number of indices measure the health of the housing industry, among them the U.S. Census Bureau's monthly new-home sales data and the S&P Homebuilders Exchange-Traded Fund (ETF)—the latter is often used as a proxy for the housing industry. Comparing the two reveals a disparity (see Chart 2 in full online and PDF versions). As Bloomberg BusinessWeek pointed out, if one follows the S&P Homebuilders ETF alone, the conclusion would be that the housing market has fully recovered from the 2008 crisis. And yet actual new-home sales have dropped by about 60 percent. How can this be?

Even though some individuals believe the index to be a good proxy, the different components that make up the index show why it is inaccurate in measuring the market overall (see Chart 1 in full online and PDF versions). The index is made up mostly of non-homebuilders. As a rule of thumb, when S&P develops an industry index, it often includes related companies to bolster liquidity. As in this case, all components that make up the index are highly correlated with the housing industry, but actually less than half the index deals with homebuilders. The other 56 percent comprises related home furnishings and utility systems.

Taken alone, the S&P Homebuilders ETF gives a false reading of how healthy the housing market truly is. Higher mortgage rates and softer housing demand are the prime culprits for slowing home sales, which affect homebuilders and the housing industry, but not necessarily related housing accessories.

IN BRIEF

Top Websites | The utility research group E Source recently ranked large electric and gas utility websites based on customer experience and usability scores. The aesthetics of sites showed improvement overall, and payment features also were enhanced over previous years, according to E Source. Among electric utilities, the top-ranked sites were: New Brunswick, Canada-based Énergie NB Power; Allentown, Pa.-based PPL Electric Utilities; and Charlotte, N.C.-based Duke Energy.

Holiday LEDs | Incandescent holiday lights are exempt from the federal regulation limiting other traditional bulbs, but this year their LED counterparts—more affordable than in the past—could make for stiff competition. The lights use roughly 80 percent less electricity than incandescent equivalents, and strands of holiday LEDs are now selling for around a dime per bulb, according to the Associated Press. Incandescent holiday lights typically sell for a few cents per bulb.

We value your feedback; please share your thoughts!
If you would prefer not to receive e-mails like this, please click here.

Scott Gates
Solutions Managing Editor
scott.gates@nrucfc.coop
Phone: 800-424-2954, x1652

Nicholas R. Castlen

From: CFCSolutions@nrucfc.mmsend.com on behalf of CFCSolutions@nrucfc.coop
Sent: Monday, November 25, 2013 8:58 AM
To: Nicholas R. Castlen
Subject: CFC Solutions | Washington Island EC Draws Support from CFC

November 25, 2013 | Vol. 15, No. 44

CFC: Created and Owned by America's Electric Cooperative Network

The latest issue of CFC's Solutions News Bulletin is now available online.

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- Washington Island EC Draws Support from CFC
- One Card Participants Receive $287K in Rebates
- CFC IBES 2013: Bush, Rendell Discuss Gridlock
- NOVEC Biomass Plant Comes Online
- EYES ON THE ECONOMY: Manufacturing Momentum Continues
- FINANCIAL FEATURE: Fed Survey Indicates Declining Demand for Mortgages
- IN BRIEF: CCS Funding

Happy Thanksgiving!
CFC offices will be closed on Thursday, Nov. 28, in observance of Thanksgiving Day, and Solutions News Bulletin will not publish next week as a result. We wish all of our member-owners a safe and happy holiday.

Washington Island EC Draws Support from CFC
Remote System Serves Small Wisconsin Island
Washington Island Electric Cooperative recently paid off outstanding debt with another lender, becoming CFC's newest 100-percent borrower. The cooperative serves 1,080 meters across a 36-square mile Wisconsin island in Lake Michigan, only accessible by ferry.

"A system of our size doesn't change much, although we do have improvement projects in the works," General Manager Robert Cornell said. "CFC's streamlined and clear-cut lending process is important to us."

Washington Island was initially powered by six diesel generators. In 1981, a 4.5-mile submarine cable was installed to draw purchased power from the mainland. Two more diesel generators have since been added as a system backup. The cooperative purchases power on an interruptible basis, running the generators when power is lost from the mainland.

The cooperative serves approximately 900 residential accounts (550 of which are seasonal) and 180 commercial accounts, with average daily load ranging from 1 to 1.5 MW. Members currently report their own meter readings, what Cornell calls the "first generation" of meter reading technology. An AMI system is planned, which will enable automated meter reading, online bill pay and a water heater load control program.

"The upgrade will bring real potential for cost savings by enabling us to trim the system's peak," Cornell said.

Washington Island Electric also maintains roughly 4 miles of fiber optic cable as part of what was originally a broadband over power lines (BPL) service. The BPL partner company is no longer in business, although the cooperative negotiated DSL Internet service with a mainland carrier, assisting in the installation of an additional 15 miles of fiber in order to bring service to all members.

"It was definitely a loss for the co-op and our members when our BPL provider went down, but we turned that into a positive for the community, and we're proud of that," Cornell said. "We take the co-op principle of 'concern for community' to heart."

Cornell, who was born and raised on the island, and three other employees work for the cooperative. An engineer by trade, Cornell works both inside the office and out, often working alongside the cooperative's two linemen in maintaining the system.

"I do think it makes the job easier when you have a hand in everything," he said.

One Card Participants Receive $287K in Rebates

Last week, eligible participants in the CFC and NCSC One Card corporate credit card program received a total of $287,642 in rebates, the highest total since the program began in 2001. Rebates were distributed to 202 electric cooperatives.

The One Card program is managed by U.S. Bank and provides a means for card holders to streamline purchasing and manage transactions. An additional benefit is an annual rebate based on the collective performance of cardholder accounts. The rebate is based on a minimum average transaction size of $100 and minimum annual charge volume of $10 million. This year's total charge volume exceeded $34 million.

"We use the One Card for all purchases when possible—including for system components and truck purchases," said Jan Kristjanson, controller at Wayne, Neb.-based Northeast Nebraska PPD. The PPD received a rebate of more than $32,000 this year. "The rebate will go back into our general fund, which helps keep our costs down and directly benefits our members."

U.S. Bank works proactively to keep One Card accounts secure (*see "One Card Program Defends Against Fraud," Solutions News Bulletin, July 1, 2013*). For example, one security option allows card holders to block international purchases.

"U.S. Bank contacted us regarding two suspicious charges to our account from Europe," said Roy Van Natter, senior contracts administrator at Seminole Electric Cooperative, the Tampa, Fla.-based G&T. "They were quick to resolve the matter, and we've since blocked international transactions as a precautionary measure."

Seminole Electric primarily uses the One Card program for support of its vehicle fleet. Each vehicle is issued a card to be used for fuel and maintenance charges.

The One Card program currently has 215 electric cooperative participants. To learn more about the program, or for questions regarding this year's rebate, contact Amy LaVigna at 800-732-1050 or onecard@nrucfc.coop.

CFC IBES 2013

Bush, Rendell Discuss Gridlock

At this year's CFC Independent Borrowers Executive Summit (IBES), former Florida Gov. Jeb Bush and former Pennsylvania Gov. Ed Rendell shared a candid bipartisan discussion about the current political climate and its effect on the energy industry. The discussion was moderated by Jack Reasor, president and CEO of Glen Allen, Va.-based Old Dominion Electric Cooperative.

The pair agreed that partisan gridlock is standing in the way of progress on several national issues, including fiscal and energy policy.

"I think it's a critical time for our country, both in Washington and in our state capitals," Rendell said. "We have seen partisanship at an all-time high level, which is in fact crippling government's ability to do anything to benefit the people it serves."

Bush cited permitting delays with projects such as the Keystone XL Pipeline as where government gridlock can hold up real-world progress. He also noted government support of certain initiatives over others is a hindrance to overall innovation.

"The key ought to be that the government doesn't pick winners and losers, that the systems of support be broad enough where we allow for innovation to take place," Bush said, citing the success of private-sector hydraulic fracturing and natural gas development. "All of this has happened because it was basically unfettered."

Rendell agreed that innovation can flourish in the private sector, although government support—such as the R&D tax credit, set to expire at the end of the year—does play a crucial role in the success of developing new technologies.

Photos from the discussion can be found on CFC's member-owner website (login required). From CFC's homepage, www.nrucfc.coop, click on Past Events under the Events tab.

NOVEC Biomass Plant Comes Online

Manassas, Va.-based Northern Virginia Electric Cooperative (NOVEC) recently held a ribbon-cutting ceremony for its NOVEC Energy Production Halifax County Biomass plant. Approximately 150 officials and guests, including CFC CEO Sheldon C. Petersen, attended the event last week.

NOVEC began working on the 49.9-MW plant in 2010 with development partner NOVI Energy. The plant will burn wood waste, or slash, from regional logging operations. It is located on a 104-acre site in Southern Virginia that was once a Georgia-Pacific timber facility.

"We chose Halifax County as the location because it's in the 'wood basket' of Virginia. We realized that its thousands of forested acres could supply us with enough waste wood leftover from logging operations to fuel our plant for decades," NOVEC President and CEO Stan Feuerberg said.

An estimated 600,000 tons of wood waste will be burned at the facility each year in order to supply 6.5 percent of the cooperative's power requirements. Reclaimed wastewater is also utilized in the plant's closed-loop cooling system.

CFC provided bridge financing for a portion of the $178 million project, and the Rural Utilities Service (RUS) will provide long-term funding for the plant.

"This is rural America working together for economic development," said RUS Administrator John Padalino, who also attended the ceremony.

More information on the project, which is expected to be operating commercially next month, is available at www.novec.com.

EYES ON THE ECONOMY

Manufacturing Momentum Continues

The Institute for Supply Management's Manufacturing Index indicated that the manufacturing sector, which comprises approximately 12 percent of the U.S. economy, continued to grow in the fourth quarter. The index rose to 56.4 percent—the highest level attained since April 2011. Economists surveyed by Bloomberg forecasted a median estimate of 55 percent, with responses ranging from 52.5 to 57.5 percent. The index has recorded five consecutive gains since May. In October, new orders, inventories and supplier deliveries crept higher, while the employment and production components declined.

Domestic demand for automobiles and housing products has driven this year's second-half expansion in manufacturing activity. Following the second-quarter average reading of 50.2 percent, the third-quarter average rose to 55.8 percent. The new export orders component jumped from 52 to 57 percent in October.

Shutdown Tempers Vehicle Sales

As expected, the temporary government shutdown negatively impacted some sectors of the economy, including vehicle sales. On a seasonally adjusted, annualized basis, vehicle sales totaled 15.2 million units in October, down slightly from September's pace of 15.3 million units.

Sales performance varied across manufacturers. General Motors continues to benefit from strong truck sales, while Ford and Chrysler experienced slight weakening. Among the largest Japanese manufacturers, sales were little changed from September. All six manufacturers sold fewer vehicles in October than in September.

Moving forward, there is still plenty of pent-up demand for vehicles. Fourth-quarter sales are expected to reach 15.8 million units, while sales will average about 16.5 million units in both 2014 and 2015.

New Orders Slow for Factory Goods

Due to October's government shutdown, the U.S. Census Bureau combined the release of August and September factory orders data in November. Following July's decline of 2.8 percent, new orders for factory-produced goods lost 0.1 percent in August and gained 1.7 percent in September. In September, orders for nondurables declined by 0.2 percent, while orders for durable goods jumped by 3.8 percent due to a 57.7-percent surge in commercial aircraft orders.

When volatile defense and aircraft orders are excluded, core capital goods fell 1.3 percent in September. Shipments increased by 0.2 and 0.1 percent in August and September, respectively. Nevertheless, when excluding aircraft and defense, shipments rose by 1.4 in August and decreased by 0.2 in September.

Leading Indicators Show Improvement

The Conference Board's Index of Leading Indicators, which forecasts economic conditions in the coming three to six months, increased by 0.7 percent in September. That followed August's gain of 0.7 percent. Bloomberg-surveyed economists were forecasting an increase of 0.2 to 0.8 percent, with a median estimate of 0.6 percent. Of the 10 indicators included in the index, seven drove the overall index higher. The financial components, which include equity markets, credit spreads and lending standards, all contributed to September's increase.

As the holiday season approaches, less stringent lending standards, lower credit spreads on consumer loan products and all-time high equity prices may cause consumer confidence and spending to rise. However, slow income gains and renewed turmoil in Washington may cause consumers to hold back.

Signs of Strength in October Employment

The U.S. economy received a breath of fresh air given the recent focus on the instability of government fiscal policy. The Labor Department reported that U.S. employers added 204,000 jobs in October, defying expectations for weaker hiring amid the shutdown and a debt-ceiling fight that knocked down consumer and business confidence. The private sector added 212,000 jobs.

The three-month moving average of 202,000 is the strongest since the spring. However, some market analysts point to a disproportionate share of the new jobs occurring in lower-paying jobs. In addition, the pattern of job gains is following a saddle pattern: early-year gains, a midyear slump, and stronger year-end gains. Stock prices jumped upwards on the positive news, while interest rates moved higher, as they typically do amid signs of strengthening growth.

FINANCIAL FEATURE

Fed Survey Indicates Declining Demand for Mortgages

By Eric Levine, Financial Analyst, Capital Markets Research & Analysis

Between July and September, lending standards at U.S. banks continued to ease and banks experienced little change in loan demand, according to the Federal Reserve's October 2013 Senior Loan Officer Opinion Survey. However, the impact of rising Treasury rates noticeably affected demand at mortgage lenders.

Many survey respondents indicated that lending standards have eased for commercial and industrial borrowers of all sizes due to increased competition. At the same time, demand for commercial and industrial loans from large and medium borrowers increased slightly, while demand from small borrowers remained unchanged.

On the housing front, commercial real estate institutions reported that lending standards have eased and demand for loans has increased. Because more Americans are renting, there is increased demand for capital to fund the construction of multifamily residential structures. In the first two quarters of 2013, housing starts for multifamily units were up nearly 34 percent from the previous year.

Throughout the last six months, higher mortgage rates and increased volatility have caused purchase mortgage and refinance applications to slow. Many banks surveyed by the Fed indicated that demand for prime residential and nontraditional mortgage loans has declined. Consequently, lenders are increasing marketing efforts and reducing the processing time for mortgages.

Despite lower volumes, the Fed survey highlighted that "very few banks" reduced origination fees, minimum down payments or accepted lower credit scores. The survey also showed that the decrease in mortgage refinance applications was even more substantial. More than 90 percent of the respondents stated that recent refinance applications were "moderately to substantially lower" than in the spring. Although mortgage rates remain at historically attractive levels, many homeowners have already taken advantage of refinancing. Homeowners who are currently evaluating a mortgage refinance may not gain sufficient interest savings.

IN BRIEF

CCS Funding | The U.S. Department of Energy recently awarded $84 million to 18 research projects aimed at developing carbon capture and storage (CCS) technologies. "In the past four years we've more than doubled renewable energy generation from wind and solar power. However, coal and other fossil fuels still provide 80 percent of our energy, 70 percent of our electricity, and will be a major part of our energy future for decades," said Energy Secretary Ernest Moniz. Funded projects include those testing both pre- and post-combustion carbon dioxide capture technologies. A full list is available at www.energy.gov.

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From:	Rich Larochelle <fromthedeskofrichardlarochelle@nrucfc.coop>
Sent:	Monday, November 18, 2013 10:16 AM
To:	Nicholas R. Castlen
Subject:	The CFC December Webinar: Update on the Economy

If you are reading this on a mobile device, please view this e-mail again when you return to your office so you can read all relevant information.

Update on the Economy: What the Crystal Ball Says about 2014

During the final CFC Financial Series webinar of the year, we'll spend the hour speaking to our own financial expert—John Suter, CFC vice president, Capital Markets Research and Development—to find out what the economic future holds...at least for the next year. "Update on the Economy: What the Crystal Ball Says about 2014" will give John and his guest—Chris Kulina from Scotiabank—the opportunity to tell us not only what happened to the economy in 2013 but also why it happened. From there, John will pull out his crystal ball and share what changes he sees on the economic horizon from a business and personal point of view.

UPDATE ON THE ECONOMY

If you would like to learn more about the Continuing Professional Education (CPE) credits offered for the webinar series, visit the CFC Webinar Series web page.

The webinar is now available live through your iPad. Simply download the MOBILEMEETINGS App from the Apple App Store at least a day or two before the event. The App is free!

If you have any questions about the webinar or the registration process, e-mail Bill Clayton. I am sure he will be able to give you the answers you need.

Best regards,

Richard Larochelle
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From: CFCSolutions@nrucfc.mmsend.com on behalf of CFCSolutions@nrucfc.coop
Sent: Monday, November 18, 2013 9:02 AM
To: Nicholas R. Castlen
Subject: CFC Solutions | IBES 2013 In Review

November 18, 2013 | Vol. 15, No. 43

CFC: Created and Owned by America's Electric Cooperative Network

The latest issue of CFC's Solutions News Bulletin is now available online.

VIEW CURRENT ISSUE

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This week's issue includes the following headlines:

- CFC IBES 2013: Petersen: CFC Member Investments Are Vital
- Moody's Eyes U.S. Utilities for Upgrades
- Kellogg's Kraemer Focuses on Values
- Electric Utility Panel Discusses DG, PV
- EYES ON THE ECONOMY: GDP Surprises Market Analysts
- FINANCIAL FEATURE: Collateral Trust Bonds' Importance to CFC and Its Members

CFC ONLINE: IBES 2013 Wrap-Up
Presentations, videos and photos from CFC IBES 2013—including a link to a feedback survey for attendees—can be found on CFC's member-owner website (login required). From CFC's homepage, www.nrucfc.coop, click on Past Events under the Events tab.

CFC IBES 2013
Petersen: CFC Member Investments Are Vital
At the 2013 Independent Borrowers Executive Summit (IBES) in Bonita Springs, Fla., CFC CEO Sheldon C. Petersen gave attendees an inside look at how CFC approaches its meetings with Wall Street investors.

At the start of his talk, Petersen asked the audience to see themselves as "savvy Wall Street investor-analysts" considering an investment in CFC. He then outlined why investing in CFC is a wise decision—

walking attendees through their finance cooperative's four-point strategic direction.

The first of the four is to focus on CFC's electric cooperative member-owners. Ninety-eight percent of CFC's loans are currently to rural electric systems, and the quality of the loan portfolio is reflective of the strong financial condition of those cooperatives. Standard & Poor's referenced that strength in recently reaffirming its A+ rating and stable outlook for CFC *(see "S&P Affirms A+ Rating for CFC," Solutions News Bulletin, Oct. 28, 2013).*

The second point involves maintaining a robust loan portfolio. At the close of CFC's fiscal year 2013 (at May 31, 2013), total loans and guarantees stood at $21.4 billion, a $1.4 billion increase from the prior fiscal year-end. CFC has loans outstanding in 47 states, which is viewed favorably by investors.

"Because of our nationwide portfolio, we offer a tremendous amount of geographic diversity that no single utility investment can match," Petersen said.

The third point in CFC's strategic direction is to maintain diverse sources of funding. The capital markets currently provide CFC with 52 percent of funding for direct lending to members. Member investments account for 21 percent of total funding, a level of support viewed favorably by banks, investors and credit rating agencies.

"Prior to 10 years ago, we relied almost solely on issuing bonds in the U.S., European and Australian capital markets as our funding source," Petersen said. "While that approach worked well for a time, we eventually found it to be too limiting. It also put us in a position where CFC was susceptible to the whims of the markets."

The fourth and final point is a focus on strong credit quality, backed by the strength of the electric cooperative network. As an independent finance company without government backing, CFC's success is directly tied to solid credit ratings, according to Petersen.

Taken together, the four points of the strategic direction are ensuring the finance company is continuing to strengthen "Fortress CFC," Petersen said—a balance sheet "strong enough and flexible enough to withstand fluctuations and unforeseen events in the market."

Moody's Eyes U.S. Utilities for Upgrades

Moody's Investors Service has placed the ratings of 167 regulated utilities on review for an upgrade. The move was made based on the rating agency's more favorable view of the relative credit supportiveness of the U.S. regulatory environment.

"Our placement of these issuers on review considers improving regulatory trends in the United States, including better cost-recovery provisions, reduced regulatory lag, and generally fair and open relationships between utilities and regulators," Moody's Managing Director Larry Hess said in a press release.

Reviews of the utilities, which affects an estimated $400 billion of debt, will take place over the next three months, and most are expected to be upgraded "by one notch," according to Moody's.

Moody's first announced its more favorable view in a September 2013 request for comment.

"We believe that many U.S. regulatory jurisdictions have become more credit supportive of utilities over time and that the assessment of the regulatory environment in the U.S. that has been incorporated in ratings may now be overly conservative," Moody's said at the time.

Regulatory decisions take into account subsequent court decisions, according to Moody's, leading its analysis to place more emphasis to the "relatively consistent" judicial framework that discourages inconsistent regulations.

Regulated utilities not being considered for the upgrade include those that are undergoing major capital projects and those currently under review for a downgrade.

CFC IBES 2013

Kellogg's Kraemer Focuses on Values

In a pre-IBES workshop, Northwestern University Kellogg School of Management's Harry Kraemer discussed adopting a leadership style that is in alignment with personal values. Kraemer is the former CEO of Baxter International and current executive partner at a private equity firm. Following an apologetic response to a Baxter product recall in 2001, Kraemer was described as "relentlessly authentic" by Fast Company magazine.

"I don't have any answers, but I have a lot of opinions," Kraemer told IBES attendees.

His opinions form four principles of leadership based on using common sense and simplicity:

- **Self Reflection.** Self-reflective leaders take time to understand their values and their priorities in order to stay focused on what matters. If leaders don't know themselves, they will not be able to effectively lead themselves or others.
- **Balance.** The balanced leader works diligently to understand all sides of an issue. Good leaders are active, open-minded listeners, broadening their own perspectives to make the best decisions.
- **True Self-Confidence.** The self-confident leader knows what they know and what they don't know. "We all have weaknesses, and we need to surround ourselves with people who have strengths to compensate for those," Kraemer said.
- **Genuine Humility.** Genuinely humble leaders are down to earth, with the attitude that, no matter your job title, you are no better or worse than anyone else. Everyone has the ability to make a valuable contribution to the organization.

Kraemer also discussed leadership strategies based on the four principles. For example, provide honest, continuous feedback to employees to prevent surprises when work does not meet expectations. Leaders have a moral responsibility to let employees know what they are doing well and what needs to change, according to Kraemer.

Ensuring that all parts of a team understand what needs to happen—and what the consequences are if those things do not happen—are important in achieving day-to-day goals as well as handling crisis situations, according to Kraemer.

"If the values are in place, if the people are in place, then we're going to do the right thing and we're going to do the best we can," he said.

Kraemer outlines his thoughts on leadership in his 2011 book, From Values to Action: The Four Principles of Values-Based Leadership. More information is available at www.fromvaluestoaction.com.

CFC IBES 2013

Electric Utility Panel Discusses DG, PV

A panel of electric utility leaders familiar with change discussed the current state of the industry at CFC IBES 2013. Julia Hamm, CEO of the Solar Electric Power Association (SEPA); Jim Jura, CEO and general manager of Associated Electric Cooperative; and Sue Kelly, senior vice president at the American Public Power Association, comprised the panel, moderated by ACES CEO Mike Steffes.

Jura opened the panel with a discussion of the changes he sees electric utilities facing: environmental regulatory uncertainty (through carbon regulations as well as renewable energy and energy efficiency mandates), reduced load growth and a growing distributed generation (DG) presence. Regarding the latter, Jura sees rapid improvements in solar photovoltaic (PV) technology as a key driver—with a severe potential to affect the way electric cooperatives operate their businesses.

"The question is: is it a threat or is it an opportunity?" he said. "I think we've got to listen to and work with our members at the end of the line as they decide what it is they want."

Kelly reiterated rooftop solar as an example of rapidly developing DG bringing change to the industry—hyped by trade press as a threat to electric utilities, but not without it opportunities.

"There's a definite wakeup call right now in our industry, and we have to not hit the snooze button," she said. "We have to be out there and we have to be addressing these issues as consumer-owned utilities."

Hamm agreed that distributed solar PV is disruptive to utilities, and—referencing a report recently released by CFC and SEPA—proposed that electric utilities strive for a diversified solar portfolio, relying on more than just distributed PV to help balance DG *(see "Pathways to Solar Engagement," Solutions News Bulletin, Sept. 9, 2013)*. Effective rate design is another important means to mitigate any disruptive distributed technology, according to Hamm.

Jura agreed, acknowledging CFC as helping promote balanced rate design.

"For the past several years, CFC has been focusing on getting all of our systems to have more emphasis on understanding our cost of service and structuring our rates in line with that cost of service, which is very important to that principle we have of doing what's in the best interest of our rate payers."

EYES ON THE ECONOMY

GDP Surprises Market Analysts
Real U.S. gross domestic product (GDP) grew in the third quarter by 2.8 percent, according to the Bureau of Economic Analysis' advance estimate, up from 2.5 percent in the second quarter and well above expectations. The advance reading was taken before—and does not reflect effects from—the October government shutdown.

Real GDP grew 1.8 percent over the four quarters ending with Q3. A year ago, year-over-year growth was about 3 percent. Residential investment is the key driver while government spending continues to decline, especially for federal defense spending.

The negative effects of the government shutdown and debt ceiling debacle will impact the Q4 GDP release, estimated to be a half-percent off of Q4 growth. Market analysts expect the U.S. economic growth will move forward at a snail's pace, hovering near 2 percent.

Producer Prices Take a Step Back
In September, producer prices for finished goods declined by 0.1 percent, as increases in energy prices were outweighed by decreasing food prices. The median forecast of economists surveyed by Bloomberg called for a 0.2-percent increase. Year over year, prices of finished goods have gained only 0.3 percent, down from the June 2013 reading of 2.5 percent. Companies are lowering prices, competing for new customers and market share.

For core goods, which exclude food and energy, prices of finished and intermediate products rose 0.1 percent, while crude goods lost 1.0 percent. Because producer prices remain subdued, it is likely that consumer prices will continue to rise at a very slow pace, leaving room for continued Federal Reserve policies.

CPI Advances in September
The headline consumer price index (CPI) number rose in September, up 0.2 percent due to a sharp rebound in energy prices. Core CPI inched up 0.1 percent, the same rate as in the previous month. Economists like to strip out the volatile food and energy components of CPI in order to determine changes in the trend rate of inflation. Looking at inflation over the past year, CPI has changed about 1.2 percent, one of the slowest paces since the recession ended. Consumer prices will maintain a subpar pace at best in the near term, keeping inflation well under the Fed's policy threshold—the Fed's dual mandate is full employment and price stability.

The Economic Cycle Research Institute's Future Inflation Gauge fell in September to its lowest level of 2013.

providing another signal that the inflation outlook remains tame.

Retail Sales Weaken in September
Retail sales shed 0.1 percent in September following a 0.2-percent increase in August. Year over year, sales have increased by 3.2 percent—the slowest pace since August 2010. Sales of motor vehicles and clothing declined by 2.2 and 0.5 percent, respectively. Conversely, sales of food and beverages, sales at food service and drinking places, and sales of electronics and appliances gained the most. However, excluding automobiles, sales gained 0.4 percent—in line with Bloomberg's median forecast of economists and the second largest monthly increase since February. Retail sales excluding automobiles have climbed 2.8 percent since September 2012.

In the month leading up to the government shutdown, rising home values and stock prices boosted household wealth, although consumer confidence began to deteriorate as the United States approached major fiscal deadlines. If consumer confidence begins to stabilize, pent-up demand may be released leading up to the holiday season.

Home Prices Continue to Gain
The S&P/Case-Shiller Home Price Index illustrated that home prices continued to gain in August. The 20-city index posted a reading of 12.8 percent, up from July's year-over-year increase of 12.4 percent, and all 20 metropolitan areas surveyed reported price appreciation in August. The 10-city composite increased from a year-over-year gain of 12.3 percent in July to 12.8 percent in August. The 10-city and 20-city indices are well below their summer 2006 peaks—by 21.0 and 20.3 percent, respectively.

In August, the 20-city index had the strongest reading since February 2006. Tight inventory and rising demand have caused home prices across the country to increase, whereas declining foreclosures and distressed sales are reducing the supply of homes for sale. However, rising mortgage rates, slow labor market improvements and weak income gains may slow the rapid pace of price appreciation.

FINANCIAL FEATURE
Collateral Trust Bonds' Importance to CFC and its Members
By John Suter, Vice President, Capital Markets Research & Analysis

Most successful financial institutions have a diversified mix of short- and long-term funding programs. For CFC, the bread and butter long-term funding instrument is the collateral trust bond, or CTB. CFC has been issuing this security in the public bond markets since 1972.

CTBs have been successfully executed in highly volatile, choppy markets—including during the Great Recession—and during the robust bond market days since then. In either case, the CTB is what investors want to own, and is truly CFC's bellwether security, used effectively time and time again.

The CTB is not a secured first mortgage bond (FMB) like traditional utilities tend to issue. It is, however, very first mortgage-like. The differences are those of the collateral pledged and liquidity. Regarding the collateral, an FMB is "closer" to the backing asset since an investor-owned utility has the physical plant on its balance sheet. A CTB, on the other hand, is backed by financial collateral.

Regarding liquidity, there is a universe of FMBs in the marketplace that investors can look to, often described as bond comparisons. A CTB is a different security and does not have true comparisons from which to draw market pricing information about. As a result, some investors may view a FMB as slightly more liquid than a CTB. In the end, because the securities are very similar, the difference in bond pricing is not significant.

CTBs currently represent roughly 29 percent of the debt capital supporting CFC's balance sheet. CFC typically executes a CTB offering in a bond market where it is truly getting the biggest bang for the collateral that is being pledged. High-quality collateral does not come in the form of an unlimited supply.

The secured bond format particularly comes in handy when headline risk rocks the bond market and investors flee for safety by investing in Treasury securities or highly rated corporates. As a result, CFC has been very opportunistic with recent CTB issuances, as evidenced by the most recent 10-year execution *(see "CFC Closes $400 Million Bond Issuance," Solutions News Bulletin, Nov. 11, 2013).*

We value your feedback; please share your thoughts!
If you would prefer not to receive e-mails like this, please click here.

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From: CFCSolutions@nrucfc.mmsend.com on behalf of CFCSolutions@nrucfc.coop
Sent: Monday, November 04, 2013 9:57 AM
To: Nicholas R. Castlen
Subject: CFC Solutions | NCSC Funds Hawaii Co-op Solar

November 4, 2013 | Vol. 15, No. 41

CFC: Created and Owned by America's Electric Cooperative Network

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- NCSC Funds Hawaii Co-op Solar Project
- CFC FINANCIAL WEBINAR: Community Solar
- IOU Expenditures Expected to Peak In 2013
- MAKING IT HAPPEN: Taylor Electric Brings Co-ops to Schools
- 2014 Orientations Announced
- EYES ON THE ECONOMY: September Sees Meager Job Gains
- FINANCIAL FEATURE: Tracking Syndicated Loan Market Trends
- IN BRIEF: CFO of the Year Finalist

NCSC Funds Hawaii Co-op Solar Project
KIUC's Bissell Named Solar Utility CEO of the Year
This week, Kaua'i Island Utility Cooperative (KIUC) will break ground on one of two planned solar photovoltaic (PV) power plants on the island of Kaua'i, Hawaii. NCSC has advanced initial funding for the estimated $40 million project.

When completed next year, the 12-MW project will be the largest utility-scale solar facility in Hawaii and will meet an estimated 5 percent of KIUC members' annual energy needs. A 1.5-MW battery storage system is already in use at an adjacent substation, and a second, 2-MW battery storage unit will be added in the coming months.

The plant is part of an ongoing KIUC initiative to offset costly diesel and naphtha-fueled generation with renewable generation (see "Hawaiian Co-op Goes Green," Solutions News Bulletin, March 28, 2011). KIUC aims to use renewable resources to generate at least 50 percent of its electricity by 2023, with solar contributing 16 percent of that. Including PV at member sites, it is estimated that half of the island's daytime energy needs will be met by solar PV by 2015—the highest percentage of any U.S. electrical grid, according to the cooperative.

In recognition of that progress, the Solar Electric Power Association (SEPA) recently named KIUC CEO David Bissell its 2013 Utility CEO of the Year.

"Our success witAh solar energy is built on teamwork, internally with our highly engaged board of directors and talented staff, and externally with our supportive community and national partners like CFC and NCSC," Bissell said.

NCSC's initial funds are a component of KIUC's long-term solar financing plans, which leverage federal stimulus money and tax credits to bring the cost of utility-scale solar from $200 per MWh in 2011 closer to $100 per MWh for two projects now in development.

"David has taken a creative approach to bringing utility-scale solar to the island of Kaua'i and developing projects that not only promote greater reliance on renewable resources, but are a laboratory for innovation in engineering and utility finance," said Julia Hamm, SEPA President and CEO.

The new PV project is being built on 67 acres of a former sugar plantation near the town of Koloa, on the southern edge of the island. More information is available at www.kiuc.coop.

CFC FINANCIAL WEBINAR SERIES

Co-op Community Solar

This month's CFC Financial Webinar discussed specifics of a new program designed to help electric cooperatives bring cost-effective solar energy projects to their communities (see "CFC, Federated, NRCO Launch Community Solar Program," Solutions News Bulletin, Sept. 9, 2013). Guests from CFC, Federated Rural Electric Insurance Exchange and the National Renewables Cooperative Organization discussed details of the program. Brian Krambeer, CEO of Cresco, Iowa-based Hawkeye REC and Rushford, Minn.-based Tri-County Electric, discussed his experiences with the program thus far. A recording of the presentation is available at CFC's website, www.nrucfc.coop; select Past Events under the Events tab.

IOU Expenditures Expected to Peak in 2013

Total investor-owned utility capital expenditures are expected to reach a record high of $95.2 billion this year, according to Edison Electric Institute (EEI) analysis, more than double what was spent a decade ago (see chart in full online and PDF versions).

The projection for 2013 is revised upward from last year's estimate of $85.6 billion. The largest share of capital—$35.2 billion, or 37 percent—is expected to be spent on generation resources, although the segment's share is down 4 percent from last year. Spending in the transmission and gas-related segments is expected to increase by 2 percent for each segment to 17 percent and 12 percent, respectively.

An estimated $20 billion (21 percent) is expected to be spent on distribution and $6.7 billion (7 percent) on environmental-related expenditures. The remaining 6 percent falls in the "Other" segment.

EEI compiled the data from current IOU projections and filings with the U.S. Securities Exchange Commission, with guidance from the utilities. More information is available at www.eei.org; select Industry Data and Analysis under the Resources & Media tab.

MAKING IT HAPPEN

Taylor Electric Brings Co-ops to Schools

A growing school program launched by Medford, Wis.-based Taylor Electric Cooperative drives at the heart of the fifth cooperative principle: Education, Training and Information.

The Cooperatives In Our Schools program got its start in 2010, when Brian Kulas, chairman of Taylor Electric's board of directors, was assigned to serve on the Wisconsin Electric Cooperatives Association's education committee. The former high school principal was surprised to hear the assumption that local schools were "no dam good" because they were not teaching the cooperative business model.

"Our schools are doing a great job; we have some great teachers," Kulas said. "But they have a planned curriculum. We needed to come up with a way to teach cooperatives in our school, and it had to be beneficial for all those involved: the school district, the teachers and the community."

With his experience as an educator, Kulas saw a cooperative-sponsored substitute teacher program as a means to achieve the kind of win-win results he had in mind. Working with the Medford School District, it was determined that a two-day, fifth-grade program would be the most beneficial. When a teacher was scheduled to be out, the cooperative would cover the cost of a substitute teacher—roughly $100 a day—who would work from a predetermined, lesson plan.

Through the program, a substitute is selected by the school and trained by the cooperative. Associated costs can be covered through the Federated Youth Foundation (FYF), a Wisconsin nonprofit administered by the Cooperative Network that collects unclaimed capital credits from local cooperatives. FYF redistributes funds, as directed by member cooperetives, for educational programs.

The Medford pilot program has worked well: the school district is trimming costs for substitute teachers, Taylor Electric and six other local cooperatives and credit unions are spreading awareness, and the students are enjoying the program. Classes include instruction on the cooperative business model and a group project where students script 30-second radio ads promoting local cooperatives—ads are recorded and many are aired on a local radio station during Co-op Month.

"From our perspective, the Cooperatives in Our Schools Program has been a huge success," said Taylor Electric President and CEO Mike Schaefer. "Having had the opportunity to be a guest speaker for several of the classes, and participating as a judge during the students' presentations of the radio ads they have developed, you see the interest and awareness of co-ops that the students have gained from just two days of learning."

Since the pilot began, six other Wisconsin electric cooperatives have joined the program and those from other states have contacted Kulas for information. The program's success earned Taylor Electric an NRECA National Community Service Award in 2012. Kulas received the the Co-op Builder Award—the Cooperative Network's highest honor—in the fall of 2012, primarily for his involvement in creating and promoting the program.

For more information, contact Kulas at briankulas@tds.net or 715-748-4509, or visit www.taylorelectric.org.

2014 Orientations Announced
CFC, NRECA and NRTC will be hosting orientations in 2014 for new electric cooperative CEOs, CFOs and directors. The popular orientation sessions will be held at the CFC campus in Dulles, Va., and the NRECA headquarters in Arlington, Va.

- New Director Orientation | Jan. 22–24, 2014
- New CFO Orientation | Feb. 11–13, 2014
- New CEO Orientation | April 8–10, 2014

Each orientation is designed for those with no more than two years of experience in their current position. Interactive sessions provide an in-depth focus on key electric industry and cooperative management issues, and familiarize participants with the national associations and resources available to support them and their systems.

Registration is available at Cooperative.com; select Education under the Conferences & Education section.

EYES ON THE ECONOMY

September Sees Meager Job Gains
U.S. employers added 148,000 jobs in September, well below the pace of gains seen in the first half of the year (see chart in full online and PDF versions). The unemployment rate came in lower at 7.2 percent, but the decline is more likely attributable to discouraged workers leaving the labor force as opposed to more people finding work.

The expectation is that October's data will be more of the same, particularly in light of the recent government shutdown and debt ceiling debate. With the fiscal standoff in Washington yet to be fully resolved, the larger impact will be the degree to which there is spillover into the private sector over the next few months.

Construction Data Show Slight Recovery
Construction spending for August increased 0.6 percent from the revised July total and is 7.1 percent higher than its level in August 2012, pointing to a continuing moderate recovery. The recovery in spending was led mainly by private residential construction, but public construction also managed to record a rare monthly gain.

Though total construction spending is still in positive territory, it is starting to slow as residential construction moderates. Private nonresidential and public construction spending has yet to show any sustained recovery. Looking ahead, U.S. fiscal policy may contribute to a further slowdown, which could prompt developers to pull back from non-essential projects. Public construction spending, in particular, would be affected because of restricted federal aid to states and reduced construction in federal facilities.

U.S. Trade Deficit Widens Slightly
In August, the U.S. trade deficit widened from $38.6 billion to $38.8 billion, below the median estimate of $39.4 billion forecast by economists in a Bloomberg survey. Forecasts ranged from a deficit of $36 billion to $42 billion. The total value of exports fell $200 million to $189.2 billion, while imports remained unchanged at $228 billion.

In terms of goods, the U.S. deficit was $58.2 billion in August. On the services side, the U.S. had a surplus of $19.4 billion. While exports of consumer goods, capital goods and automobiles increased, exports of industrial products, food and beverages declined. Imports of consumer goods, automobiles, industrial products, food and beverages all decreased. Imports of capital goods rose by 2 percent as American businesses invested in new equipment.

For U.S. exports to expand, the pace of global growth must accelerate. Entering the holiday shopping season, imports of consumer goods may rise. However, weaker consumer confidence due to the unrelenting fiscal and debt ceiling impasses may cause consumers to dial back holiday spending.

Small Business Confidence Slides Lower
In September, the National Federation of Independent Business's optimism index shed 0.2 points to 93.9. Economists surveyed by Bloomberg had forecast a slightly higher median estimate of 94.3. Of the 10 questions that Bloomberg asked to survey business conditions, three components deteriorated in September.

As the government shutdown and the debt ceiling loomed, many respondents said they believe that economic growth would deteriorate over the next six months. Furthermore, fewer small businesses said they expected to hira, and mora businesses wera expecting eamings to decline.

Due to the slow growth and government policy, small business confidence remains feeble. After the government shutdown, debt ceiling scare and bungled introduction of the Affordable Cara Act, American businesses ara looking for stability. Once the October report is released, it will become clearer how the government shutdown affected small businesses.

Philadelphia Area Manufacturing Continues to Grow

In October, the Philadelphia Fed Business Outlook report shed 2.5 points to 19.8. Nevertheless, new orders rose 8.3 points to 27.5, which was the highest level reached since early 2011. Inventories increased 9.1 points and moved into positive territory for a reading of 7.3. The employment component jumped 5.1 points to 15.4. Plans for capital expenditures decreased by 4.3 points, which may be due to heightened fiscal uncertainty.

October's report illustrates that manufacturing expansion continued throughout a month that was riddled with government-created policy ambiguity. As new orders continue to rise, manufacturing production may continue to expand during the remainder of the year.

FINANCIAL FEATURE

Tracking Syndicated Loan Market Trends

By Ling Wang, Vice President, Capital Market Relations

Readers of Solutions News Bulletin likely are familiar with the term "syndicated transaction." Unlike a bilateral loan, which only involves one borrower and one lender, a syndicated loan is provided to one borrower under one loan agreement with the same terms and pricing—but by a group of lenders. Syndicated loans are more efficient for companies to manage than traditional individual bilateral credit lines, and are therefore popular among companies that need large amounts of capital.

Syndicated loan volume is growing. To put it in perspective, this year's loan volume to date is more than twice the amount of the total issuance volume in the corporate bond market. But that has not always been the case. Similar to other markets, the syndicated loan market went through a boom-and-bust cycle, reaching nearly $1.7 trillion in total loan volume during 2007 before essentially closing in 2008 and 2009.

The market began to recover in 2010 and reached an all-time high of $1.8 trillion in 2011, primarily due to pent-up refinancing needs after years of market shutdown. For 2013, issuance volume reached $1.55 trillion at the end of the third quarter, and it is probable that 2013 volume will set a new record high.

What is driving this record loan volume? Unlike in the past where record loan volume typically came from so-called "new money" (financing needs driven by new capital expenditures, acquisitions and plant expansions, for example), in 2013 only $420 billion of the $1.55 trillion loan volume (or 27 percent) came from new money. In 2007, new money was closer to 50 percent of total volume.

A large portion of the remaining loan volume has come from amend and extend (A&E) transactions, meaning borrowers who closed their credit facilities in 2011 and 2012 have decided to come back to the market and refresh those facilities by amending the maturity dates and, if the opportunity exists, reducing the pricing. This market phenomenon is primarily driven by strong demand from banks for loans and the stabilization of loan pricing. In 2013, CFC closed two A&E transactions for our own $3.3 billion revolvers and arranged five A&E transactions for generation and transmission cooperatives. These A&E transactions essentially allowed CFC and our members to lock in favorable pricings for the next three to five years, taking market risk off the table.

Looking to 2014, the expected balance of supply and demand likely will hold pricing where it is. On the supply side, there is limited potential for new loan volume, with the exception of continued A&E transactions. On the demand side, while banks' lending appetite will not likely subside, regulatory uncertainty may dampen their ability to provide capital. What happens when two equal forces act in the opposite directions? Nothing at all—leading to pricing similar to what we have seen over the past 18 months.

IN BRIEF

CFO of the Year Finalist | Michael Henderson, senior vice president and CFO of Arkansas Electric Cooperative Corp. and Arkansas Electric Cooperatives Inc., has been named a finalist for CFO of the Year, Public Sector, by Arkansas Business. "The fact that your peers have recognized the contribution you make to the success of their company and to the community, it's very rewarding," Henderson said, as quoted by Arkansas Business. The CFO of the Year awards luncheon will be held Nov. 6 in Little Rock, Ark., where winners in each of six categories will be announced.

We value your feedback; please share your thoughts!
If you would prefer not to receive e-mails like this, please click here.

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Subject: CFC Solutions | Dakotas Recover from Early October Storm

October 28, 2013 | Vol. 15, No. 40

CFC: Created and Owned by America's Electric Cooperative Network

The latest issue of CFC's Solutions News Bulletin is now available online.

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- Dakotas Recover from Early October Storm
- S&P Affirms A+ Rating for CFC
- CFC Discusses FY2014 Q1 Results
- Co-ops Receive $3.6 Million in Solar Funds
- EYES ON THE ECONOMY: Sales of Cars and Light Trucks Slow
- FINANCIAL FEATURE: Despite Economic Blues, Primary Bond Market Remains Robust
- CFC BOARD ELECTION RESULTS: District 10

Dakotas Recover from Early October Storm
An early October snowstorm left several electric cooperatives in North and South Dakota with widespread outages. With support from neighboring cooperatives, their statewide associations and CFC, affected systems have restored power to all but a few meters.

Bison, S.D.-based Grand Electric Cooperative and Wall, S.D.-based West River Electric Association (WREA) bore the brunt of the storm, and CFC extended emergency lines of credit for each within the week. Other South Dakota electric cooperatives affected were Black Hills Electric Cooperative, Butte Electric Cooperative, Lacreek Electric Association, Moreau-Grand Electric Cooperative and West Central Electric Cooperative. Affected North Dakota electric cooperatives included Mor-Gran-Sou Electric Cooperative and Slope Electric Cooperative.

"This is certainly the most devastating storm I have seen in the 35-plus years that I have spent in the utility

Industry," said Grand Electric General Manager Jerry Reisenauer. "But we—like others who have faced the same challenge—will rebuild thanks to those that have provided manpower and equipment, and organizations like CFC who are there with financial assistance within a very short time."

A combination of heavy, wet snow, ice and high winds brought down more than 6,300 poles in South Dakota; Mor-Gran-Sou and Slope Electric lost more than 1,800 poles combined.

The snowstorm was followed by rain, which gummed up fields and slowed restoration efforts. Tracked vehicles became key to navigating, and National Guard vehicles were on hand to pull bucket trucks out of and through deep mud. Cooperation among cooperatives was crucial in restoring service.

"When we have a storm like this, the co-op family rallies, and everybody comes to help," said Mor-Gran-Sou Co-General Manger Don Franklund. A dozen cooperatives from North Dakota and a Minnesota cooperative sent crews or equipment, according to Mor-Gran-Sou Co-General Manager Chris Baumgartner.

In South Dakota, more than 240 electric cooperative employees came to help from Minnesota, Montana, Nebraska, North Dakota, South Dakota and Wyoming.

Power has been restored, although hundreds of poles remain down, and the storm's effects will be long-lasting. Unharvested crops were ruined, and the region's livestock took a tragic hit. More than 7,500 cattle have been reported dead, according to the South Dakota Animal Industry Board, with up to 30,000 expected as ranchers tally losses.

"Some of our members have seen their life's work destroyed in a couple of days," Reisenauer said.

The affected cooperatives have joined with Basin Electric Power Cooperative, the Bismarck, N.D.-based G&T, to sponsor a psychologist on a local agriculture radio show. He, along with public service announcements, will address the devastating losses many ranchers are experiencing. CFC will help fund the effort.

For WREA, Facebook provided another important, though unexpected, connection to affected members. In a matter of days, the cooperative's page jumped from 300 "Likes" (the number of members who receive updates) to 3,000—nearly 20 percent of total members.

"I was amazed at the people who engaged with us on Facebook. We'd had it for a couple of years, but after this storm it just took off," WREA CEO/General Manager Dick Johnson said. "Through it all, our members have been very supportive. They see the downed poles, they see the mud. They're just glad to have us out there working for them."

TOGETHER, WE REBUILD

CFC issues emergency lines of credit for electric cooperative recovery efforts across the country, throughout the year. A collection of member photos documenting their efforts soon will be on display at CFC's headquarters in Northern Virginia.

S&P Affirms A+ Rating for CFC

Standard & Poor's Ratings Services (S&P) has maintained CFC's stable rating outlook and affirmed its debt ratings (see table). In an assessment released earlier this month, S&P highlighted CFC's asset quality with electric cooperatives and its access to diverse, low-cost financing as key strengths. The assessment also noted CFC's member investments as a unique base of funding.

"The nonprofit cooperative plays an important role...in financing the rural electric utility industry because many of its members have limited direct access to the capital markets," S&P said in its assessment.

S&P considers CFC's focus on lending to electric cooperatives—with 98 percent of its portfolio to electric distribution and power-supply cooperatives—to be a strength due to the stability of electric utilities and their low risk of default.

"Members not only borrow from CFC, but they also provide about 20 percent of its debt funding and all of its capital," S&P said. "As of May 31, 2013, CFC's members held about $4.2 billion of commercial paper, daily liquidity funds, select notes, medium-term notes, and subordinated certificates—in addition to $800 million in retained earnings."

The full assessment can be found on CFC's website. The S&P ratings discussed have the meanings assigned to them by the rating agency and are not recommendations to buy, sell or hold securities. They are subject to revision at any time by the rating agency.

CFC Discusses FY2014 Q1 Results
During a recent investor-focused webcast and conference call, CFC discussed financial and operational results for the first quarter (Q1) of its fiscal year (FY) 2014, which ended Aug. 31, 2013.

Adjusted net income totaled $35.2 million at the end of Q1, up from $23.4 million for the same period in FY2013. Total assets were at $22.4 billion, up nearly $330 million from the close of the previous fiscal year.

Gross loans to members increased slightly to $20.4 billion from nearly $20.3 billion at the close of CFC's FY2013 (May 31, 2013). Ninety-eight percent of CFC's overall loan portfolio comprises loans to rural electric systems; 2 percent of loans are to the telecommunications sector.

CFC's adjusted debt-to-equity ratio increased to 6.22-to-1 at Aug. 31, 2013, from 6.11-to-1 at May 31, 2013. The change was due to an increase in adjusted liabilities to fund the increase to loans outstanding and cash balances, and to a reduction in adjusted equity as a result of the approval of a $41 million retirement of patronage capital to CFC's member-owners.

Visit CFC's website, at www.nrucfc.coop under the Investor Relations tab, for CFC's latest financial results as filed with the U.S. Securities and Exchange Commission (SEC).

Please refer to CFC's Q1 results as filed with the SEC on Oct. 15, 2013, for additional information, including a discussion of why CFC believes adjusted measures are useful in analyzing its financial performance and the reconciliation to related GAAP measures.

Co-ops Receive $3.6 Million in Solar Funds
Last week, the U.S. Department of Energy's SunShot Initiative awarded $60 million to support solar energy research and development across the country; $3.6 million was awarded to an electric cooperative initiative. The multi-state, 23-MW cooperative solar research effort will seek to identify and address barriers to solar photovoltaic (PV) deployment at electric cooperatives.

The SunShot funds are being matched by a $1.2-million cost share from NRECA, CFC, Federated Rural Electric Insurance Exchange, PowerSecure International and 15 participating cooperatives that plan to install solar PV systems between 250 kW and 5 MW. (A full list of participating cooperatives is available in the online version of Solutions News Bulletin.)

As it stands now, a cooperative must start from scratch in deploying solar PV of more than one megawatt. For this project, cooperatives will explore how standardization can help bring down the soft costs of PV installations and reduce uncertainty about the effects of these installations on a system.

CFC will assist the program by developing and deploying scalable financial solutions tailored to the unique not-for-profit structure of electric cooperatives (see "CFC, Federated, NRCO Launch Community Solar Program, Solutions News Bulletin, Sept. 9, 2013). NRECA will analyze the business side of these deployments and develop "PV system packages" consisting of standardized, optimized and scalable technical designs for 250-kW, 500-kW and 1-MW systems.

A report recently released by CFC and the Solar Electric Power Association provides an overview evaluating solar power options within the cooperative business model. "Electric Cooperative Pathways to Solar

Engagement" is available for CFC member-owners at www.nrucfc.coop; log into the Member Website and click on the Library tab.

Participating Cooperatives:

- Anza Electric Cooperative (Calif.)
- Brunswick Electric Membership Corp. (N.C.)
- Central Electric Power Cooperative (S.C.)
- CoServ Electric (Texas)
- Eau Claire Energy Cooperative (Wis.)
- Great River Energy (Minn.)
- Green Power EMC (Ga.)
- Maquoketa Valley Rural Electric Cooperative (Iowa)
- Oneida-Madison Electric Cooperative (N.Y.)
- Owen Electric Cooperative (Ky.)
- Pedernales Electric Cooperative (Texas)
- Plumas-Sierra Rural Electric Cooperative (Calif.)
- Sandhills Utility Services (N.C.)
- Tri-State Generation & Transmission Assn. (Colo.)
- Vermont Electric Cooperative (Vt.)

EYES ON THE ECONOMY

Sales of Cars and Light Trucks Slow
In September, sales of cars and light trucks fell 5 percent to 15.2 million units on a seasonally adjusted, annualized basis. That was down from August's pace of 16 million units and the first monthly decline since April. Economists surveyed by Bloomberg had anticipated a 15.6 million sales pace. Between August end September, sales of cars declined from 8 million to 7.7 million, while sales of light trucks tumbled from 8.1 million to 7.6 million. Sales of domestic cars dropped from 12.3 million to 11.5 million, and imports decreased from 3.8 million to 3.7 million.

September's slow sales followed a robust August, where the pace of sales was the strongest since November 2007. August sales were probably boosted due to pre-Labor Day weekend discounts.

Consumer Credit Continues to Climb
In August, consumer credit outstanding rose by $13.6 billion, after increasing by $10.4 billion in July. Estimates from surveyed economists ranged from an increase of $9 billion to $18 billion, with a median estimate of $12 billion. Nonrevolving loans outstanding grew by $14.5 billion, which was the 24th consecutive monthly increase. Conversely, revolving loan balances decreased by $0.9 billion. This was the third consecutive monthly decline and the longest consecutive streak of revolving loan decreases since November 2010. Year over year, total consumer credit outstanding increased by 5.9 percent.

After several years of deleveraging, consumers are taking advantage of cheap credit to finance automobiles and education. However, the expansion of revolving credit, driven by credit card use, remains weak as consumers are hesitant to overspend.

Empire Manufacturing Remains Positive
In October, the Empire State Manufacturing Index indicated that business conditions remained positive, although conditions expanded at a slower pace than in the previous month. After posting a reading of 6.3 points in September, the general business conditions index fell to 1.5 in October. The median estimate by economists surveyed by Bloomberg called for a gain of 7.0. New orders jumped 5.5 points to 7.8—the highest reading since March. Inventories fell from 2.2 to 0.0. The spread between new orders and inventories, which serves as a proxy for future production, widened to 7.8.

Fiscal uncertainty may have weakened the pace of manufacturing output in October. As the government shut down, businesses faced increased uncertainty due to potential changes in spending policy and slower growth.

Demand for manufactured defense products has slowed due to reductions in military expenditures. Nevertheless, the survey's six-month outlook indicator rose to a 1.5-year high of 40.8—demonstrating that factory executives have a positive outlook. Service Sector Takes a Step Back

In September, the Institute for Supply Management's nonmanufacturing index fell from 58.6 percent to 54.4 percent. Such a shift is indicative that nonmanufacturing conditions are weakening, suggesting the economy has lost momentum heading into the fourth quarter. Economists often state that positive momentum matters, especially now as the U.S. economy is trying to recover from the longest post-World War II recession on record at 18 months.

Consumer and investor confidence has weathered the storm, but the future outlook calls for more uncertainty. As a result, items needed for the future are not being purchased, and the rebounding housing market is exhibiting early signs of slowing.

Existing-Home Sales Near Six-Year High
For the third time this year, sales of existing homes retreated, falling from a revised 5.39 million pace in August to 5.29 million annualized units in September (although sales remain near a 6.5-year high). Given recent data on pending home sales, mortgage purchase applications and mortgage interest rates, some pullback was expected. Housing inventory currently stands at five months, signifying a tight market. Currently, higher mortgage interest retes and house prices are negatively affecting housing demand.

Moving forward, demand for first-time homebuyers will be key to sustaining the housing recovery as investors and all-cash buyers, who have been a significant source of demand, begin to withdraw support. Normally, first-time homebuyers comprise about one-half of home sales, but the September data revealed they were only 28 percent of purchases. Healthy income growth will be crucial to offset the drag first-time homebuyers face due to student debt, lower credit scores and an incredibly slack labor market for employment.

FINANCIAL FEATURE
Despite Economic Blues, Primary Bond Market Remains Robust
By John Suter, Vice President, Capital Markets Research & Analysis

With all the market attention on governmental gridlock and uncertainty associated with the U.S. Federal Reserve's monetary policy, one market that has not missed a step is the primary new-issuance bond market. With roughly $700 billion issued to date in 2013, the bond issuance market is having a decent year. Although dollar volume will not likely surpass the trillion-dollar level as it did in 2012, only two weekly negative investment grade outflows have occurred in 2013 thus far.

The new-issue market has been robust, as measured by several key metrics. Bond issuers have been able to approach the market and build investor books with interest hovering close to four times the dollar amount of bonds that the issuer is intending to issue—the "over-subscription" rete. Furthermore, the new-issue concession (the little extre that an investor demands when issuing a new bond), has continued to shrink from 10 bps to inside of 5 bps. Both are good news for corporate issuers such as CFC, which executes bond deals across the yield curve starting at three years and going out to 10 years.

While member cooperatives drive CFC's balance sheet in term of maturities, CFC is able to issue anywhere within that three- to 10-year space and match-fund the maturity preferences of its member-owners. Also of interest, broker-dealer investment banks are carrying much less secondary bond inventory on their balance sheets, which has had a negative impact on liquidity in the secondary (already issued) bonds. In today's market, an investor who wants to purchase a large block of issuer bonds is only going to be able to do this in the new issue or primary market, which should be a boon to this market in the long run in terms of keeping credit spreads tight for the foreseeable future. One of the advantages of CFC's collateral trust bonds is that investors view this secured security as "first mortgage bond-like"—just what they want to own in a market fraught with interest rate volatility.

Even with all the uncertainty and volatility in today's market, liquidity still remains a key attribute. The bond market must be extremely deep when a company like Verizon is able to issue $49 billion in bonds across the yield curve as it did last month—the largest corporate bond issuance to date. Such a deep market has allowed many corporate issuers to fund exclusively in the U.S. markets, without the need to educate new investor bases in Europe and further abroad.

Interest rates and bond prices are inversely related. With the expectation that interest rates will eventually begin to rise, it will be interesting to see how quickly this trend reverses itself. Furthermore, other asset classes, including stocks, will be unfavorably affected as higher interest expense payments erode profit margins. For now, however, corporate issuers will no doubt continue to take advantage of investors' current appetite for corporate bonds.

In Brief
CFC BOARD ELECTION RESULTS
District 10 | At the Oct. 23 District Meeting in San Antonio, Texas, delegates re-elected Grant Clawson to serve a second three-year term as a director of CFC. Clawson is a member of the board of trustees of Continental Divide Electric Cooperative in Grants, N.M. District 10 comprises Arizona, New Mexico and Texas.

We value your feedback; please share your thoughts!
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CFC: Created and Owned by America's Electric Cooperative Network

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2013 CFC Annual Report PDF

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This week's issue includes the following headlines:

- North Carolina EMC Closes $250 Million Syndication
- CFC Offers New Member Capital Securities
- SMECO Opens New E&O Center
- Adams EC Hosts CFC Employees
- IEA: Efficiency Is World's 'First Fuel'
- EYES ON THE ECONOMY: ADP: U.S. Payrolls Fall Short
- FINANCIAL FEATURE: Economic Ripples of The Federal Shutdown
- IN BRIEF: CFC Board Election Results | Thermal Storage

CFC's FY2013 Annual Report
CFC's Annual Report covering fiscal year 2013 is now available and included as an insert with this week's online version of Solutions. The corresponding 10-K, an annual financial report filed with the U.S. Securities and Exchange Commission, is available for download from CFC's website; select Financial Reporting under the Investor Relations tab. To obtain printed copies, please contact Scott Gates at scott.gates@nrucfc.coop or 703-467-1652.

North Carolina EMC Closes $250 Million Syndication
CFC recently served as lead arranger for a five-year $250 million syndicated credit facility for North Carolina

Electric Membership Corporation (NCEMC). The senior unsecured revolving credit facility is the first for the Raleigh, N.C.-based generation and transmission cooperative.

"The whole CFC team was fantastic to work with—they inspired confidence and they delivered on their promises," said NCEMC Senior Vice President–Finance and CFO Lark James.

The G&T sought the facility for several reasons, including improving its liquidity position, according to James. CFC approached and invited eight lenders to participate, all of which, along with CFC, committed to the facility.

"The transaction was very well received—total commitments came in at $170 million over the initial launch size, and the 100-percent participation rate was a first among the 37 syndicated transactions CFC has arranged to date," said CFC CFO and Senior Vice President Andrew Don. "The participation rate reflects the strong credit profile of NCEMC."

The syndicated credit facility will replace an existing bilateral line of credit and be used for general corporate purposes. NCEMC also anticipates a need for interim financing on capital additions to its generation facilities, including the Duke Energy-operated Catawba Nuclear Station; the G&T owns more than 30 percent of the 2.26-GW plant.

NCEMC supplies power to 25 of North Carolina's electric cooperatives, which serve nearly 1 million members across the state.

CFC Offers New Member Capital Securities

CFC is offering new Member Capital Securities (MCS) at 5-percent interest for 30 years, with an extended noncall period of 10 years. Concurrently, CFC has made the strategic decision to redeem outstanding MCS issued beginning in 2008 at 7.5-percent interest. The 5-percent MCS are available both as new investments for CFC members, beginning in December, and as an option for past MCS investors to reinvest in the program.

"This new issuance will provide our member-owners with another competitive investment option while further strengthening CFC's capital base," CFC CEO Sheldon C. Petersen said. "Since we first began offering MCS in 2008, nearly 400 members have invested in the program, which supports CFC in meeting the ongoing financing needs of the electric cooperative network."

Member investments—including MCS, CFC Medium-Term Notes, CFC Select Notes, CFC Commercial Paper and the CFC Daily Fund—currently make up more than $4 billion, or 21 percent, of CFC's debt funding sources. This broad level of support is viewed favorably by banks, investors and credit rating agencies.

MCS investments issued between 2008 and May 2013 will become redeemable on the five-year anniversary dates of their issuance, and invested members will be contacted approximately 60 days ahead of eligible call dates with the option to reinvest in the program.

Please contact your associate vice president or regional vice president for additional information. Those interested in the new MCS program are encouraged to read the term sheet and prospectus supplement for more details, available at CFC's Member-Owners website (accessible at http://www.nrucfc.coop/) under Products & Services tab.

SMECO Opens New E&O Center

Last week, Southern Maryland Electric Cooperative (SMECO) held an open house and ribbon-cutting ceremony for its new Engineering and Operations Center, as well as a commissioning ceremony for a nearby solar photovoltaic project. CFC provided bridge financing for the 5.5-MW solar project.

Located down the road from its headquarters campus in Hughesville, Md., SMECO's Engineering and Operations Center was built to Leadership in Energy and Environmental Design (LEED) platinum standards.

Energy-efficient features include a 300-well geothermal system and widespread use of natural light.

"It is important to note that SMECO has had a long tradition of helping our customer-members conserve energy," SMECO President and CEO Joe Slater said. "This new facility ensures that we are no longer just 'talking the talk' when it comes to energy conservation."

The solar plant, built on 33 acres of SMECO-owned property in the vicinity of the Engineering and Operations Center, has been operational since November 2012. Last week's commissioning ceremony provided an opportunity to highlight the plant as the lowest-cost option for complying with a state renewable portfolio standard, which requires 2 percent of the cooperative's consumer demand be met with solar energy or solar renewable energy credits by 2023.

More information on SMECO's solar project is included as a case study in "Electric Cooperative Pathways to Solar Engagement," released by CFC and the Solar Electric Power Association in August. The full report is available at www.nrucfc.coop.

Adams EC Hosts CFC Employees

Last week, seven CFC employees hired in recent years visited Gettysburg, Pa.-based Adams Electric Cooperative and were provided an overview of electric cooperative operations. The field trip was a joint effort with NRECA, which also had employees attend.

"The visit deepened my appreciation for the men and women who work tirelessly at rural electric co-ops to serve their communities," said CFC Strategic Communications Manager Rick Taylor, who recently joined CFC's Corporate Relations Group.

A facilities tour included a review of system smart grid components, the emergency dispatch area, call center and a retrospective view of the cooperative's response to Hurricane Sandy in 2012.

"Not only did we get an overview of how Adams Electric operates and where its various employees fit into the picture, we learned how the co-op can respond immediately to disasters and massive power outages," Taylor said. "It wasn't surprising to learn that Adams Electric can typically restore power faster than their IOU counterparts."

IEA: Efficiency Is World's 'First Fuel'

The cumulative global effect of energy efficiency measures is enormous, according to the International Energy Agency (IEA), saving the energy equivalent of $420 billion in oil among a group of 11 nations. (Data were analyzed from Australia, Denmark, Finland, France, Germany, Italy, Japan, the Netherlands, Sweden, the United Kingdom and the United States.)

"Energy efficiency has been called a 'hidden fuel,' yet it is hiding in plain sight," IEA Executive Director Maria van der Hoeven said following the report's release. "Indeed, the degree of global investment in energy efficiency and the resulting energy savings are so massive that they beg the following question: is energy efficiency not just a hidden fuel but rather the world's first fuel?"

Among the notable trends shown in IEA's data, energy efficiency measures implemented since 1974 in the group of nations have prevented consumers from using roughly two-thirds more energy than they currently use. In 2010 alone, the energy savings from efficiency measures in the 11 nations exceeded the output from any other single fuel source (see chart in full online and PDF versions).

Effective policymaking and increasing energy prices are the primary drivers of energy efficiency over time, according to IEA.

IEA released its first "Energy Efficiency Market Report" last week, as part of a series that charts global energy investments. The full report is available for a fee at http://www.iea.org/.

"We are taking a new perspective to energy efficiency with this report; treating it as we would any other energy resource," van der Hoeven said.

EYES ON THE ECONOMY

ADP: U.S. Payrolls Fall Short
Nonfarm private payrolls grew by 166,000 in September, according to the ADP National Employment Report. Economists surveyed by Bloomberg forecasted possible increases ranging from 160,000 to 235,000; the median estimate called for payrolls to rise by 180,000. Payroll gains in both July and August were revised downward, by 37,000 to 161,000 and by 17,000 to 159,000, respectively. The report is derived from a sample of private companies in the United States for which ADP processes payrolls.

ADP data indicate the pace of job creation has decelerated over the past three to six months, possibly due to fiscal austerity and rising interest rates.

Pending Sales Fall, Again
Pending home sales declined by 1.6 percent in August—the third consecutive monthly decline, according to the National Association of Realtors. The median estimate of economists surveyed by Bloomberg called for a 1-percent decline. Estimates ranged from a decrease of 5 percent to an increase of 1 percent. Because pending sales report when a contract was signed (one or two months before a sale closes) economists consider the report to be a leading indicator.

Higher mortgage rates coupled with rising home prices continues to slow the pace of home sales. With pending home sales falling between June and August, existing-home sales may weaken in the next few months. As the labor market recovers and personal income rises, however, consumers may gain enough confidence to stomach the higher rates and prices.

ISM Manufacturing Exceeds Expectations
In September, the Institute for Supply Management's Manufacturing Index rose 0.5 points to 56.2—its highest level since April 2011. Economists surveyed by Bloomberg forecasted a median estimate of 55 points. Readings above 50 indicate business expansion, whereas readings below 50 indicate contraction. Manufacturing activity has grown for four consecutive months, and the majority of September's details were positive. New orders shed 2.7 points to 60.5, while production added 0.2 points to 62.6. Inventories rose 2.5 points to 50.0 and supplier deliveries rose 0.3 to 52.6. The employment component jumped 2.1 points to 55.4.

On the first day of the partial federal government shutdown, the ISM manufacturing index release demonstrated that manufacturing activity expanded at a faster pace than the previous month. Nevertheless, due to furloughs of government employees and contractors and a subsequent drop in consumer and business confidence, the pace of output likely will show in October.

Personal Income Picks Up
Personal income growth accelerated to 0.4 percent in August, the fastest pace since February. Wage income also grew 0.4 percent, matching its best growth since February. Consumer spending growth continues to outpace income growth on a year-ago basis, supported by pent-up demand and positive wealth effects from increases in house prices and the stock market.

While housing wealth has the greater impact on consumer spending, stock market wealth also plays a role. For every $1 increase in stock market wealth, consumer spending is estimated to grow by 2 cents. In this slow-growing economy, the nation needs a boost from both to maintain momentum. Spending and income gains have been tracking each other more closely in the last four months, suggesting consumers have lowered their saving by as much as they are comfortable doing.

Leading Indicators Impress
The Conference Board's Leading Indicators Index rose 0.7 percent in August, much higher than analyst expectations. This positive reading follows July's 0.6-percent increase. Financial indicators were attributed to driving the overall index higher. Rising ISM new orders and lower jobless claims also contributed to the rise.

Six of the 10 components rose, compared with eight in July.

While manufacturing has been backpedaling for more than a year, factory surveys have taken on a better tone. The unexpected increase in consumer confidence in August is welcome given the negative headwinds from Congress. Confidence will be tested, however, by volatile equity markets, rising interest rates and higher oil prices. Barring any unforeseen shocks, the recovery should be able to overcome fiscal drag by early 2014, followed by consistent improvements in sentiment.

FINANCIAL FEATURE

Economic Ripples of the Federal Shutdown

By Eric Levine, Financial Analyst, Capital Markets Research & Analysis

On October 1, the start of its fiscal year 2014, the federal government shut down as Congress and the White House failed to agree on a budget or continuing resolution. Consequently, government spending was sharply reduced to only mandatory expenditures and interest payments on the national debt. Discretionary spending, which includes outlays for defense, education, housing, veterans' benefits, transportation and agriculture programs, to name a few, requires annual approval and appropriation by Congress.

It marked the 18th time that the federal government has shut down since 1976. Excluding the current episode, the average length of a shutdown is 8.5 days. The Congressional Budget Office estimated that the last shutdown, which occurred from Dec. 15, 1995 to Jan. 6, 1996, shaved 0.35 percent from fourth-quarter gross domestic product (GDP) in 1995. That year, GDP growth slowed from an annualized rate of 3.5 percent in the third quarter to an annualized rate of 2.9 percent in the fourth quarter. For this year's shutdown, the majority of economists surveyed forecast that each week the government remained closed, fourth-quarter GDP growth will be cut by 0.1 to 0.2 percent. In early October, the Bloomberg Private Contributor median forecast demonstrated that fourth-quarter growth may reach an annualized rate of 2.5 percent. Economists, however, may begin to revise their forecasts downward due to the shutdown.

Measures of consumer confidence have experienced sharp declines. In the first week of October, Gallup's Economic Confidence Index, a weekly measure of consumer confidence, dropped 12 points to negative 34—the largest decline since Lehman Brothers went bankrupt in 2008. Meanwhile, the University of Michigan Consumer Sentiment index fell to its lowest level since January.

With several hundred-thousand government employees furloughed, many families were forced to get by without paychecks. Many government contractors also were furloughed. Missed paychecks may cause consumers to fall behind on expenses. Furthermore, several important services that support economic activity were shuttered. Furloughs at the Federal Housing Administration, for example, an organization that guarantees 20 percent of purchase mortgages, may slow home sales.

Because federal government agencies survey and report several key economic data, the shutdown has created a partial data lapse. Since Oct. 1, the Bureau of Labor Statistics, Bureau of Economic Analysis and Census Bureau have been closed. As a result, the latest employment and Consumer Price Index reports, among other data indicators, were not released (see table). Consequently, policymakers, economists and market participants have had to make due with limited government reports and private-sector surveys. Because many of the unannounced government surveys were eventually reported after the 1995-96 shutdown, the majority of the indicators from this episode should be released in due time.

IN BRIEF

CFC BOARD ELECTION RESULTS

District 7 | At the Oct. 16 District Meeting in Portland, Ore., delegates re-elected Kirk Thompson to serve a second three-year term as a director for CFC. Thompson is general manager of CMS Electric Cooperative in Meade, Kansas. District 7 comprises Colorado, Kansas, Nebraska and Wyoming.

Thermal Storage | A 280-MW concentrating solar power plant recently came online as the only in the United States to utilize thermal energy storage. Abengoa's $2 billion "Solana" plant is approximately 70 miles southwest of Phoenix, Ariz., and uses parabolic troughs to concentrate the sun's heat and create steam. The energy storage system utilizes molten salt, enabling the plant to stora up to six hours of potential energy output at full capacity.

We value your feedback; please share your thoughts!
If you would prefer not to receive e-mails like this, please click here.

Scott Gates
Solutions Managing Editor
scott.gates@nrucfc.coop
Phone: 800-424-2954, x1652

Nicholas R. Castlen

From: Rich Larochelle <fromthedeskofrichardlarochelle@nrucfc.coop>
Sent: Monday, October 14, 2013 6:13 AM
To: Nicholas R. Castlen
Subject: The CFC November Webinar--with Elisabeth Leamy

If you are reading this on a mobile device, please view this e-mail again when you return to your office so you can read all relevant information.

Communicating your co-op message—with Elisabeth Leamy

Join us on Wednesday, November 13, at 1 p.m. Eastern Time as we have as our guest noted author and award-winning journalist Elisabeth Leamy. Leamy will spend the hour sharing the communication tips that have made her a four-time Edward R. Murrow Award winner and a regular contributing journalist on "Good Morning, America." She will also spend time answering questions about communicating the co-op message from those in our "live" studio audience at the IBES in Bonita Springs, Florida, as well as from our regular electronic audience. Here's the chance to learn from a world-renowned professional the secrets to communicating your co-op message in a way that is clear and easy to understand.

Also on the program will be Megan McKoy from NRECA. Megan knows how younger generations communicate with each other and will take time to tell us what habits we need to break if we are to communicate effectively with these new cooperative members.

COMMUNICATING YOUR CO-OP MESSAGE

If you would like to learn more about the Continuing Professional Education (CPE) credits offered for the webinar series, visit the CFC Webinar Series web page.

The webinar is now available live through your iPad. Simply download the MOBILEMEETINGS App from the Apple App Store at least a day or two before the event. The App is free!

If you have any questions about the webinar or the registration process, e-mail Bill Clayton. I am sure he will be able to give you the answers you need.

Best regards,

Richard Larochelle
Senior Vice President
Corporate Relations

20701 Cooperative Way, Dulles, VA 20166

Nicholas R. Castlen

From:	Bill Clayton <Bill.Clayton@nrucfc.coop>
Sent:	Wednesday, October 09, 2013 5:27 AM
Subject:	A Reminder--The CFC Webinar on Capital Credits Today at 1 P.M. Eastern Time

If you are reading this on a mobile device, please view this e-mail again when you return to your office so you can read all relevant information.

The CFC Financial Webinar Series

Topic: A Discussion on Capital Credits.
Date and Time: October 9, 2013 at 1 p.m. Eastern Time

Welcome to your CFC Web conference. To help you prepare for this conference, start by printing this page so you can refer to it later.
PARTICIPANT INSTRUCTIONS:

TEST YOUR COMPUTER IN ADVANCE! To do so, direct your web browser to www.ec.commpartners.comand click on "Support" in the upper left corner of the page. Then click on the "Run Test." You should see a message indicating whether you are ready to participate in the Web meeting. Click to continue the test to ensure your computer speakers are ready.

ON THE DAY OF THE EVENT:

If you are new to our events, please follow the instructions below at least 10 minutes prior to the scheduled start time.

Please note that the primary means of listening to this event is streaming audio through your computer speakers. If you have any difficulty listening via your computer speakers, follow the instructions provided below to listen via telephone.

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2. Under "Enter a meeting," type in the meeting number **625228**and click on "Enter."
3. In the "Display Name" field, type in your first and lastname and click on "Enter Meeting."
4. If your computer does not support streaming audio and you want to listen to the audio portion of the event via telephone, dial **1-855-553-8952**and enter passcode **85712816#.**

If you need technical assistance, you may press *0 to alert an operator...or send an email to: nreca_assist@commpartners.com

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Bill Clayton
VP, Corporate Training
CFC
703-467-1637

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herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Nicholas R. Castlen

From: Joane Mingot <Joane.Mingot@nrucfc.coop>
Sent: Tuesday, January 14, 2014 2:32 PM
To: Julia Book
Cc: Nicholas R. Castlen
Subject: Re: FW: KY062 Letter of Credit Invoice
Attachments: KY062 5102-012.pdf

Hi Julia,

I will make sure this is done. Thanks for your assistance in resolving this matter.

CFC: Created and Owned by America's Electric Cooperative Network

Joane Mingot
Accountant II

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1746 or toll-free (800) 424-2954
Fax: (703) 467-5687

From: Julia Book <Julia.Book@bigrivers.com>

To: Joane Mingot <Joane.Mingot@nrucfc.coop>

Cc: "Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com>

Date: 01/14/2014 03:29 PM

Subject: FW: KY062 Letter of Credit Invoice

Joane,

I gave Invoice# 2013031226 to Nick Castlen for approval before the Invoice can be processed. In the future, could you please start sending all Invoices for CFC that are mailed to Big Rivers to the attention of Nick Castlen or e-mail them directly to nicholas.castlen@bigrivers.com. Please let me know if you have any questions.

Thank you,

Julia Book
Big Rivers Electric Corporation
Accounting Associate
270-844-6138
Fax: 270-844-6408
Email: Julia.book@bigrivers.com

-----Original Message-----
From: Joane Mingot [mailto:Joane.Mingot@nrucfc.coop]
Sent: Tuesday, January 14, 2014 1:43 PM
To: Julia Book
Subject: KY062 Letter of Credit Invoice

Hi Julia,

I've attached below letter of credit fee due. Please let me know if you have any questions.

(See attached file: KY062 5102-012.pdf)

Best Regards,
Joane

CFC: Created and Owned by America's Electric Cooperative Network

Joane Mingot
Accountant II

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1746 or toll-free (800) 424-2954
Fax: (703) 467-5687

(See attached file: KY062 5102-012.pdf)
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Nicholas R. Castlen

From: Julia Book
Sent: Tuesday, January 14, 2014 2:29 PM
To: Joane Mingot
Cc: Nicholas R. Castlen
Subject: FW: KY062 Letter of Credit Invoice
Attachments: KY062 5102-012.pdf

Joane,

I gave Invoice# 2013031226 to Nick Castlen for approval before the invoice can be processed. In the future, could you please start sending all invoices for CFC that are mailed to Big Rivers to the attention of Nick Castlen or e-mail them directly to nicholas.castlen@bigrivers.com. Please let me know if you have any questions.

Thank you,

Julia Book
Big Rivers Electric Corporation
Accounting Associate
270-844-6138
Fax: 270-844-6408
Email: Julia.book@bigrivers.com

-----Original Message-----
From: Joane Mingot [mailto:Joane.Mingot@nrucfc.coop]
Sent: Tuesday, January 14, 2014 1:43 PM
To: Julia Book
Subject: KY062 Letter of Credit Invoice

Hi Julia,

I've attached below letter of credit fee due. Please let me know if you have any questions.

(See attached file: KY062 5102-012.pdf)

Best Regards,
Joane

CFC: Created and Owned by America's Electric Cooperative Network

Joane Mingot
Accountant II

National Rural Utilities Cooperative Finance Corporation

20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1746 or toll-free (800) 424-2954
Fax: (703) 467-5687

Nicholas R. Castlen

From: Nicole Gish <nicole.gish.pca9@statefarm.com>
Sent: Monday, January 13, 2014 1:30 PM
To: Nicholas R. Castlen
Subject: RE: Refund

Nick,
Sounds great, have a great rest of the week!!

Nicole

From: Nicholas R. Castlen [mailto:Nicholas.Castlen@bigrivers.com]
Sent: Monday, January 13, 2014 12:47 PM
To: Nicole Gish
Subject: Refund

Nicole,

I received your voicemail. Thanks for getting back to me and refunding the payment.

I'll call you as soon as I'm able to schedule a closing date with US Bank to get a new home owner's insurance policy.

Thanks,

Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Monday, January 13, 2014 1:15 PM
To: Lyzinski, Dan (dan.lyzinski@nrucfc.coop)
Subject: CFC 2012 Loans & CTC Invmts.-Amort. Schedules 2013.12 (v2-Based on Discussion w. Dan L.).xlsx
Attachments: CFC 2012 Loans & CTC Invmts.-Amort. Schedules 2013.12 (v2-Based on Discussion w. Dan L.).xlsx

I think I may have corrected it. I'll give you a call.

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Friday, January 10, 2014 2:37 PM
To: Craig Freme
Subject: Re: CFC Discounts

Next week would be great.

Thanks,

Nick

Sent from my iPhone

On Jan 10, 2014, at 2:02 PM, "Craig Freme" <craig.freme@nrucfc.coop> wrote:

> Hey Nick,
>
> I'm working on a few requests today. Do you have flexibility in your
> schedule to allow for Dan or myself to look into this next week?
>
> Thanks,
> Craig
>
> --
> -------------
>
> CFC: Created and Owned by America's Electric Cooperative Network
>
> Craig Freme
> Lead Loan Accountant
>
> National Rural Utilities Cooperative Finance Corporation
> 20701 Cooperative Way
> Dulles, VA 20166
> Office: (703) 467-1738 or toll-free (800) 424-2954
> Fax: (703) 467-3934
>
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> |---------->
> | From: |
> |---------->
>> --|
> |"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
>> --|
> |---------->
> | To: |
> |---------->

>> --|
> |Craig Freme <craig.freme@nrucfc.coop> |
>> --|
> |---------->
> | Date: |
> |---------->
>> --|
> |01/10/2014 12:17 PM |
>> --|
> |---------->
> | Subject: |
> |---------->
>> --|
> |RE: FW: CFC Discounts |
>> --|
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>
>
> Craig,
>
> I updated my amortization schedules in the attached file to account
> for the performance and volume discounts associated with our 2012
> Refinance Note, based on our discussion last week.
>
> If you have a chance, can you take a look at the updated schedules for
> the refinance note in the attached file. The "RefiNoteTotal(9003
> 001-020)" tab sums the amounts from the individual tabs for each note (i.e. "9003-001"
> through "9003-020").
>
> For the discounts previously earned during Jun-13 through Oct-13, I
> just included an adjustment in Nov-13 (for the Performance Discount)
> and an adjustment in Dec-13 |for the Volume Discount).
>
> One thing I wasn't sure about was how to calculate what the new total
> quarterly payment amounts would be going forward, especially for note
> 9003-002.
>
> Please let me know if you have a chance to look over it, or give me a
> call if it'd be easier to discuss.
>
> Thanks again for all your help.
>
> Nick
>
>
> Nick Castlen, CPA
> Manager Finance | Big Rivers Electric Corporation | 201 Third Street,
> Henderson, KY 42420
> Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email:
> nicholas.castlen@bigrivers.com

>
> -----Original Message-----
> From: Craig Freme [mailto:craig.freme@nrucfc.coop]
> Sent: Monday, January 06, 2014 1:55 PM
> To: Nicholas R. Castlen
> Subject: RE: FW: CFC Discounts
>
> Nick,
>
> As a general rule, loans under principal deferral will behave as
> interest only loans and accrue at ACT/365 until they begin to
> amortize. This is why you are seeing a difference. I'm about to run
> to a meeting from 3-5, but will be happy to supply you with additional details if needed.
>
> Best Regards,
> Craig
>
> --
> ------------
>
>
> CFC: Created and Owned by America's Electric Cooperative Network
>
> Craig Freme
> Lead Loan Accountant
>
> National Rural Utilities Cooperative Finance Corporation
> 20701 Cooperative Way
> Dulles, VA 20166
> Office: (703) 467-1738 or toll-free (800) 424-2954
> Fax: (703) 467-3934
>
> ____
>
> Craig,
>
> One more follow up question.
>
> In the attached spreadsheet I noticed the volume discount for loan
> 9003-002 is calculated based on a 360 day year (see cell D11) while
> the volume discounts for loans 9003-003 through 9003-020 are all
> calculated based on a
> 365 day year.
>
> Is this correct, or should they all be using a 365 day year?
>
> Thanks again,
>
> Nick
>
> Nick Castlen, CPA
> Manager Finance | Big Rivers Electric Corporation | 201 Third Street,

> Henderson, KY 42420
> Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email:
> nicholas.castlen@bigrivers.com
>
> -----Original Message-----
> From: Craig Freme [mailto:craig.freme@nrucfc.coop]
> Sent: Wednesday, December 18, 2013 12:42 PM
> To: Nicholas R. Castlen
> Cc: Billie Richert; Donna Windhaus; Dan Lyzinski
> Subject: Re: FW: CFC Discounts
>
> Nick,
>
> Your Associate Vice President, Dan Lyzinski, is more knowledgeable
> about the MDSC requirements of the discounts. Generally speaking, as
> long as your cooperative is meeting certain requirements, you will
> retain discounts, but I'll allow Dan to speak to that.
>
> The performance discount will always be 0.125% applied to the
> principal balance during the billing period.
>
> The volume discount can be an amount up to 0.125% and may change with
> the change in loan volume you have with CFC. The discount you are
> eligible for is applied to the principal balance during the billing
> period. After you look through the spreadsheet, you will be able to see this.
>
> Dan and I are happy to work together to answer all of your questions.
> Take time to review the spreadsheet and let us know what questions you have.
>
> Craig
>
> (See attached file: KY062 Volume Disc 12.18.13.xlsx)
>
>
> --
> -------------
>
>
> CFC: Created and Owned by America's Electric Cooperative Network
>
> Craig Freme
> Lead Loan Accountant
>
> National Rural Utilities Cooperative Finance Corporation
> 20701 Cooperative Way
> Dulles, VA 20166
> Office: (703) 467-1738 or toll-free (800) 424-2954
> Fax: (703) 467-3934
>
>
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> |---------->

> | From: |
> |----------->
>
>> --|
>
> |"Nicholas R. Castien" <Nicholas.Castien@bigrivers.com>
> |
>
>> --|
>
> |----------->
> | To: |
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>
>> --|
>
> |"craig.freme@nrucfc.coop" <craig.freme@nrucfc.coop>
> |
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> |----------->
> | Cc: |
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>
>> --|
>
> |Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <
> Donna.Windhaus@bigrivers.com>
> |
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> |----------->
> | Date: |
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> |12/18/2013 01:12 PM
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>
> |FW: CFC Discounts
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>
> Thanks Craig.
>
> Can you go ahead and send me the volume discount spreadsheet also, or
> have the accountant who prepared it send it to me. I'd like to see
> how the volume discount is calculated and ensure that we properly
> accrue for those amounts in 2013 as well.
>
> Also, a couple questions:
>
> 1. How long will we continue to receive the
> performance discount and/or volume discount (e.g. throughout the life
> of the loan, for the next ## billing periods, or is it dependent upon
> CFC's financial results, etc.)?
>
> 2. Will the performance discount rate always be
> 0.125%, applied to the principal balance during the billing period, or
> will it change? If the rate changes, is there a pre-determined
> schedule for what the rate(s) will be in subsequent periods, or is it
> dependent on CFC's financial results or some other
> measurement?
>
> 3. What is the volume discount based on and what is the
> rate (once I get the spreadsheet, I can probably answer these myself)?
>
> 4. How long will the volume discount apply and will
> the volume discount rate change during future billing periods?
>
> Thanks again for your help, and feel free to call me if it'd be easier
> to discuss any of these items over the phone.
>
> Nick
>
>
> Nick Castlen, CPA
> Manager Finance | Big Rivers Electric Corporation | 201 Third Street,
> Henderson, KY 42420
> Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email:
> nicholas.castlen@bigrivers.com
>
>
> -----Original Message-----
> From: Craig Freme [mailto:craig.freme@nrucfc.coop]
> Sent: Wednesday, December 18, 2013 11:53 AM
> To: Nicholas R. Castlen

> Subject: CFC Discounts
>
>
> Dear Nick,
>
> Attached is a simple spreadsheet detailing the supporting calculation
> for the first two loans on the November 2013 invoice. Please note the
> Prior Accrual Adjustment amount on the invoice is the total of the
> discount for June, July and August. The total in the Performance
> Discount field is the discount for the current billing period, September, October and November.
> Please let me know if you have questions regarding the calculations.
>
> (See attached file: KY062 Performance Discount 12.18.13.xlsx)
>
> In my research, I also see your cooperative is eligible for the Volume
> Discount effective 6/1/2013. Our accounting system is only able to
> calculate the volume discount from the current period of time forward,
> so a manual calculation was prepared and entered during December. You
> will see these figures on your February invoice. I have a spreadsheet
> another accountant put together detailing the calculation, but I
> didn't want to cause you confusion since you will not have an invoice to compare it to.
> Though, if you need it, I can give you the total Volume discount KY062
> has received for the period 6/1 - 1/1/14.
>
> Please let me know your thoughts and if there is anything more I can
> do to assist you.
>
> Best Regards,
> Craig
>
> --
> --------------
>
>
>
> CFC: Created and Owned by America's Electric Cooperative Network
>
> Craig Freme
> Lead Loan Accountant
>
> National Rural Utilities Cooperative Finance Corporation
> 20701 Cooperative Way
> Dulles, VA 20166
> Office: (703) 467-1738 or toll-free (800) 424-2954
> Fax: (703) 467-3934
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> message and notify the sender by telephone or e-mail.
> (See attached file: KY062 Performance Discount 12.18.13.xlsx) This may

> contain information that is confidential or privileged. If you are not
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> message to anyone or make any other use of the information set forth
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> (See attached file: KY062 Volume Disc 12 18 13.xlsx) This may contain
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> message to anyone or make any other use of the information set forth
> herein. In such case, you should destroy this message and notify the
> sender by telephone or e-mail.
> (See attached file: CFC 2012 Loans & CTC Invmts.-Amort. Schedules
> 2013.12.xlsx)
> This may contain information that is confidential or privileged. If
> you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.
> <CFC 2012 Loans & CTC Invmts.-Amort. Schedules 2013.12.xlsx>

Nicholas R. Castlen

From: Craig Freme <craig.freme@nrucfc.coop>
Sent: Friday, January 10, 2014 2:00 PM
To: Nicholas R. Castlen
Subject: RE: FW: CFC Discounts
Attachments: CFC 2012 Loans & CTC Invmts.-Amort. Schedules 2013.12.xlsx

Hey Nick,

I'm working on a few requests today. Do you have flexibility in your schedule to allow for Dan or myself to look into this next week?

Thanks,
Craig

CFC: Created and Owned by America's Electric Cooperative Network

Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| To: |
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|Craig Freme <craig.freme@nrucfc.coop> |
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| Date: |
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|01/10/2014 12:17 PM |
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| Subject: |
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|RE: FW: CFC Discounts |
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Please let me know if you have a chance to look over it, or give me a call if it'd be easier to discuss.

Thanks again for all your help.

Nick

Nick Castien, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email:
nicholas.castien@bigrivers.com

-----Original Message-----
From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Monday, January 06, 2014 1:55 PM
To: Nicholas R. Castien
Subject: RE: FW: CFC Discounts

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From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Wednesday, December 18, 2013 12:42 PM
To: Nicholas R. Castlen
Cc: Billie Richert; Donna Windhaus; Dan Lyzinski
Subject: Re: FW: CFC Discounts

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(See attached file: KY062 Volume Disc 12.18.13.xlsx)

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| Cc: |

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|12/18/2013 01:12 PM
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Nicholas R. Castlen

From: Andrew Don <Andrew.Don@nrucfc.coop>
Sent: Tuesday, January 07, 2014 8:48 AM
To: sheldon.petersen@nrucfc.coop; john.list@nrucfc.coop
Cc: Ling Wang; Jason Mowery; Heesun Choi; Amy Luongo; Andrew Don; Bob Geier; Brad Captain; Bruce MacNeil; Fran Weems; Gary Bradbury; Graceann Clendenen; Joel Allen; John Borak; John Evans; John List; John Suter; Larry Zawalick; Lawrence Saunders; Leigh Grantham; MaryAnn Harden; Roberta Aronson; Robin Reed; Sarah DeShazior; Sheldon Petersen; Steve Kettler; Steven Lilly; John Dippo; Thomas Hall; Ann Shankroff; Dan Lyzinski; Katrice Simpson
Subject: January 2014 US Loan Market Update
Attachments: U.S. Loan Market Update - January 2014.pdf

Attached please find CFC's US Loan Syndication Year in Review and 2014 Outlook report. As detailed in the report, 2013 was a very strong year in the loan market with final volume anticipated to be at an all time record.
As reported during the past calendar year, activity in 2013 was primarily focussed on borrowers taking advantage of favorable lending conditions to complete Amend and Extend transactions.

CFC acted as Lead Arranger for $2.325 Billion in syndicated financing during calendar year 2013. Please contact your Relationship Manager or a member of the Capital Markets Relations Group at CFC if we can provide any assistance or answer any questions on the syndicated loan market.

Best wishes for a happy and prosperous 2014.

(See attached file: U.S. Loan Market Update - January 2014.pdf)

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J. Andrew Don
Senior Vice President & Chief Financial Officer National Rural Utilities Cooperative Finance Corp.
20701 Cooperative Way
Dulles, VA 20166
phone: 703-467-7402
mobile: 571-215-5812
fax; 703-709-6784
email: Andrew.Don@nrucfc.coop

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Monday, January 06, 2014 2:22 PM
To: 'Craig Freme'
Subject: RE: FW: CFC Discounts

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Lead Loan Accountant

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20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| To: |
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|Craig Freme <craig.freme@nrucfc.coop> |
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| Date: |
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>---|
|01/06/2014 02:50 PM |
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| Subject: |
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|RE: FW: CFC Discounts |
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Craig,

One more follow up question.

In the attached spreadsheet I noticed the volume discount for loan 9003-002 is calculated based on a 360 day year (see cell D11) while the volume discounts for loans 9003-003 through 9003-020 are all calculated based on a 365 day year.

Is this correct, or should they all be using a 365 day year?

Thanks again,

Nick

Nick Castlen, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email: nicholas.castlen@bigrivers.com

-----Original Message-----
From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Wednesday, December 18, 2013 12:42 PM
To: Nicholas R. Castlen
Cc: Billie Richert; Donna Windhaus; Dan Lyzinski
Subject: Re: FW: CFC Discounts

Nick,

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Dan and I are happy to work together to answer all of your questions. Take time to review the spreadsheet and let us know what questions you have.

Craig

(See attached file: KY062 Volume Disc 12.18.13.xlsx)

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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus < Donna.Windhaus@bigrivers.com>
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| Date: |
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|12/18/2013 01:12 PM
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Nicholas R. Castlen

From:	Nicholas R. Castlen
Sent:	Monday, January 06, 2014 1:51 PM
To:	'Craig Freme'
Subject:	RE: FW: CFC Discounts

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KY062 Volume Disc 12 18 13.xls...

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Monday, January 06, 2014 1:41 PM
To: 'Dan Lyzinski'
Subject: RE: FW: CFC Discounts

Thanks for the quick response Dan, that helps.

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Monday, January 06, 2014 1:12 PM
To: Nicholas R. Castlen
Subject: RE: FW: CFC Discounts

Nick,

1. MDSC is short for Modified Debt Service Coverage. It is essentially EBITDA over P&I on long-term debt. The exact definition is in your long-term loan agreement with CFC.
2. Volume discount is based on long-term debt over $15 million. The formula that CFC uses is taking total long-term debt that is eligible less $15 million, then calculating the percentage per loan. That is why the percentage may be different each quarter.
3. The equity loan is not eligible for volume discount or included in calculating volume discount.

I hope this helps.

Thanks,

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Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| To: |
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|Dan Lyzinski <Dan.Lyzinski@nrucfc.coop> |
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| Date: |
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|01/06/2014 01:56 PM |
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| Subject: |
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|RE: FW: CFC Discounts |
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Thanks,

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Office: (270) 844-6141 | Mobile: (270| 831-0981 | Fax: (270) 844-6408 | Email:
nicholas.castlen@bigrivers.com

-----Original Message-----

From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Wednesday, December 18, 2013 12:57 PM
To: Craig Freme
Cc: Billie Richert; Donna Windhaus; Nicholas R. Castlen; Thomas Hall
Subject: Re: FW: CFC Discounts

Nick,

Big Rivers will be eligible to interest rate discount as long as Big Rivers achieves an average MDSC of 1.15 over 2 of the last 3 years. This test is determined each year. Currently, Big Rivers qualifies for the discounts.

Let us know if you have any further questions.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Oan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Craig Freme/CFC
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| To: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com>
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>, Dan Lyzinski/CFC@CFC
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|12/18/2013 01:42 PM
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| Subject: |
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[attachment "KY062 Volume Disc 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]

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[attachment "KY062 Performance Discount 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]
(See attached file: CFC Volume Discount - 2013.12.xlsx)

Nicholas R. Castlen

From: Dan Lyzinski <Dan.Lyzinski@nrucfc.coop>
Sent: Monday, January 06, 2014 1:12 PM
To: Nicholas R. Castlen
Subject: RE: FW: CFC Discounts
Attachments: CFC Volume Discount - 2013.12.xlsx

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|FW: CFC Discounts
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Thanks Craig.

Can you go ahead and send me the volume discount spreadsheet also, or have the accountant who prepared it send it to me. I'd like to see how the volume discount is calculated and ensure that we properly accrue for those amounts in 2013 as well.

Also, a couple questions:

1. How long will we continue to receive the performance discount and/or volume discount (e.g. throughout the life of the loan, for the next ## billing periods, or is it dependent upon CFC's financial results, etc.)?

2. Will the performance discount rate always be 0.125%, applied to the principal balance during the billing period, or will it change? If the rate changes, is there a pre-determined schedule for what the rate(s) will be in subsequent periods, or is it dependent on CFC's financial results or some other measurement?

3. What is the volume discount based on and what is the rate (once I get the spreadsheet, I can probably answer these myself)?

4. How long will the volume discount apply and will the volume discount rate change during future billing periods?

Thanks again for your help, and feel free to call me if it'd be easier to discuss any of these items over the phone.

Nick

Nick Castien, CPA
Manager Finance | Big Rivers Electric Corporation | 201 Third Street, Henderson, KY 42420
Office: (270) 844-6141 | Mobile: (270) 831-0981 | Fax: (270) 844-6408 | Email:
nicholas.castien@bigrivers.com

-----Original Message-----
From: Craig Freme [mailto:craig.freme@nrucfc.coop]
Sent: Wednesday, December 18, 2013 11:53 AM
To: Nicholas R. Castien
Subject: CFC Discounts

Dear Nick,

Attached is a simple spreadsheet detailing the supporting calculation for the first two loans on the November 2013 invoice. Please note the Prior Accrual Adjustment amount on the invoice is the total of the discount for June, July and August. The total in the Performance Discount field is the discount for the current billing period, September, October and November.
Please let me know if you have questions regarding the calculations.

(See attached file: KY062 Performance Discount 12.18.13.xlsx)

In my research, I also see your cooperative is eligible for the Volume Discount effective 6/1/2013. Our accounting system is only able to calculate the volume discount from the current period of time forward, so a manual calculation was prepared and entered during December. You will see these figures on your February invoice. I have a spreadsheet another accountant put together detailing the calculation, but I didn't want to cause you confusion since you will not have an invoice to compare it to.
Though, if you need it, I can give you the total Volume discount KY062 has received for the period 6/1 - 1/1/14.

Please let me know your thoughts and if there is anything more I can do to assist you.

Best Regards,
Craig

CFC: Created and Owned by America's Electric Cooperative Network

Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.
[attachment "KY062 Performance Discount 12.18.13.xlsx" deleted by Dan Lyzinski/CFC] This may contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person], you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.
(See attached file: CFC Volume Discount - 2013.12.xlsx) This may contain information that is confidential or privileged. If you are not the addressee indicated in this message (or responsible for delivery of this message to such person), you should not copy or deliver this message to anyone or make any other use of the information set forth herein. In such case, you should destroy this message and notify the sender by telephone or e-mail.

Nicholas R. Castlen

From: Nicholas R. Castlen
Sent: Monday, January 06, 2014 12:56 PM
To: 'Dan Lyzinski'
Subject: RE: FW: CFC Discounts
Attachments: CFC Volume Discount - 2013.12.xlsx

Dan,

I had a couple follow up questions regarding the discounts that I was hoping you could help me with.

1. Is "MDSC" short for "Margins for Debt Service Coverage" ratio? How is MDSC calculated by CFC (i.e. what is the formula)?

2. For the volume discount, is the manual calculation used (i.e. the calculation in the attached spreadsheet that resulted in a $203,907.26 discount) or the accounting system/LA Pro calculation used (i.e. the calculation that resulted in a
$198,646.66 discount)?

3. Craig mentioned the volume discount percentage is up to 0.125% but may change based on Big Rivers' loan volume with CFC.
   - Is there a schedule that shows the different discount percentages applicable for different loan volumes?
   - Is the equity note included in the loan volume amount for determining the applicable volume discount percentage?

Thanks,

Nick

Nick Castlen, CPA
Manager Finance|Big Rivers Electric Corporation|201 Third Street, Henderson, KY 42420
Office: (270) 844-6141|Mobile: (270) 831-0981|Fax: (270) 844-6408 |Email: nicholas.castlen@bigrivers.com

-----Original Message-----
From: Dan Lyzinski [mailto:Dan.Lyzinski@nrucfc.coop]
Sent: Wednesday, December 18, 2013 12:57 PM
To: Craig Freme
Cc: Billie Richert; Donna Windhaus; Nicholas R. Castlen; Thomas Hall
Subject: Re: FW: CFC Discounts

Nick,

Big Rivers will be eligible to interest rate discount as long as Big Rivers achieves an average MDSC of 1.15 over 2 of the last 3 years. This test is determined each year. Currently, Big Rivers qualifies for the discounts.

Let us know if you have any further questions.

Thanks,

CFC: Created and Owned by America's Electric Cooperative Network

Dan Lyzinski

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Ph.: (703) 467-2741
Fax: (703) 467-5653

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| From: |
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|Craig Freme/CFC |
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| To: |
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|"Nicholas R. Castien" <Nicholas.Castien@bigrivers.com> |
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| Cc: |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>, Dan Lyzinski/CFC@CFC |
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| Date: |
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|12/18/2013 01:42 PM |
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| Subject: |
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|Re: FW: CFC Discounts |
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Nick,

Your Associate Vice President, Dan Lyzinski, is more knowledgeable about the MDSC requirements of the discounts. Generally speaking, as long as your cooperative is meeting certain requirements, you will retain discounts, but I'll allow Dan to speak to that.

The performance discount will always be 0.125% applied to the principal balance during the billing period.

The volume discount can be an amount up to 0.125% and may change with the change in loan volume you have with CFC. The discount you are eligible for is applied to the principal balance during the billing period. After you look through the spreadsheet, you will be able to see this.

Dan and I are happy to work together to answer all of your questions. Take time to review the spreadsheet and let us know what questions you have.

Craig

[attachment "KY062 Volume Disc 12.18.13.xlsx" deleted by Dan Lyzinski/CFC]

CFC: Created and Owned by America's Electric Cooperative Network

Craig Freme
Lead Loan Accountant

National Rural Utilities Cooperative Finance Corporation
20701 Cooperative Way
Dulles, VA 20166
Office: (703) 467-1738 or toll-free (800) 424-2954
Fax: (703) 467-3934

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| From: |
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|"Nicholas R. Castlen" <Nicholas.Castlen@bigrivers.com> |
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| To: |
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|"craig.freme@nrucfc.coop" <craig.freme@nrucfc.coop> |
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|Billie Richert <Billie.Richert@bigrivers.com>, Donna Windhaus <Donna.Windhaus@bigrivers.com>
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|12/18/2013 01:12 PM |
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