

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FARMERS RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR)	
AUTHORIZATION TO BORROW UP TO)	CASE NO.
\$2,950,000.00 FROM THE NATIONAL RURAL)	2017-00357
UTILITIES COOPERATIVE FINANCE)	
CORPORATION TO EXECUTE NECESSARY)	
NOTE AND TO PREPAY RURAL UTILITIES)	
SERVICE NOTES OF THE SAME AMOUNT)	

ORDER

On August 28, 2017, Farmers Rural Electric Cooperative Corporation (“Farmers”) filed an application seeking Commission authority to execute notes to the National Rural Electric Cooperative Finance Corporation (“CFC”) in an amount up to \$2,950,000.00.¹ On September 14, 2017, Commission Staff issued its First Request for Information (“Staff’s First Request”) to Farmers to clarify certain issues in this case. Farmers filed its responses to Staff’s First Request on September 19, 2017. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Farmers intends to use the proceeds from the proposed CFC loan to refinance and discharge \$2,950,000.00 of its outstanding indebtedness to the Rural Utilities Service (“RUS”).² The refinancing of the RUS secured debt is authorized pursuant to 7 CFR

¹ Application, paragraph 6.

² Application, paragraph 7.

Part 1786.³ The outstanding RUS balance consists of fixed-rate debt with interest rates varying from 4.12 percent to 5.12 percent.⁴ Farmers proposes to refinance three RUS loans in the aggregate amount of \$2,875,432 with a CFC note in the same amount at a fixed interest rate of 3.50 percent.⁵ CFC's offer to refinance the RUS notes expires February 2019.⁶ Farmers estimates the legal fees for the financing, performed by Farmers' attorney, to be approximately \$250.⁷ Farmers requests that a decision be rendered by November 1, 2017, so that Farmers can close the transaction by December 15, 2017.⁸

The proposed CFC notes will have a principal repayment tenor of 13 years, with the date of the final principal repayment scheduled approximately two years earlier than the maturity date of the RUS notes being refinanced.⁹ Farmers provided a cash flow analysis which indicates that the refinancing would save \$492,360 over the life of the proposed loans, resulting in a positive net present value cash flow of \$252,373.¹⁰

The Commission has reviewed the proposed refinancing and finds Farmers' proposal to be reasonable due to the lower effective interest rate and cash flow savings Farmers would see over the period of the loan. The Commission commends Farmers for

³ Application Exhibit 1, page 1 of 6.

⁴ *Id.*, page 4 of 6.

⁵ Application, paragraph 6.

⁶ Application Exhibit 1, page 6 of 6.

⁷ Staff's First Request, Item 1.

⁸ Application.

⁹ *Id.*, paragraph 6.

¹⁰ Staff's First Request, Item 2.

taking advantage of the financing alternatives available to it, thereby securing savings for itself and its member-consumers.

The final amounts of the RUS payoff, the legal fees, and the new CFC loan will not be known until the refinancing transaction is finalized. Therefore, Farmers should provide the Commission with the exact amount of the new CFC loan within ten days of finalizing the transaction. In addition, Farmers should provide an updated version of the response to Staff's First Request, Item 2, reflecting the cash flow analysis of the new CFC loan.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Farmers, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. Farmers should execute its note as security for the proposed loan in the manner described in its application.

3. Within ten days of finalizing the refinancing transaction, Farmers should notify the Commission in writing of the exact amount of the new CFC loan. Farmers should include with the notice an updated version of Staff's First Request, Item 2, reflecting the savings based on the actual amount of the new CFC loan and legal fees.

4. Within ten days of the execution of the new CFC loan documents, Farmers should file with the Commission one copy in paper medium and an electronic version of the loan documents.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Farmers' application.

6. The terms and conditions of the new CFC loan should be consistent with the CFC refinancing program as described in Farmers' application.

IT IS THEREFORE ORDERED that:

1. Farmers is authorized to borrow from CFC up to \$2,950,000, but no more than the total amount needed to pay off the RUS notes proposed to be refinanced as identified in the application. The loan maturity date and interest rate shall be in accordance with the CFC refinancing program as described in Farmers' application.

2. Farmers shall execute the CFC loan documents as authorized herein.

3. Farmers shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission

ENTERED
OCT 17 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2017-00357

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