

RECEIVED

FEB 07 2017

PUBLIC SERVICE
COMMISSION

OWEN *Electric*

A Touchstone Energy[®] Cooperative 

**Case No.
2017-00036**

**COMMISSION STAFF'S INITIAL REQUEST FOR
INFORMATION**

OWEN ELECTRIC COOPERATIVE, INC.

8205 Hwy 127 N

PO Box 400

Owenton, KY 40359

502-484-3471

CRAWFORD & BAXTER, P.S.C.

ATTORNEYS AT LAW

523 Highland Avenue
P.O. Box 353
Carrollton, Kentucky 41008

James M. Crawford
E-Mail: JCrawford@cbkylaw.com

Ruth H. Baxter
E-Mail: RBaxter@cbkylaw.com

Jake A. Thompson
E-Mail: JThompson@cbkylaw.com

Phone: (502) 732-6688
Toll Free: 1-800-442-8680
Fax: (502) 732-6920

February 7, 2017

RECEIVED

FEB 07 2017

PUBLIC SERVICE
COMMISSION

Ms. Talina Mathews
Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

RE: PSC Case No. 2017-00036

Dear Ms. Mathews:

Please find enclosed for filing with the Commission in the above-referenced case, an original and ten copies of the responses of Owen Electric Cooperative, Inc., to the Commission Staff's Initial Request for Information, dated January 30, 2017.

Please contact me with any questions.

Respectfully yours,

CRAWFORD & BAXTER, P.S.C.


James M. Crawford
Attorney for Owen Electric Cooperative, Inc.

Enclosures

OWEN ELECTRIC COOPERATIVE, INC.

PSC CASE NO. 2017-00036

RESPONSE TO INITIAL REQUEST FOR INFORMATION

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO OWEN
ELECTRIC COOPERATIVE, INC., DATED 1/30/2017**

REQUEST 1

RESPONSIBLE PARTY: Ann F. Wood

Request 1: Refer to the application, Exhibit A, page 2 of 4.

Request 1a: Explain if Owen has converted or plans to convert its variable rate Rural Utility Service ("RUS") notes to a fixed interest rate prior to the proposed refinancing closing date. If so, provide the resultant fixed interest rate for each note. If not, provide the date when Owen expects the change to occur.

Response 1a: Owen Electric has not converted its variable rate RUS notes to a fixed interest rate. Owen Electric will effectively convert these notes to a fixed rate through the refinance with CoBank. Had Owen Electric not chosen to refinance with CoBank, Owen Electric would have been able to convert the variable rate to an approximate treasury fixed rate of 2.50%.

Request 1b: Refer also to page 4 of 4. Confirm that the information provided for the RUS notes reflects the fixed rate of 2.50 percent for the two notes that currently have variable interest rates. If this cannot be confirmed, update this exhibit to reflect the assumed 2.50 percent interest rate or the actual fixed interest rate of the notes.

Response 1b: Yes, the cash flow information provided reflects the fixed rate of 2.50% for the two RUS notes that are currently on variable interest rates.

Request 1c: Provide the calculation of the weighted average life (“WAL”) of the CoBank loan in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

Response 1c: Please see the spreadsheet provided on the enclosed CD (worksheet name—WAL Calc.)

OWEN ELECTRIC COOPERATIVE, INC.

PSC CASE NO. 2017-00036

RESPONSE TO INITIAL REQUEST FOR INFORMATION

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO OWEN
ELECTRIC COOPERATIVE, INC., DATED 1/30/2017**

REQUEST 2

RESPONSIBLE PARTY: Ann F. Wood

Request 2: Refer to the application, Exhibit A, page 3 of 4.

Request 2a: Provide the calculation for the RUS blended interest rate of 4.34 percent in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

Response 2a: Please see the spreadsheet provided on the enclosed CD (worksheet name—RUS Blended Rate).

Request 2b: Provide the calculation for the WAL of the RUS loans in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

Response 2b: Please see the spreadsheet provided on the enclosed CD (worksheet name—WAL Calc.)

Request 2c: Provide the calculation for the Years Remaining of the RUS loans in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

Response 2c: Information for “Years Remaining,” as it relates to the Series 8 RUS notes, was transferred incorrectly to Exhibit A, page 3 of 4. A corrected page is included on page 3 of this

response and the calculation is provided in the spreadsheet on the enclosed CD (worksheet name—Years Remaining.)

Request 2d: Explain why the RUS blended interest rate of 4.34 percent was used to calculate the net present value (“NPV”) of the interest savings.

Response 2d: The RUS blended interest rate of 4.34% was used as the discount rate to calculate the NPV of interest rate savings, because it is a more conservative illustration of the value of the interest rate savings.

Request 2e: Provide the NPV calculation using the CoBank interest rate of 3.63 percent in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

Response 2e: Please see the spreadsheet provided on the enclosed CD (worksheet name—NPV.)

RUS notes proposed for refinancing:

Projected Loan Balances as of 3/31/2017

<u>Account #</u>	<u>Principal Balance</u>	<u>Final Payment Date</u>	<u>Years Remaining</u>	<u>Weighted Average Life</u>
RET-7-1	\$947,108.14	6/30/30	13.25	6.99
RET-7-2	\$1,064,602.69	6/30/30	13.25	7.44
RET-7-3	\$951,524.23	6/30/30	13.25	6.99
RET-7-4	\$958,991.43	6/30/30	13.25	7.27
RET-8-1	\$11,263,439.18	9/30/40	23.50	13.77
RET-8-2	\$6,026,663.56	9/30/40	23.50	13.65
RET-8-3	\$7,753,344.57	9/30/40	23.50	13.74
Totals	\$28,965,673.80		22.11	12.85

Interest Savings (over life of notes):

<u>Total Interest</u> <u>RUS @ 4.34% Blended Rate</u>	<u>Total Interest</u> <u>CoBank @ 3.63%</u>	<u>Total Savings</u>
\$16,159,021	\$13,695,035	\$2,463,986

Net Present Value of Benefit (discounted @ 4.34%) \$1,716,381

There are no prepayment penalties arising from prepayment of RUS debt.

OWEN ELECTRIC COOPERATIVE, INC.

PSC CASE NO. 2017-00036

RESPONSE TO INITIAL REQUEST FOR INFORMATION

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO OWEN
ELECTRIC COOPERATIVE, INC., DATED 1/30/2017**

REQUEST 3

RESPONSIBLE PARTY: Ann F. Wood

Request 3: Refer to the application, Exhibit A, page 4 of 4.

Request 3a: Confirm that the annual principal and interest payments for the Combined RUS Loans is the sum based on each loan's term and not based on the average interest rate between the loans. If such is not confirmed, update this exhibit with the RUS principal payments and interest payments per loan.

Response 3a: Owen Electric confirms that the annual principal and interest payments for the Combined RUS Loans are the sum of each individual loan and do not use an average interest rate between the loans.

Request 3b: Provide this exhibit in Excel format, with formulas intact and unprotected and with all columns and rows accessible. If it is necessary to update this exhibit in response to questions contained in this information request, provide the updated version in both paper medium and electronically.

Response 3b: Please see the spreadsheet provided on the enclosed CD (worksheet name—NPV).

OWEN ELECTRIC COOPERATIVE, INC.

PSC CASE NO. 2017-00036

RESPONSE TO INITIAL REQUEST FOR INFORMATION

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO OWEN
ELECTRIC COOPERATIVE, INC., DATED 1/30/2017**

REQUEST 4

RESPONSIBLE PARTY: Ann F. Wood

Request 4: Provide an estimate of any fees or expenses that Owen expects it will incur to close the loan with CoBank, as well as an estimate on their impact on the NPV of the proposed financing, to the extent they are not already reflected.

Response 4: CoBank does not charge any fees or expenses relating to closing the loan. Owen Electric will be required to complete an opinion of counsel, both pre- and post-closing. However, these legal fees will be insignificant and will not impact the NPV as previously calculated.

OWEN ELECTRIC COOPERATIVE, INC.

PSC CASE NO. 2017-00036

RESPONSE TO INITIAL REQUEST FOR INFORMATION.

**COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION TO OWEN
ELECTRIC COOPERATIVE, INC., DATED 1/30/2017**

REQUEST 5

RESPONSIBLE PARTY: Ann F. Wood

Request 5: Refer to Exhibit B, page 6 of 9. Provide a revised schedule that shows the current loan balances if they are different than as shown on the schedule provided with this exhibit.

Response 5: Please see page 2 of this response for current loan balances.

Update to Application Exhibit B, Page 6 of 9
Attachment C

Schedule of RUS Notes to be Pre-Paid

Loan Designation Code	Account Number	Original Note Date	Original Advance Date	Loan Maturity Date	Original Advance Amount	Current Principal Balance	Interest Rate	Payoff Date Requested
AP60	RET 7-1, 1B320	7/27/1995	12/4/1995	7/27/2030	\$ 2,000,000.00	\$ 959,016.86	0.5000%	3/21/2017
AP60	RET 7-2, 1B321	7/27/1995	4/22/1996	7/27/2030	\$ 1,736,500.00	\$ 1,078,304.06	5.3750%	3/21/2017
AP60	RET 7-3, 1B325	7/27/1995	11/24/1997	7/27/2030	\$ 2,000,000.00	\$ 963,578.12	0.5000%	3/21/2017
AP60	RET 7-4, 1B326	7/27/1995	5/18/1998	7/27/2030	\$ 1,736,500.00	\$ 972,342.46	4.3750%	3/21/2017
					<u>\$ 7,473,000.00</u>	<u>\$ 3,973,241.50</u>		
AT44	RET 8-1, 1B330	10/1/2007	12/21/2007	10/1/2040	\$ 13,000,000.00	\$ 11,331,169.70	4.4600%	3/21/2017
AT44	RET 8-2, 1B331	10/1/2007	10/29/2008	10/1/2040	\$ 7,000,000.00	\$ 6,064,277.35	4.1900%	3/21/2017
AT44	RET 8-3, 1B332	10/1/2007	6/25/2009	10/1/2040	\$ 8,955,000.00	\$ 7,800,180.32	4.4400%	3/21/2017
					<u>\$ 28,955,000.00</u>	<u>\$ 25,195,627.37</u>		
Total						<u>\$ 29,168,868.87</u>		