

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR APPROVAL OF THE)	
AUTHORITY TO ISSUE UP TO \$300,000,000 OF)	CASE NO.
SECURED PRIVATE PLACEMENT DEBT AND/OR)	2018-00115
SECURED TAX EXEMPT BONDS AND FOR THE USE)	
OF INTEREST RATE MANAGEMENT INSTRUMENTS)	

COMMISSION STAFF'S SUPPLEMENTAL REQUEST FOR
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.

East Kentucky Power Cooperative, Inc. ("East Kentucky"), pursuant to 807 KAR 5:001, is to file with the Commission the original and eight copies of the following information, with a copy to all parties of record. The information requested herein is due on or before July 3, 2018. Responses to requests for information in paper medium shall be appropriately bound, tabbed, and indexed. Each response shall include the name of the witness responsible for responding to the questions related to the information provided.

Each response shall be answered under oath or, for representatives of a public or private corporation or a partnership or association or a governmental agency, be accompanied by a signed certification of the preparer or the person supervising the preparation of the response on behalf of the entity that the response is true and accurate to the best of that person's knowledge, information, and belief formed after a reasonable inquiry.

East Kentucky shall make timely amendment to any prior response if it obtains information that indicates that the response was incorrect when made or, though correct when made, is now incorrect in any material respect. For any request to which East Kentucky fails or refuses to furnish all or part of the requested information, it shall provide a written explanation of the specific grounds for its failure to completely and precisely respond.

Careful attention shall be given to copied material to ensure that it is legible. When the requested information has been previously provided in this proceeding in the requested format, reference may be made to the specific location of that information in responding to this request. When filing a paper containing personal information, East Kentucky shall, in accordance with 807 KAR 5:001, Section 4(10), encrypt or redact the paper so that personal information cannot be read.

1. Refer to East Kentucky's responses to the Request for Information attached as an Appendix to the Commission's May 24, 2018 Order ("Staff's First Request"), Item 9 in which East Kentucky states that "no specific tax-exempt issuance is currently planned."

a. Explain why East Kentucky is currently requesting approval for such a tax-exempt issuance if no specific tax-exempt issuance is currently planned.

b. Describe and explain the anticipated timetable if East Kentucky determines that it should move forward with a specific tax-exempt issuance from the time it decides to move forward through the issuance of the tax-exempt bonds. Provide the same information with respect to the private placement debt.

c. State whether and, if so, explain in specific terms why East Kentucky contends it would be impossible, impractical, or detrimental to East Kentucky's position for East Kentucky to wait until it plans to move forward with a specific tax-exempt issuance to seek approval from the Commission.

d. State and explain whether East Kentucky's ability to obtain private placement financing or the terms under which it could obtain such financing would be affected if the Commission were to approve East Kentucky's request as to the private placement debt but were to deny the request with respect to any tax-exempt issuance at this time.

2. Refer to the document from US Bank produced in response to Staff's First Request, Item 10, which refers to and indicates it forms part of the ISDA Master Agreement executed by the parties. Provide a copy of the ISDA Master Agreement referred to therein. If no ISDA Master Agreement has yet been executed or agreed to by the parties, provide a copy of a form ISDA Master Agreement as referred to therein.

3. Refer to East Kentucky's response to Staff's First Request, Item 10 in which East Kentucky stated it was seeking approval to manage interest rates, in part, by "[e]ntering into a forward-starting swap or treasury lock to lock the rate of an anticipated fixed-rate RUS advance or approved private placement transaction."

a. State whether East Kentucky is seeking approval to enter into forward-starting swaps or locks for anticipated tax-exempt bonds.

b. Describe how East Kentucky would define "anticipated" as used therein for an RUS-advance or private placement transaction (or tax-exempt bonds, if applicable) in the event the Commission were to approve the use of such interest rate

management tools for such “anticipated” transactions, and explain why East Kentucky’s definition of an “anticipated” transaction would be appropriate for determining when East Kentucky should be permitted to use those interest rate management tools for such transactions.

c. Describe what would occur in circumstances when the interest rate for a debt placement is lower at the time of closing than the rate locked in by a future-starting swap or lock; the interest rate for a debt placement is higher at the time of closing than the rate locked in by a future-starting swap or lock; and the future-starting swap or lock expires prior to the closing date for the debt.

d. State and explain whether East Kentucky’s hedging position for a particular anticipated debt would end at the time any fixed interest rate debt is placed or whether East Kentucky would continue to hold the swaps or locks for the term of the debt.

4. Refer to the first paragraph of Exhibit 1 to East Kentucky’s Application in which East Kentucky stated that it was seeking authority “to issue . . . up to \$300,000,000 principal amount of secured private placement indebtedness or secured tax-exempt bonds” and that “[t]he proposed financing will be issued under an Indenture of Mortgage, Security Agreement and Financing Statement.” Confirm that the “proposed financing” as used therein refers to both private placement indebtedness and the secured tax-exempt bonds for which approval is requested herein. If any portion of the private placement indebtedness or the secured tax-exempt bonds would not be issued under that agreement, identify and provide any other security agreement under which the financing will be issued.

5. State what, if any, limits or parameters East Kentucky contends would be reasonable for the Commission to place on its issuance of private placement debt and explain the basis for East Kentucky's position.

6. State what, if any, limits or parameters East Kentucky contends would be reasonable for the Commission to place on its issuance of tax-exempt bonds and explain the basis for East Kentucky's position.

7. Refer to Case No. 2013-00306 in which East Kentucky requested authority to enter into interest rate management agreements from the time of approval through December 31, 2014. State what time frame, if any, East Kentucky contends would be reasonable for the Commission to place on its use of interest rate management techniques for which approval is requested herein and explain the basis for East Kentucky's position.

8. State what, if any, limits or parameters East Kentucky contends would be reasonable for the Commission to place on fees and expenses connected to its use of interest rate management techniques and explain the basis for East Kentucky's position.

9. Refer to the Application in which East Kentucky states that it is seeking "an Order for authorization to issue up to \$300,000,000.00 of secured private placement debt, secured tax-exempt bonds, or some combination thereof."

a. State and explain whether East Kentucky is seeking authorization to issue such debt and bonds on a revolving basis.

b. State the period during which East Kentucky requests that any authorization to issue debt and bonds sought herein remain valid if not used by East Kentucky, and explain why East Kentucky contends that period is appropriate.

c. If East Kentucky is requesting that any authorization remain valid indefinitely, state the minimum period that East Kentucky contends should reasonably be affixed to the authorization and explain the basis for East Kentucky's position.

d. State and explain the period during which East Kentucky anticipates issuing the private placement debt or, if applicable, the tax-exempt bonds for which approval is requested herein.

10. a. Provide East Kentucky's current credit rating with Fitch Ratings and Standard and Poors.

b. Based on East Kentucky's current credit rating by Fitch Ratings and Standard and Poors, provide an explanation and pricing grid to show the parameters for the interest rates on the private placement debt for 10-, 20-, and 30-year terms similar to explanation and pricing grid provided by East Kentucky in Case No. 2013-00306 in response to Commission Staff's First Request for Information, Item 1(e).

c. Provide similar information for the tax-exempt bonds for which approval is requested herein at the time closing assuming that the time of closing is at or about the time of East Kentucky's response.



Gwen R. Pinson
Executive Director
Public Service Commission
P.O. Box 615
Frankfort, KY 40602

DATED **JUN 25 2018**

cc: Parties of Record

*David S Samford
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*Mark David Goss
Goss Samford, PLLC
2365 Harrodsburg Road, Suite B325
Lexington, KENTUCKY 40504

*East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707