

**From:** [Michelle Herrman](#)  
**To:** [Gaines, Luke](#)  
**Subject:** Notification of Request for RUS approval of Purchase Power Agreement  
**Date:** Wednesday, January 10, 2018 9:19:00 AM  
**Attachments:** [image001.png](#) [RUS Request Letter.pdf](#) **Attachment: See RUS Request Letter in this file below**

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Luke,

I wanted to let you know that we have signed our agreement for the Purchase of 58 MW of power. I am forwarding to you our request for approval that was sent to RUS on Friday. Please let me know if you have any questions.

I am still trying to get a more clearer picture of the amount of collateral that would be required to be provided. I'm hoping to have more information before weeks end.

Thank you.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337



## Michelle Herrman

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**From:** Gaines, Luke <LGaines@cobank.com>  
**Sent:** Monday, March 5, 2018 3:32 PM  
**To:** Michelle Herrman  
**Subject:** RE: Markout Master & Financial Capacity Agreements

Attachments: See application Exhibit 5 and 8

Thanks Michelle,

I will let you know if there are concerns, but I am sure if the Kentucky PSC is okay with it we will be comfortable as well.

### Luke Gaines

Office: 770-618-3220  
Mobile: 404-805-0007

---

**From:** Michelle Herrman [mailto:michelleh@skrecc.com]  
**Sent:** Monday, March 05, 2018 3:29 PM  
**To:** Gaines, Luke <LGaines@cobank.com>  
**Subject:** Markout Master & Financial Capacity Agreements

Luke,

Here are the other two documents related to our Purchase Power Agreement that you requested. Please let me know if there are any concerns.

Thank you.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337  
Cell: 606-875-8041



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CoBank, 6340 S. Fiddlers Green Circle, Greenwood Village, CO 80111 [www.cobank.com](http://www.cobank.com)

**From:** [Michelle Herrman](#)  
**To:** ["Bishara, George - RD, Washington, DC"](#)  
**Cc:** [Colberg, Chris - RD, Helena, MT](#)  
**Subject:** RE: KY 054 Question regarding Purchase Power Agreement and Derivatives  
**Date:** Thursday, January 25, 2018 5:39:00 PM  
**Attachments:** [image001.png](#)

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George,

Yes, We do not believe there are any embedded derivatives in the contract.

Thank you.

Michelle D. Herrman, CPA, PHR

Vice President of Finance

Office: 606-451-4337

Cell: 606-875-8041



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**From:** Bishara, George - RD, Washington, DC [mailto:George.Bishara@wdc.usda.gov]  
**Sent:** Friday, January 19, 2018 3:45 PM  
**To:** Michelle Herrman <michelleh@skrecc.com>  
**Cc:** Colberg, Chris - RD, Helena, MT <Chris.Colberg@wdc.usda.gov>  
**Subject:** RE: KY 054 Question regarding Purchase Power Agreement and Derivatives

Michelle,

As long your purchase power agreement doesn't have any embedded derivatives in it we take no exception to the accounting suggested below. Has your auditor confirmed that there are no embedded derivatives in the contract?

George S. Bishara | Systems Accountant  
Rural Development  
United States Department of Agriculture  
1400 Independence Ave., S.W. Stop 1523 | Washington, D.C. 20250  
Phone: 202.692.0120 | Fax: 202.720.8265  
[www.rd.usda.gov](http://www.rd.usda.gov)

"Committed to the future of rural communities"

---

**From:** Michelle Herrman [mailto:michelleh@skrecc.com]  
**Sent:** Thursday, January 18, 2018 3:46 PM  
**To:** Bishara, George - RD, Washington, DC <[George.Bishara@wdc.usda.gov](mailto:George.Bishara@wdc.usda.gov)>

**Subject:** RE: KY 054 Question regarding Purchase Power Agreement and Derivatives

George,

Our independent auditors have provided some additional information from the FASB related to Hedging and Derivatives. After reading their guidance in FASB Section 815-10-15 under scope and scope exceptions, we believe that our Power Purchase agreement is excluded from treatment as a derivative. Specifically, Paragraph 15-13b and 15-45a and c.

At this time, we intend to account for the purchase of power under this agreement as we currently do with our power purchased from our G&T. We will; however, provide disclosure of the commitment in our financial statement report.

Please let me know if you have any concerns.

I sat in on the webinar today, thank you for hosting. I always find them to be very informative. This one was no different...thank you.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337



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**From:** Bishara, George - RD, Washington, DC [<mailto:George.Bishara@wdc.usda.gov>]  
**Sent:** Thursday, January 18, 2018 9:33 AM  
**To:** Michelle Herrman <[michelleh@skrecc.com](mailto:michelleh@skrecc.com)>  
**Subject:** RE: KY 054 Question regarding Purchase Power Agreement and Derivatives

Michelle,

I will need to do some research on this and I'll try to get you an answer by next week.

George S. Bishara | Systems Accountant  
Rural Development  
United States Department of Agriculture  
1400 Independence Ave., S.W. Stop 1523 | Washington, D.C. 20250  
Phone: 202.692.0120 | Fax: 202.720.8265  
[www.rd.usda.gov](http://www.rd.usda.gov)

"Committed to the future of rural communities"

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**From:** Michelle Herrman [<mailto:michelleh@skrecc.com>]

**Sent:** Tuesday, January 16, 2018 1:05 PM

**To:** Bishara, George - RD, Washington, DC <[George.Bishara@wdc.usda.gov](mailto:George.Bishara@wdc.usda.gov)>

**Subject:** KY 054 Question regarding Purchase Power Agreement and Derivatives

Mr. Bishara,

South Kentucky RECC (KY 054) has recently entered into a 20 year contract to purchase 58MW of Energy and an 18 year contract to purchase 68 MW of Capacity. To summarize, we have agreed to purchase a consistent block of energy (7x24x365) from Morgan Stanley Capital Group. They will provide this energy through a PJM Market Interconnection that will pass to us through East Kentucky Power (our G & T). The 58 MW consist of about 40% of our kWh energy requirements on an annual basis. The costs involve a firm fixed cost that will not change during the life of the contract for energy. The Capacity Charge is a fixed price, but with a modification. There is incremental pricing for the capacity charge. There is an initial auction price, then the initial auction price may change during two incremental auctions. We have an agreed upon price for the initial auction, but may have exposure in pricing due to the incremental auctions. (Exposure up or down).

We still are under contract with East Kentucky power, but our wholesale purchase agreement with them allows us to purchase a portion of our energy needs from alternate sources.

We need some guidance in determining if there is any special accounting treatment required for this type of contract. We have asked our local audit firm to review to determine if they feel we need to consider this arrangement a derivative or a hedge transaction. We are hoping that RUS has provided some guidance for proper accounting and determination as to whether this type of purchase power agreement requires special treatment.

We have submitted a request to review and approve our contract with David Hui's office, USDA/RUS/OPMRA. This request was sent January 5, 2018. Similarly, we also must submit the contract for approval with the Kentucky Public Service Commission. Our tentative submission date is January 26, 2018.

We would appreciate your guidance regarding any special accounting treatment. Please let me know if you need any specific information to assist with this guidance. While our contract with Morgan Stanley does not begin until June 2019, we must determine the appropriate accounting treatment prior to our close out of 2017 and our presentation to the Public Service Commission.

I appreciate your consideration of our request. Please let me know if you need any additional information.

Thank you.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337



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**From:** Ashley Welsh  
**To:** [Michelle Herrman](#)  
**Subject:** RE: Notification of Request for RUS approval of Purchase Power Agreement  
**Date:** Wednesday, January 10, 2018 2:12:51 PM  
**Attachments:** [image002.png](#)  
[image003.png](#)

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Hi Michelle,

Thank you very much for the request letter to RUS.

Here are some terms of the Master Letter of Credit facility:

- The Master Letter of Credit facility is unsecured
- The term/maturity of the facility is up to 5 years from closing date
- The annual Master Letter of Credit facility fee, which is 15 basis points, will be charged upon closing and annually on the anniversary date. The facility fee is charged based on the full amount of the facility, regardless of the usage.
- The issuance fee for a letter of credit under the Master LOC is 75 basis points and will be charged at the issuance and annually on the anniversary date. If there is a need to amend a previously issued letter of credit, there would be an amendment fee of \$500.
- In the event of a draw, the Borrower will repay any draw within one year of the date of the draw. It will accrue interest at the standard CFC Line of Credit Rate and earn patronage capital.

To answer your question, the Master Letter of Credit would not be supported by a line of credit, but if the Master Letter of Credit facility exceeds 23 months, our legal department would deem PSC approval necessary to clear CFC loan documents and put the facility in place.

As always, please feel free to reach out with any questions.

Thank you,  
Ashley



**Ashley Welsh**

Associate Vice President

National Rural Utilities  
Cooperative Finance Corporation  
20701 Cooperative Way  
Dulles, VA 20166  
Office: 703-467-1845 or toll-free 800-424-2954  
Fax: 703-467-5652

Email: [Ashley.Welsh@nrucfc.coop](mailto:Ashley.Welsh@nrucfc.coop)

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**From:** Michelle Herrman [mailto:michelleh@skrecc.com]  
**Sent:** Wednesday, January 10, 2018 9:16 AM  
**To:** Ashley Welsh  
**Subject:** Notification of Request for RUS approval of Purchase Power Agreement

Hi Ashley,

I wanted to let you know that we have signed our agreement for the Purchase of 58 MW of power. I am forwarding to you our request for approval that was sent to RUS on Friday. Please let me know if you have any questions.

I would also like to talk more fully about the letter of credit requirements. Our contract does not go into effect until 2019, so we do have some time to work on this, but it would be helpful to know what CFC would require. Would the Master letter of Credit need to be supported in some way by a line of credit? I ask because we would need to get PSC approval for a line of credit that would exceed more than 24 months.

Thank you.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337







200 Electric Avenue  
Post Office Box 910  
Somerset, KY 42502-0910  
Telephone 606-678-4121  
Toll Free 800-264-5112  
Fax 606-679-8279  
[www.skrecc.com](http://www.skrecc.com)

January 5, 2018

David Hui, Chief  
USDA/RUS/OPMRA  
Room 0270-S Bldg.  
1400 Independence Ave., SW  
Washington, DC 20250-1568

Dear Mr. Hui,

South Kentucky Rural Electric Cooperative Corporation, Inc. ("SKRECC" or "KY 054") would like to request approval to enter into an agreement with Morgan Stanley Capital Group to purchase 58 Megawatts ("MW") of power on a 7x24x365 basis for a period of 20 years commencing on July 1, 2019 via the PJM Interconnection, Inc. market.

On November 28, 2017, we notified our current Wholesale Power Provider, East Kentucky Power Cooperative Corporation, Inc. of our intention to exercise our option under Amendment Three to the Wholesale Power Contract between SKRECC and EKPC dated October 1, 1964, and as further clarified by a Memorandum of Understanding and Agreement Regarding Alternate Power Sources ("Memorandum of Understanding or MOU"), dated July 16, 2015.

Specifically, we request your approval:

1. To enter into the contract with Morgan Stanley Capital Group pursuant to Article VI, Section 6.5 (c) of our Kentucky 0054-BD8-Wayne RUS Loan Contract dated November 1, 2016.
2. To deviate from Article VI, Section 6.13 (e) of our Kentucky 0054-BD8-Wayne RUS Loan Contract dated November 1, 2016. We intend to utilize a Master letter of credit to satisfy our collateral requirements during the course of our contract. This may require the issuance of a letter of credit that could exceed the limitations noted in this section.

For your review, we are including the following documents.

1. Three Copies of our Contract Agreement with Morgan Stanley Capital Group (One official copy and two certified copies)
2. Board Resolution approving the contract
3. Amendment 3 to our Wholesale Power Contract with East Kentucky Power Cooperative Corporation
4. Memorandum of Understanding in conjunction with the Amendment 3 with East Kentucky Power Cooperative Corporation

It is our hope that we have included all of the necessary documents to aid in your review of our request. Please note that we are seeking Kentucky Public Service Commission (“KYPSC”) approval simultaneously with our request to you. All contract agreements with Morgan Stanley Capital Group are subject to receiving KYPSC and your approval.

If any additional information is needed, please contact Michelle Herrman, Vice President of Finance. Her contact email is michelleh@SKRECC.com and phone 606-451-4337.

We are very excited about this opportunity to provide lower cost energy to our members. We look forward to your review and approval.

Sincerely,

Dennis Holt  
Interim President and CEO

CC: Mike Norman, GFR  
Ashley Welch, NRUCFC  
Luke Gaines, CoBank



200 Electric Avenue  
Post Office Box 910  
Somerset, KY 42502-0910  
Telephone 606-678-4121  
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[www.skrecc.com](http://www.skrecc.com)

January 5, 2018

David Hui, Chief  
USDA/RUS/OPMRA  
Room 0270-S Bldg.  
1400 Independence Ave., SW  
Washington, DC 20250-1568

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For your review, we are including the following documents.

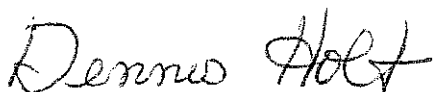
1. Three Copies of our Contract Agreement with Morgan Stanley Capital Group (One official copy and two certified copies)
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It is our hope that we have included all of the necessary documents to aid in your review of our request. Please note that we are seeking Kentucky Public Service Commission ("KYPSC") approval simultaneously with our request to you. All contract agreements with Morgan Stanley Capital Group are subject to receiving KYPSC and your approval.

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We are very excited about this opportunity to provide lower cost energy to our members. We look forward to your review and approval.

Sincerely,



Dennis Holt  
Interim President and CEO

CC: Mike Norman, GFR  
Ashley Welch, NRUCFC  
Luke Gaines, CoBank

Morgan Stanley Capital Group and  
South Kentucky Rural Electric Cooperative Corporation  
Purchase Power Agreement Documents

Table of Contents

See Application for these attachments.

1. Master Power Purchase and Sale Agreement
  2. Collateral Annex (including Paragraph 10)
  3. IECA August 2012 Dodd-Frank Agreement
  4. IECA March 2013 Dodd-Frank Agreement
  5. Financial Capacity Confirmation
  6. Firm Physical Energy Confirmation
  7. Morgan Stanley Parent Guaranty
  8. Morgan Stanley Secretary's Certificate
-

## **South Kentucky Rural Electric Cooperative Corporation (KY 054)**

### **Summary**

#### **Wholesale Power Contract with Morgan Stanley Capital Group under Amendment #3 of the All Requirements Wholesale Power Contract**

South Kentucky has an All Requirements Wholesale Power contract with East Kentucky Power Cooperative (EKPC) which was entered into in October 1964. In 2004, South Kentucky approved Amendment #3 and a Memorandum of Understanding (MOU) with EKPC which further clarified Amendment #3. Amendment #3 allows Owner Members of EKPC to serve some of their load with resources not provided by EKPC.

### **Amendment #3**

The limits on use of the non-EKPC resources are:

- Any Member may not serve more than 15% of its load from resources not provided by EKPC
- Any Members together may not serve more than 5% of EKPC's load from resources not provided by EKPC
- The MOU was developed to provide detailed procedures for the basic principles of Amendment 3

### **Memorandum of Understanding (MOU)**

The detailed procedures and Terms of the MOU are as follows:

- Resources used to supplant purchases from EKPC energy sales are Alternate Sources
- Alternate Sources are defined as any generator or purchase controlled by an Owner Member to serve Owner Member load
- Any Owner Member may serve up to 15% of its load with Alternate Sources until the sum of all Owner Member Alternate Sources exceeds 2.5% of EKPC load
- When the sum of all Owner Members Alternate Sources exceeds 2.5%, Owner Members that are serving greater than 5% of their load with Alternate Sources may not add additional Alternate Sources
- When the sum of all Owner Members Alternate Sources exceeds 2.5%, Owner Members serving less than 5% of their load with Alternate Sources may not exceed 5% of their load
- The term of any Alternate Source shall not Exceed 20 years
- The sum of all Owner Members Alternate Sources may not exceed 5% of EKPC's load
- If an Alternate Source is not online within 6 months of the date the Owner Member notified EKPC that it would be, the Owner Member must resubmit its notice
- Owner Members may reduce the capacity of and Alternate Source through revised notice
- Alternate Sources are treated differently depending on whether they are behind an EKPC meter or delivered to the Transmission system

Treatment of Alternate Sources - Delivered to the transmission system

- Alternate Sources delivered to the transmission system will be subject to PJM rules
- Alternate Sources delivered to the transmission system will be required to purchase transmission services from PJM and participate in the PJM market
- Alternate Sources will be metered
- Owner Members will submit generation schedules for Alternate Sources to PJM through EKPC and ACES
- EKPC will recover its cost for management of Alternate Sources through administrative fees
- When Alternate Sources do not perform, replacement energy & capacity will be provided under the PJM tariff rate and not under the Wholesale Power Contract rate

EKPC Amendment #3 Allotments are as follows:

**A3 Allotments, Based on Data through October 2017**

Owner-Member Cooperative	EKPC CP (MW) for Month of				Average	Load Ratio Share	15% Election
	Feb. 2015	Jan. 2016	Jan. 2017				
Big Sandy	89.5	64.8	56.9	70.4	3.5	10.6	
Blue Grass	410.9	315.9	324.4	350.4	17.5	53.4	
Clark	154.0	114.8	113.6	127.5	6.4	19.1	
Cumberland Valley	158.3	120.7	109.6	129.6	6.5	19.5	
Farmers	136.4	120.5	115.9	124.2	6.2	18.8	
Fleming Mason	196.9	179.2	166.9	181.0	9.0	27.4	
Grayson	85.2	62.8	57.6	68.5	3.4	10.3	
Inter-County	171.1	126.1	134.1	143.8	7.2	21.8	
Jackson	325.6	241.4	230.2	265.7	13.3	40.1	
Licking Valley	88.6	62.7	58.7	70.0	3.5	10.6	
Nolin	211.1	188.1	199.1	199.4	10.0	31.1	
Owen	347.4	313.0	350.7	337.0	16.9	61.7	
Salt River	314.4	248.7	262.0	275.0	13.8	41.8	
Shelby	120.5	102.0	99.6	107.4	5.4	16.3	
South Kentucky	458.9	352.2	353.4	388.2	19.4	58.5	
Taylor	159.4	126.6	139.1	141.7	7.1	21.4	
<b>Total</b>	<b>3,428.1</b>	<b>2,739.5</b>	<b>2,771.8</b>	<b>2,979.8</b>	<b>149.0</b>	<b>462.3</b>	

## Noticed Projects

Owner-Member	Project	MW	Delivery Date
Jackson	Irvine LFGTE	1.6	10/2013
Jackson	Dupree Energy Sys	1.0	3/2015
Farmers	Federal Mogul DG	3.6	2005
Farmers	Glasgow LFGTE	1.0	11/2015
Salt River	Lock 7	2.0	2013
Owen	Owen Office	2.0	2016
South Kentucky	PPA	58.0	6/2019
Jackson	Hydro	2.64	1/2019 Not yet Noticed
<b>Total Projects</b>		<b>71.8</b>	

The 5% of the total average MW available from Alternate Sources is 149 MW. 71.8 Projects have been noticed. There is 77.2 MW available as of the October 2017 load share ratio for alternate source project by the EKPC Member System Owners.

### Notice

Amendment #3 requires a notice to be given by the Member Owner to EKPC and contain the following:

- > 5 MWs – 18 months’ notice
- <5 MWs – 90 days’ notice
- Date the Alternate Source will begin
- Term of the agreement
- Alternate Source capacity / amount of demand reductions to EKPC purchases
- Description of the Alternate Source
- Alternate Source delivery point
- Alternate Source dispatch pattern

Attached is a copy of the notice given to EKPC on November 28, 2017. The noticed 58MW is within our 15% available election. This election would preclude any future alternate source elections by South Kentucky during the current contract period.

### Contract Agreement with Morgan Stanley Capital Group

South Kentucky has contracted with Morgan Stanley Capital Group for the 7x24x365 provision of 58 Megawatts (“MW”) of firm energy for twenty (20) years, beginning June 1, 2019, at a fixed price per Megawatt-hour (“MWh”), and for a financial capacity hedge of 68 MW (which includes a reserve requirement) for eighteen (18) years, beginning June 1, 2021, at a fixed base price of per Megawatt-day (“MW-day”).

\* Our MWh sales for 2017 are projected to be 1,197,891. 58 MW composes approximately 40% of our current total annual MWh sales.



The Firm Physical Energy Confirmation, page three outlines that the energy will be delivered by PJM at the EKPC node. As part of this Contract arrangement South Kentucky agrees to promptly enter into and file with PJM (or arrange to have filed by EKPC) a Declaration of Authority specifying South Kentucky as principal; and EKPC as its designated agent for purposes of EKPC acting as South Kentucky's billing and scheduling agent for all purposes under this Agreement as referenced on page three of the agreement.

In both the Financial and Physical Confirmation Agreements South Kentucky will be responsible for any additional cost associated with a change in Environmental Law during the contract period as referenced on page five of both Agreements.

### **Contract Collateral Requirements**

The terms surrounding the collateral requirement are identified in the collateral annex with further clarification found in paragraph 10 to the Collateral Annex. (Document Tab 2) Both South Kentucky and Morgan Stanley Capital Group have potential exposure to providing collateral.

The amount of collateral required is tied to:

1. Credit worthiness. For Morgan Stanley Capital Group a component of their collateral is tied to the S&P Credit Rating of their guarantor. For South Kentucky, our ability to maintain credit worthiness is defined as our ability to maintain TIER above a high average of 1.25 using two of the last three calendar years and our ability to maintain DSC above a high average of 1.25 using two of the last three calendar years.
2. Exposure Amount. The exposure amount can be calculated at any time and is based on the remaining term of the contract and the current Mark-to-Market Value of the outstanding transaction. Current Mark-to-Market value is defined in the contract as, "calculated in good faith and in a commercially reasonable manner, which a Party to the Agreement would pay to (a negative Current Mark-to-Market Value) or receive from (a positive Current Mark-to-Market Value) the other Party as the Settlement Amount (calculated at the mid-point between the bid price and the offer price) for such Transaction.
3. Collateral Threshold in effect at the time of the calculation date. The collateral threshold is defined on Page 1 of Paragraph 10 to the Collateral Annex.
4. Collateral must be supplied in the form of cash or letter of credit from a qualified institution.

As defined by the calculation of the exposure amount, there is the potential that collateral required to be posted may be significant. South Kentucky intends to fulfill any potential collateral requirements by providing a letter of credit to Morgan Stanley Capital Group, secured by one of our primary lenders. The conditions of our collateral annex require collateral to be posted by the pledging party on the next local or second local business day, depending on the time of notification of the need for additional collateral. (See Collateral Annex, Paragraph 4, Page 6.) The turn-around

time necessitates the need for either a master letter of credit or a line of credit from which a subordinate letter of credit may be drawn and presented to Morgan Stanley Capital Group. The underlying master letter of credit or line of credit would be considered as unsecured debt from our lenders. It is our intention to maintain the master letter of credit or the line of credit for the duration of the 20 year contract with Morgan Stanley Capital Group.

Because the Master letter of credit or line of credit to satisfy collateral requirements during the course of the contract could exceed the limitations set forth in the RUS Loan Contract in Article VI, Section 6.13 (e), we are requesting deviation from this RUS Loan Contract requirement for the collateral provision required by the Morgan Stanley Capital Group contract.

**Benefits to South Kentucky**

The wholesale power cost-savings South Kentucky expects to realize as a consequence of its decision to contract with Morgan Stanley Capital Group are substantial. The Net Present Value of the transactions, has been projected by South Kentucky's expert consultant, EnerVision, to [REDACTED] South Kentucky believes that the financial benefits anticipated by diversifying its power supply portfolio far outweigh the risks and obligations attendant to the subject transactions, and thus the cooperative seeks RUS authorization to proceed as described herein and in compliance with the contract documents.

## Michelle Herrman

---

**From:** Cheung, John - RD, Washington, DC <John.Cheung@wdc.usda.gov>  
**Sent:** Thursday, January 25, 2018 1:36 PM  
**To:** Michelle Herrman  
**Subject:** RE: KY 054 Summary of Purchase Power Agreement

Michelle, thanks.

John

**From:** Michelle Herrman [mailto:michelleh@skrecc.com]  
**Sent:** Thursday, January 25, 2018 1:03 PM  
**To:** Cheung, John - RD, Washington, DC <John.Cheung@wdc.usda.gov>  
**Subject:** KY 054 Summary of Purchase Power Agreement

John,

I am forwarding on to you a summary of our wholesale purchase power agreement related to our request for approval of our Purchase Power Agreement with Morgan Stanley Capital Group. I hope that this summarizes the items that will assist in your review. If you need some additional information, please let me know.

Would you please respond so that I know you have received this email?

Thank you very much.

Michelle D. Herrman, CPA, PHR  
Vice President of Finance  
Office: 606-451-4337  
Cell: 606-875-8041



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United States Department of Agriculture  
Rural Development

JAN 30 2018

Mr. Dennis Holt  
President and Chief Executive Officer  
South Kentucky Rural Electric Cooperative Corporation (SKRECC)  
200 Electric Avenue  
P.O. Box 910  
Somerset, Kentucky 42502 - 0910

SUBJECT: Master Power Purchase and Sale Agreement between South Kentucky Rural Electric Cooperative Corporation and Morgan Stanley Capital Group, Inc. dated December 18, 2017

Dear Mr. Holt:

We are pleased to inform you that the following agreement submitted to Mr. David Hui with the letter from Michelle D. Herrman of South Kentucky Rural Electric Cooperative Corporation dated January 5, 2018, received RUS approval on January 30, 2018.

- Master Power Purchase and Sale Agreement between South Kentucky Rural Electric Cooperative Corporation and Morgan Stanley Capital Group, Inc. dated December 18, 2017.

We are retaining an original copy of the agreement for our files and returning the remaining copies in blue jackets for your files. If you should have any questions please contact Mr. John Cheung of my staff at (202) 720-1429.

Sincerely,

  
VICTOR T. VU  
Deputy Assistant Administrator  
Office of Portfolio Management and Risk Assessment

1400 Independence Ave, S.W. · Washington DC 20250-0700  
Web: <http://www.rurdev.usda.gov>

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U.S. DEPARTMENT OF AGRICULTURE  
RURAL UTILITIES SERVICE

RUS BORROWER DESIGNATION Kentucky 54 Wayne

THE WITHIN EEI Master Power Purchase and Sale Agreement between South Kentucky  
Rural Electric Cooperative Corporation and Morgan Stanley Capital Group, Inc.  
dated December 18, 2017.

SUBMITTED BY THE ABOVE DESIGNATED BORROWER PURSUANT TO THE  
TERMS OF THE LOAN CONTRACT, IS HEREBY APPROVED SOLELY FOR THE  
PURPOSES OF SUCH CONTRACT.



FOR THE ADMINISTRATOR

DATED

JAN 30 2018