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May 20, 2019

VIA HAND DELIVERY

Ms. Gwen Pinson
Executive Director
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, KY 40602-0615

Re: *In the Matter of the Application of East Kentucky Power Cooperative, Inc. for Approval of the Authority to Issue up to \$300,000,000 of Secured Private Placement Debt and/or Secured Tax-Exempt Bonds and for the Use of Interest Rate Management Instruments*, Case No. 2018-00115 (Post-Case Correspondence)

Dear Ms. Pinson:

In an Order entered by the Commission on July 24, 2018 and subsequently amended on August 6, 2018, in Case No. 2018-00115, East Kentucky Power Cooperative, Inc. ("EKPC") is required to file a Report setting forth: the date(s) of issuance of secured private placement debt; the proceeds of such issuance(s); the interest rate(s) applicable to such issuance(s); the maturity date(s) of such issuances(s); and all fees and expenses involved in the issuance(s) of these evidences of indebtedness within 30 days of the date of each such issuance.

Enclosed, please find EKPC's Report filed in compliance with the July 24, 2018 Order. Per the Order, the Report includes an explanation as to how the interest rates chosen represent the most reasonable interest rate available at the time of issuance. In accordance with KRS 61.878, KRS 365.880, 807 KAR 5:001, Section 13(3) and other applicable law, EKPC hereby respectfully requests that certain information relating to the fee for the private placement, the incremental impact of the fee upon the effective interest rate and the underlying rates used to derive the stated interests rate for both the private placement and the National Rural Utilities Cooperative Finance Corporation_placement (collectively, the "Confidential Information") within the Report be classified as confidential for a period of ten (10) years from the date of this filing, for the specific reasons set forth below.

The Kentucky Open Records Act exempts from disclosure certain commercial information. *See* KRS 61.878(1)(c). To qualify for this exemption from public disclosure and, therefore, to maintain the confidentiality of the information, a party must establish that disclosure of the commercial information would permit an unfair advantage to competitors of that party. Public disclosure of the Confidential Information identified herein would, in fact, prompt such a result.

Disclosure of the Confidential Information would reveal the amount paid by EKPC to secure the private placement as well as the inputs used to derive the stated interest rates. Disclosure of such information would devalue any advantage in terms of what EKPC has gained by negotiating directly with lenders and would permit EKPC's competitors to have an unfair commercial advantage in negotiating similar placements. The information provided under seal discloses sensitive and proprietary information, as these amounts are the result of direct confidential negotiations between EKPC and its lenders. Maintaining the confidentiality of this information is necessary to protect the interests of EKPC in being able to work with these and other lenders in the future and to maintain favorable access to capital markets. The public disclosure of the Confidential Information would reveal information that is commercially valuable and unique to the terms of these two placements. Disclosure would potentially harm EKPC's competitive position in the marketplace, to the detriment of EKPC and its Owner-Member Cooperatives.

Moreover, the Confidential Information is distributed within EKPC only to those employees who must have access for business reasons and is generally recognized as confidential and proprietary in the energy industry. The Confidential Information for which EKPC is seeking confidential treatment is not known outside of EKPC and the other parties to the debt placements. This Confidential Information was, and remains, integral to EKPC's effective execution of business decisions and strategy. Such information is generally regarded as confidential and proprietary. Indeed, as the Kentucky Supreme Court has found, "information concerning the inner workings of a corporation is 'generally accepted as confidential or proprietary.'" *Hoy v. Kentucky Industrial Revitalization Authority*, 907 S.W.2d 766, 768 (Ky. 1995).

The Confidential Information is also entitled to confidential treatment because it constitutes a trade secret under the two-prong test of KRS 365.880: (a) the economic value of the information is derived from not being readily ascertainable by other persons who can obtain economic value by its disclosure; and (b) the information is the subject of efforts that are reasonable under the circumstances to maintain its secrecy. The economic value of the information is derived by EKPC maintaining the confidentiality of the information since competitors and entities with whom EKPC transacts business could obtain economic value by its disclosure.

In accordance with 807 KAR 5:001, Section 13(3), please find: one copy of the Report, under seal, which highlights the confidential material; and one copy of the Report in which the confidential material is redacted. Please return a file-stamped copy of this filing to my office.

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Please do not hesitate to contact me if you have any questions.

Sincerely,

A handwritten signature in blue ink, appearing to read 'D.S. Samford', with a long, sweeping flourish extending to the right.

David S. Samford

Enclosures

REDACTED

Responses of East Kentucky Power Cooperative, Inc. to the Commission's July 24, 2018 Order in Case No. 2018-00115, Ordering Paragraph No. 6

1. Private Placement Debt Issuance

On April 18, 2019, EKPC entered into a new \$150,000,000 Private Placement issuance that was marketed to several investors via an auction process. The interest rate is 4.45%. The maturity date for this issuance is April 19, 2049. A placement fee of [REDACTED], or [REDACTED] of the principal amount of the issuance, was paid to the Placement Agents in connection with the Private Placement issuance in addition to estimated legal fees, filing fees, and other expenses of \$200,000. Amortizing these fees over the life of the issuance has an effect of about [REDACTED] on the effective interest rate. The interest rate of the issuance was based on a 30-year final maturity and a 15.5-year average life. The issuance priced at the 10-year Treasury benchmark yield of [REDACTED] plus a [REDACTED] spread, consisting of a credit spread based on EKPC's credit rating and risk profile plus a premium for the longer tenor. The issuance was marketed to several investors via an auction process, ensuring that the lowest cost providers of funds were utilized.

2. National Rural Utilities Cooperative Finance Corporation ("NRUCFC") Bilateral Loan Agreement Issuance

On April 19, 2019, EKPC entered into a new \$100,000,000 bilateral loan agreement issuance with NRUCFC. The interest rate was 4.30%. The maturity date for this issuance is April 30, 2049. There were no underwriting or placement fees charged by NRUCFC. Legal fees and filing fees are estimated to be \$75,000, which has an effect on the effective interest rate of less than 0.005%. The interest rate was based on the 10-year Treasury benchmark of [REDACTED] plus a [REDACTED] spread, consisting of a credit spread based on EKPC's credit rating and risk profile plus a premium for the longer tenor. NRUCFC was EKPC's lowest cost source of funds, but was limited in the total funding it could provide to EKPC.