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Daniel E. Logsdon Jr.
Vice Chairman

Robert Cicero
Commissioner

May 19, 2016

PARTIES OF RECORD

Re: Case No. 2016-00160

Attached is a copy of a memorandum which is being filed in the record of the above-referenced case. If you have any comments you would like to make regarding the contents of the memorandum please do so within five days of receipt of this letter. If you have any questions, please contact Jim Livers at (502)782-2655.

Sincerely,

A handwritten signature in blue ink that reads "Aaron D. Greenwell".

Aaron D. Greenwell
Acting Executive Director

Attachments

INTRA-AGENCY MEMORANDUM

KENTUCKY PUBLIC SERVICE COMMISSION

TO: Case File No. 2016-00160
FROM: Jim Livers, Commission Staff 
DATE: May 19, 2016
RE: Informal Conference of May 11, 2016

Pursuant to a Staff Notice issued on May 11, 2016, a telephonic informal conference ("IC") was conducted on May 11, 2016. Attached is a copy of the attendance roster.

The purpose of the IC was to discuss any outstanding issues related to Shelby Energy Cooperative, Inc.'s ("Shelby Energy") refinancing application. Attached to this memorandum is Commission Staff's First Request for Information ("Staff's First Request"), which contains the questions that Staff posed to Shelby Energy at the IC. Representatives of Shelby Energy addressed each of the questions and agreed to also submit written responses to Staff's First Request within a day or two following the IC.¹ A discussion of Shelby Energy's request for an Order to be issued by May 23, 2016 was also had with Staff indicating that it would try to meet that request.

There being no further discussion, the IC was then adjourned.

cc: Parties of Record

Attachments

¹ On May 12, 2016, Shelby Energy filed its written responses to Staff's First Request. After review of Shelby Energy's responses, Commission Staff determined that additional clarification was needed. Due to the time sensitive nature of this matter, Commission Staff counsel emailed Shelby Energy's counsel Commission Staff's Second Request for Information ("Staff's Second Request") on May 13, 2016. A copy of Staff's Second Request is attached hereto. Shelby Energy filed its responses to Staff's Second Request on May 17, 2016.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SHELBY ENERGY)	
COOPERATIVE, INC. FOR AUTHORIZATION)	CASE NO.
TO BORROW \$15,796,145 FROM THE NATIONAL)	2016-00160
RURAL UTILITIES COOPERATIVE FINANCE)	
CORPORATION AND EXECUTE THE)	
NECESSARY NOTE AND TO REPAY RURAL)	
UTILITIES SERVICE)	

=====
May 11, 2016 Informal Conference
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Please sign in:

NAME

REPRESENTING

<u>Quang D Nguyen</u>	<u>PSC</u>
<u>Jim Stevens</u>	<u>PSC</u>
<u>Bob Russell</u>	<u>PSC</u>
<u>Jim Livers</u>	<u>PSC</u>
<u>MaryBeth Purvis</u>	<u>PSC</u>
<u>Denise Hume</u>	<u>Shelby Energy</u>
<u>Jared Ruth</u>	<u>Shelby Energy</u>
<u>Don Prather</u>	<u>Shelby Energy</u>
<u> </u>	<u> </u>

2016-00160 Shelby RECC Refinancing_IC Questions

1. Refer to the Application, page 1, where it states Shelby Energy is seeking expedited approval by May 23, 2016 in order to close by June 17. Confirm that May 23, 2016 is the latest date Shelby Energy can receive approval of its proposed financing in order to close by June 17.

2. Refer to the Application, Exhibit 2, page 4 of 4.

a. Confirm the information contained in this Exhibit is for the CFC loan.

b. Confirm this information consists of one loan, Loan #9017.

3. Refer to the Application, Exhibit 4.

a. Confirm there are eight RUS loans being refinanced.

b. Provide the as of date of the loan balances.

c. Refer to the interest rate for loan RET-7-2 of 2.03 percent. In Exhibit 5, the rate of interest for loan RET-7-2 is 0.625 percent with a Date of Interest Term Maturity of May 31, 2017. Explain why the interest rate for loan RET-7-2 is 2.03 percent if the date of the interest rate reprice is not until May 31, 2017.

d. Refer to the interest rate for loan RET-9-5 of 2.6 percent. In Exhibit 5, the rate of interest for loan RET-9-5 is 0.28 percent with a Date of Interest Term Maturity of June 30, 2017. Explain why the interest rate for loan RET-9-5 is 2.6 percent if the date of the interest rate reprice is not until June 30, 2017.

e. Confirm the current interest rate on the eight RUS loans.

4. Refer to the Application, Exhibit 5.

a. Explain why RUS note RET9-3 has been included for refinancing given that its current interest rate of 3.06 percent is lower than the refinancing rate of 3.82 percent.

b. Are all of the RUS loans related to a single Construction Work Plan? If not, explain.

5. Refer to the Application, Exhibit 6, page 3 of 3.

a. State whether the legal fees of \$3,000 mentioned in paragraph 14 of the Application are included in the calculation of NPV.

b. Provide the calculation of NPV in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

6. Confirm the refinancing is permitted by RUS under Article II, Section 2.02, of Shelby Energy's RUS mortgage.

2016-00160 Shelby Energy Refinancing _IC Questions-Second Data Request

1. Refer to the application, Exhibit 6, page 3 of 3. Confirm that the Net Present Value ("NPV") of \$1,477,703 using a discount rate of four percent is correct. Provide any revisions and explanations as necessary.

2. Refer to Commission Staff's First Request for Information from the May 11, 2016 telephonic informal conference, Item 5.b.

a. Refer to pages 2 and 3. Confirm the calculations in each of the NPV calculations are correct. Provide any revisions and explanations as necessary.

b. Refer to page 4. It appears that page 4 is a duplication of page 2 of this response. Provide a .pdf copy of the CFC Excel spreadsheet which contains the NPV formula showing how the NPVs were calculated.

*Debbie Martin
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Shelbyville, KY 40065

*Donald T Prather
Mathis, Riggs, Prather & Ratliff, P.S.C Attorneys at
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