

**Goss
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December 6, 2016

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PUBLIC SERVICE
COMMISSION

VIA HAND DELIVERY

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

Re: THE APPLICATION OF JACKSON PURCHASE ENERGY CORPORATION
FOR AUTHORIZATION TO BORROW \$18,844,470.27 FROM NATIONAL
RURAL UTILITIES COOPERATIVE FINANCE CORPORATION AND TO
EXECUTE ALL DOCUMENTS NECESSARY TO PREPAY RURAL
UTILITIES SERVICE NOTES OF THE SAME AMOUNT
Case No. 2016-00410

Dear Ms. Mathews:

Please find enclosed and accept for filing on behalf of Jackson Purchase Energy Corporation ("JPEC") an original and six (6) copies of its Response to Commission Staff's First Request for Information propounded December 2, 2016, in the above-referenced matter. Please note that each enclosed compact disk is identical and contains Excel spreadsheet files requested by Commission Staff.

Please do not hesitate to contact me with any questions or concerns.

Respectfully,



Mark David Goss

Enclosures

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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COMMISSION

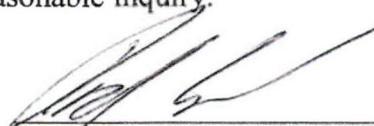
In the Matter of:

THE APPLICATION OF JACKSON PURCHASE)
ENERGY CORPORATION FOR AUTHORIZATION)
TO BORROW \$18,844,470.27 FROM NATIONAL RURAL) Case No. 2016-00410
UTILITIES COOPERATIVE FINANCE CORPORATION)
AND TO EXECUTE ALL DOCUMENTS NECESSARY)
TO PREPAY RURAL UTILITIES SERVICE NOTES)
OF THE SAME AMOUNT)

VERIFICATION OF ROD CRILE

STATE OF TN)
COUNTY OF Davidson)

Rod Crile, consultant for Jackson Purchase Energy Corporation, being duly sworn, states that he has supervised the preparation of the following responses of Jackson Purchase Energy Corporation to Commission Staff's First Request for Information in the above-referenced case and that the matters and things set forth in his responses are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Rod Crile

Subscribed and sworn to before me on this 5th day of December, 2016



NOTARY PUBLIC
Commission Expiration: March 3, 2020

My Comm. Expires
March 3, 2020

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF JACKSON PURCHASE)	
ENERGY CORPORATION FOR AUTHORIZATION)	
TO BORROW \$18,844,470.27 FROM NATIONAL RURAL)	Case No. 2016-00410
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TO PREPAY RURAL UTILITIES SERVICE NOTES)	
OF THE SAME AMOUNT)	

RESPONSE TO COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION TO
JACKSON PURCHASE ENERGY CORPORATION
DATED DECEMBER 2, 2016

PSC CASE NO. 2016-00410

JACKSON PURCHASE ENERGY CORPORATION

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 12/2/16

RESPONSIBLE PARTY: Rod Crile

Request 1. Refer to the Application, numbered paragraph 7. Provide the calculation for the composite blended interest rate of 3.41 percent.

Response 1. Please see Page 2 of 2 of this Response for the requested composite blended interest rate calculation. As shown, the relevant interest rate is computed as 3.41910 percent, which is more fairly rounded up to 3.42 percent. The calculation is also provided in Excel spreadsheet format on the enclosed compact disk, with file name:

“PSC_IDR1_Composite_Blended_Interest_Rate_Calculation”

COMPOSITE BLENDED INTEREST RATE CALCULATION

Loan	Interest Rate	Loan Amount	1 Year Interest	# of Years	(Loan Amount x # of Years)	(1 Year Interest x # of Years)
Loan 1	2.10%	\$ 343,205	\$ 7,207.31	1	\$ 343,205.00	\$ 7,207.31
Loan 2	2.35%	\$ 531,184	\$ 12,482.82	2	\$ 1,062,368.00	\$ 24,965.65
Loan 3	2.45%	\$ 552,939	\$ 13,547.01	3	\$ 1,658,817.00	\$ 40,641.02
Loan 4	2.55%	\$ 574,966	\$ 14,661.63	4	\$ 2,299,864.00	\$ 58,646.53
Loan 5	2.70%	\$ 599,955	\$ 16,198.79	5	\$ 2,999,775.00	\$ 80,993.93
Loan 6	2.90%	\$ 624,065	\$ 18,097.89	6	\$ 3,744,390.00	\$ 108,587.31
Loan 7	3.00%	\$ 649,880	\$ 19,496.40	7	\$ 4,549,160.00	\$ 136,474.80
Loan 8	3.10%	\$ 676,247	\$ 20,963.66	8	\$ 5,409,976.00	\$ 167,709.26
Loan 9	3.15%	\$ 705,490	\$ 22,222.94	9	\$ 6,349,410.00	\$ 200,006.42
Loan 10	3.15%	\$ 734,341	\$ 23,131.74	10	\$ 7,343,410.00	\$ 231,317.42
Loan 11	3.20%	\$ 765,018	\$ 24,480.58	11	\$ 8,415,198.00	\$ 269,286.34
Loan 12	3.25%	\$ 796,585	\$ 25,889.01	12	\$ 9,559,020.00	\$ 310,668.15
Loan 13	3.30%	\$ 830,929	\$ 27,420.66	13	\$ 10,802,077.00	\$ 356,468.54
Loan 14	3.30%	\$ 865,465	\$ 28,560.35	14	\$ 12,116,510.00	\$ 399,844.83
Loan 15	3.35%	\$ 901,975	\$ 30,216.16	15	\$ 13,529,625.00	\$ 453,242.44
Loan 16	3.40%	\$ 939,781	\$ 31,952.55	16	\$ 15,036,496.00	\$ 511,240.86
Loan 17	3.40%	\$ 980,249	\$ 33,328.47	17	\$ 16,664,233.00	\$ 566,583.92
Loan 18	3.45%	\$ 1,021,610	\$ 35,245.55	18	\$ 18,388,980.00	\$ 634,419.81
Loan 19	3.50%	\$ 1,065,126	\$ 37,279.41	19	\$ 20,237,394.00	\$ 708,308.79
Loan 20	3.55%	\$ 954,876	\$ 33,898.10	20	\$ 19,097,520.00	\$ 677,961.96
Loan 21	3.55%	\$ 694,348	\$ 24,649.35	21	\$ 14,581,308.00	\$ 517,636.43
Loan 22	3.60%	\$ 722,411	\$ 26,006.80	22	\$ 15,893,042.00	\$ 572,149.51
Loan 23	3.65%	\$ 751,764	\$ 27,439.39	23	\$ 17,290,572.00	\$ 631,105.88
Loan 24	3.70%	\$ 782,264	\$ 28,943.77	24	\$ 18,774,336.00	\$ 694,650.43
Loan 25	3.70%	\$ 709,523	\$ 26,252.35	25	\$ 17,738,075.00	\$ 656,308.78
Loan 26	3.75%	\$ 70,275	\$ 2,635.31	26	\$ 1,827,150.00	\$ 68,518.13
		\$ 18,844,471	\$ 612,208		\$ 265,711,911.00	\$ 9,084,944.42

$\$9,084,944.42 / \$265,711,911.00 = 3.41910\%$

PSC CASE NO. 2016-00410
JACKSON PURCHASE ENERGY CORPORATION
COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 12/2/16

RESPONSIBLE PARTY: Rod Crile

Request 2. Refer to the Application, Exhibit 2.

- (a) Refer to page 5 of 9. For Loan 1, the advance amount is \$384,320. Refer to page 6 of 9, where the amount for Loan 1 is \$343,205. Provide the correct amount for Loan 1.
- (b) Refer to page 6 of 9. For Loan 1, the Amortization Start date is 3/1/2017. Refer to page 5 of 9, where the Loan 1 amortization start date is 2/1/2017. Provide the correct amortization start date.
- (c) Refer to page 7 of 9. Explain why RUS note RET-33-2 and RET-33-3 have been included for refinancing, given that their current interest rate of 2.5 percent is lower than the proposed composite blended interest rate of 3.41 percent.
- (d) Refer to pages 8 and 9 of 9. Provide the net present value calculations in Excel spreadsheet format, with formulas intact and unprotected and all rows and columns fully accessible.

Response 2.

- (a) The correct amount for Loan 1 is \$343,205.00. A schedule with the corrected detail is provided at Page 3 of 5 of this Response.
- (b) The correct amortization start date for Loan 1 is 2/1/2017. A schedule with the corrected detail is provided at Page 3 of 5 of this Response.
- (c) RUS guidelines do not permit partial refinancing of work plan loans. Therefore, Jackson Purchase Energy Corporation (“JPEC”) is required, when refinancing, to include all notes under loan.
- (d) The requested calculations are provided on the enclosed compact disk, with file name:

“PSC_1DR2d_NPV_Calculations”

Please note that, upon further review, JPEC has realized that the net present value (“NPV”) calculations provided as part of its Application were incorrect. Specifically, the previously-submitted NPV calculations inadvertently omitted the expenses associated with the final two (2) years of the relevant period, 2041 and 2042; as a result, the original NPVs provided were mistakenly inflated by approximately \$1,500.00. The correct NPVs are reflected in the above-referenced electronic file, printouts from which are included at Pages 4 and 5 of 5 of this Response.

SCHEDULE A

Loan #	Date of Interest Rates	Advance Amount	Advance Date	Loan Term in Months	Amort Type	Deferral Period in Months	Amort Start Date	Final Pmt Date	Interest Rate Term	Reprice Date	Interest Rate on Advance Date
1	9/23/2016	\$343,205	1/25/2017	9	LD	0	2/1/2017	8/31/2017	1	FTM	2.10%
2	9/23/2016	\$531,184	1/25/2017	21	LD	8	9/1/2017	8/31/2018	2	FTM	2.35%
3	9/23/2016	\$552,939	1/25/2017	33	LD	20	9/1/2018	8/31/2019	3	FTM	2.45%
4	9/23/2016	\$574,966	1/25/2017	45	LD	32	9/1/2019	8/31/2020	4	FTM	2.55%
5	9/23/2016	\$599,955	1/25/2017	57	LD	44	9/1/2020	8/31/2021	5	FTM	2.70%
6	9/23/2016	\$624,065	1/25/2017	69	LD	56	9/1/2021	8/31/2022	6	FTM	2.90%
7	9/23/2016	\$649,880	1/25/2017	81	LD	68	9/1/2022	8/31/2023	7	FTM	3.00%
8	9/23/2016	\$676,247	1/25/2017	93	LD	80	9/1/2023	8/31/2024	8	FTM	3.10%
9	9/23/2016	\$705,490	1/25/2017	105	LD	92	9/1/2024	8/31/2025	9	FTM	3.15%
10	9/23/2016	\$734,341	1/25/2017	117	LD	104	9/1/2025	8/31/2026	10	FTM	3.15%
11	9/23/2016	\$765,018	1/25/2017	129	LD	116	9/1/2026	8/31/2027	11	FTM	3.20%
12	9/23/2016	\$796,585	1/25/2017	141	LD	128	9/1/2027	8/31/2028	12	FTM	3.25%
13	9/23/2016	\$830,929	1/25/2017	153	LD	140	9/1/2028	8/31/2029	13	FTM	3.30%
14	9/23/2016	\$865,465	1/25/2017	165	LD	152	9/1/2029	8/31/2030	14	FTM	3.30%
15	9/23/2016	\$901,975	1/25/2017	177	LD	164	9/1/2030	8/31/2031	15	FTM	3.35%
16	9/23/2016	\$939,781	1/25/2017	189	LD	176	9/1/2031	8/31/2032	16	FTM	3.40%
17	9/23/2016	\$980,249	1/25/2017	201	LD	188	9/1/2032	8/31/2033	17	FTM	3.40%
18	9/23/2016	\$1,021,610	1/25/2017	213	LD	200	9/1/2033	8/31/2034	18	FTM	3.45%
19	9/23/2016	\$1,065,126	1/25/2017	225	LD	212	9/1/2034	8/31/2035	19	FTM	3.50%
20	9/23/2016	\$954,876	1/25/2017	237	LD	224	9/1/2035	8/31/2036	20	FTM	3.55%
21	9/23/2016	\$694,348	1/25/2017	249	LD	236	9/1/2036	8/31/2037	21	FTM	3.55%
22	9/23/2016	\$722,411	1/25/2017	261	LD	248	9/1/2037	8/31/2038	22	FTM	3.60%
23	9/23/2016	\$751,764	1/25/2017	273	LD	260	9/1/2038	8/31/2039	23	FTM	3.65%
24	9/23/2016	\$782,264	1/25/2017	285	LD	272	9/1/2039	8/31/2040	24	FTM	3.70%
25	9/23/2016	\$709,523	1/25/2017	297	LD	284	9/1/2040	8/31/2041	25	FTM	3.70%
26	9/23/2016	\$70,275	1/25/2017	309	LD	296	9/1/2041	8/31/2042	26	FTM	3.75%



Co-op Name: Jackson Purchase Energy Corporation
 Co-op ID: KY020
 Date Prepared: 11/21/2016
 Interest Rates as of: 9/23/2016
 Financing Amount: \$18,844,470
 Scenario Name: RUS Refinance - Matching Prioncipal

Effective Interest Rate: CFC 3.42% RUS 4.08%
 Stated Interest Rate: 3.42% 4.08%
 Pat. Capital Benefit: 0.00%
 Total Interest Difference: \$ 1,615,256
 Total Cash Flow Difference: \$ 1,615,256

ANNUAL CASH FLOW SUMMARY

	CFC				RUS				Interest Expense Difference	Principal Payment Difference	Total Cash Flow Difference	Net Present Value at RUS Rate	Net Present Value at CFC Rate
	Ending Balance	Principal Payments	Interest Expense	Cash Patronage	Cash Flows	Ending Balance	Principal Payments	Interest Expense					
31-Aug	(18,844,470)	(8,618,987)	0	(27,463,457)	(18,844,470)	(10,234,243)	(29,078,713)						
2016	18,844,470	0	0	0	18,844,470	0	0	0	1,615,256	0	1,615,256	1,213,638	1,267,741
2017	18,501,265	(343,205)	(366,397)	0	18,501,265	(343,205)	(508,223)	(851,428)	0	0	0	0	0
2018	17,970,081	(531,184)	(600,342)	0	17,970,081	(531,184)	(745,959)	(1,277,143)	141,827	0	141,827	136,267	137,150
2019	17,417,142	(552,939)	(587,464)	0	17,417,142	(552,939)	(724,203)	(1,277,143)	145,617	0	145,617	134,424	136,172
2020	16,842,176	(574,966)	(575,048)	0	16,842,176	(574,966)	(702,177)	(1,277,143)	136,740	0	136,740	121,281	123,654
2021	16,242,221	(599,955)	(558,269)	0	16,242,221	(599,955)	(677,188)	(1,277,143)	127,129	0	127,129	108,337	111,172
2022	15,618,156	(624,065)	(541,365)	0	15,618,156	(624,065)	(653,078)	(1,277,143)	118,919	0	118,919	97,368	100,563
2023	14,968,276	(649,880)	(522,747)	0	14,968,276	(649,880)	(627,263)	(1,277,143)	111,713	0	111,713	87,882	91,354
2024	14,292,029	(676,247)	(504,047)	0	14,292,029	(676,247)	(600,896)	(1,277,143)	104,516	0	104,516	78,997	82,650
2025	13,586,540	(705,490)	(481,273)	0	13,586,540	(705,490)	(571,653)	(1,277,143)	96,849	0	96,849	70,333	74,062
2026	12,852,199	(734,341)	(458,712)	0	12,852,199	(734,341)	(542,802)	(1,277,143)	90,380	0	90,380	63,062	66,836
2027	12,087,180	(765,018)	(435,079)	0	12,087,180	(765,018)	(512,124)	(1,277,143)	84,090	0	84,090	56,373	60,134
2028	11,290,595	(796,585)	(411,153)	0	11,290,595	(796,585)	(480,557)	(1,277,143)	77,046	0	77,046	49,626	53,280
2029	10,459,666	(830,929)	(383,616)	0	10,459,666	(830,929)	(446,214)	(1,277,143)	69,404	0	69,404	42,951	46,412
2030	9,594,202	(865,465)	(355,771)	0	9,594,202	(865,465)	(411,678)	(1,277,143)	62,598	0	62,598	37,221	40,481
2031	8,692,227	(901,975)	(326,595)	0	8,692,227	(901,975)	(375,168)	(1,277,143)	55,907	0	55,907	31,939	34,962
2032	7,752,446	(939,781)	(296,489)	0	7,752,446	(939,781)	(337,362)	(1,277,143)	48,573	0	48,573	26,662	29,374
2033	6,772,197	(980,249)	(263,268)	0	6,772,197	(980,249)	(296,894)	(1,277,143)	40,873	0	40,873	21,556	23,902
2034	5,750,587	(1,021,610)	(229,228)	0	5,750,587	(1,021,610)	(255,533)	(1,277,143)	33,625	0	33,625	17,038	19,015
2035	4,685,462	(1,065,126)	(193,226)	0	4,685,462	(1,065,126)	(212,017)	(1,277,143)	26,306	0	26,306	12,807	14,385
2036	3,730,585	(954,876)	(157,579)	0	3,730,585	(954,876)	(167,649)	(1,122,525)	18,791	0	18,791	8,790	9,937
2037	3,036,238	(694,348)	(126,752)	0	3,036,238	(694,348)	(135,452)	(829,800)	10,069	0	10,069	4,525	5,149
2038	2,313,827	(722,411)	(101,598)	0	2,313,827	(722,411)	(107,389)	(829,800)	8,701	0	8,701	3,757	4,303
2039	1,562,063	(751,764)	(75,059)	0	1,562,063	(751,764)	(78,036)	(829,800)	5,791	0	5,791	2,403	2,769
2040	779,798	(782,264)	(47,140)	0	779,798	(782,264)	(47,536)	(829,800)	2,977	0	2,977	1,187	1,377
2041	70,275	(709,523)	(19,119)	0	70,275	(709,523)	(16,913)	(726,436)	396	0	396	152	177
2042	0	(70,275)	(1,655)	0	0	(70,275)	(279)	(70,555)	(2,205)	0	(2,205)	(811)	(954)
									(1,375)	0	(1,375)	(486)	(575)

