



Farmers Rural Electric Cooperative Corporation

504 South Broadway, Glasgow, KY 42141 • P.O. Box 1298, Glasgow, KY 42142-1298 • (270) 651-2191 • FAX (270) 651-7332

July 24, 2012

Mr. Jeff Derouen  
Executive Director  
Kentucky Public Service Commission  
211 Sower Boulevard  
Frankfort, Kentucky 40601

RECEIVED

JUL 30 2012

PUBLIC SERVICE  
COMMISSION

**Re: PSC Case No. 2012-00194**

Dear Mr. Derouen:

In response to Item No. Three of the Order issued to Farmers Rural Electric Cooperative Corporation, please find enclosed a copy of an updated version of Exhibit 7, Pages 2 through 6 from our Application.

The final loan amount of \$2,526,879.28 was transferred from CFC to Rural Utilities Service on July 20, 2012. This total includes \$2,519,994.06 in principal payoff and \$6,885.22 in accrued interest. A copy of the Loan Funds Requisition Statement is attached for your review.

We appreciate the Commission's assistance in this matter.

Very truly yours,

A handwritten signature in cursive script that reads 'Jennie G. Phelps'.

Jennie G. Phelps  
Vice President of Finance & Accounting

Enclosures

[www.farmersrecc.com](http://www.farmersrecc.com)

A Touchstone Energy® Cooperative The logo for Touchstone Energy, featuring a stylized 'T' and 'E' intertwined within a square frame.



**Powerful  
Financial  
Solutions**

*CFC's credit services provide its members with the financial tools they need to compete in an increasingly complex industry.*

Prepared exclusively for: Farmers Rural Electric Cooperative

Scenario: Cash Flow Match for KY034 completed 07/23/12

**Overall Summary**

Effective Interest Rate (after discounts, patronage capital):	3.66%
Effective Interest Rate (before discounts, patronage capital):	3.91%
Value of savings from discounts, patronage capital:	(0.25%)

**Debt Summary**

Current total LT debt outstanding:	\$ 4,079,024
New proposed loan amount:	\$ 2,519,994
Potential total LT debt outstanding:	\$ 6,599,019

**Equity Summary**

Current total equity at CFC:	\$ 1,010,202
Potential CFC debt to equity ratio:	6.53
Additional equity required as LCTCs:	\$ -
Portion of new loan used to purchase LCTCs:	\$ -

This information is confidential and is not to be disclosed to third parties without prior CFC consent. This presentation reflects CFC's programs and policies in effect at the time this presentation was created and will remain valid through **9/7/2012**. The interest rates used in this presentation were CFC's interest rates in effect on **5/7/2012** and are effective for that date only. No future representation of interest rates is implied.



# Farmers Rural Electric Cooperative

## CFC Loan Scenario

Portfolio: Cash Flow Match for KY034 completed 07/23/12

Count	Variable or Fixed	Interest Rate	Amort. Type	Advance Date	Amortization Start Date	Interest Rate Term	Loan Term In Months	Months to defer	Balloon Date	Final Payment Date	Loan Amount	LCTC's required?
1	F	2.750%	LD	7/5/2012	9/1/2012	1	12	0		5/31/2013	\$256,346	No
2	F	2.800%	LD	7/5/2012	6/1/2013	2	24	9		5/31/2014	\$146,078	No
3	F	2.900%	LD	7/5/2012	6/1/2014	3	36	21		5/31/2015	\$218,444	No
4	F	3.050%	LD	7/5/2012	6/1/2015	4	48	33		5/31/2016	\$201,643	No
5	F	3.300%	LD	7/5/2012	6/1/2016	5	60	45		5/31/2017	\$215,713	No
6	F	3.500%	LD	7/5/2012	6/1/2017	6	72	57		5/31/2018	\$220,112	No
7	F	3.750%	LD	7/5/2012	6/1/2018	7	84	69		5/31/2019	\$228,652	No
8	F	3.900%	LD	7/5/2012	6/1/2019	8	96	81		5/31/2020	\$236,677	No
9	F	4.050%	LD	7/5/2012	6/1/2020	9	108	93		5/31/2021	\$230,578	No
10	F	4.200%	LD	7/5/2012	6/1/2021	10	120	105		5/31/2022	\$195,552	No
11	F	4.300%	LD	7/5/2012	6/1/2022	11	132	117		5/31/2023	\$218,285	No
12	F	4.400%	LD	7/5/2012	6/1/2023	12	144	129		5/31/2024	\$151,914	No

Co-op Name: Farmers Rural Electric Cooperative  
 Co-op ID: KY034  
 Date Prepared: 5/7/2012  
 Interest Rates as of: 5/7/2012  
 Financing Amount: \$2,519,994  
 Scenario Name: Cash Flow Neutral for KY034 as of 5/7/2012

Net Present Value Cashflows: \$ 239,448 (CFC) / \$ 79,527 (RUS)  
 Effective Interest Rate: 3.66% (CFC) / 5.10% (RUS)  
 Stated Interest Rate: 3.91% (CFC) / 5.10% (RUS)  
 Pat. Capital and Discount Benefit: 0.25%  
 Total Cash Flow Difference: \$ 364,839  
 Total Interest Difference: \$ 310,046



ANNUAL CASH FLOW SUMMARY

	CFC					RUS				Interest Expense Difference	Patronage Capital Retirement	Total Cash Flow Difference
	Ending Balance	Principal Payments	Interest Expense	Cash Patronage	Cash Flows	Ending Balance	Principal Payments	Interest Expense	Cash Flows			
29-Feb		(2,519,994)	(583,495)	54,793	(3,048,697)		(2,519,994)	(893,542)	(3,413,536)	310,046	54,793	364,839
2012	2,519,994	0	0	0	0	2,519,994	0	0	0	0	0	0
2013	2,349,683	(170,311)	(58,295)	0	(228,606)	2,418,823	(101,171)	(82,278)	(183,449)	23,983	0	23,983
2014	2,154,473	(195,210)	(82,664)	3,754	(274,121)	2,261,046	(157,777)	(117,397)	(275,174)	34,733	3,754	38,487
2015	1,954,330	(200,143)	(77,828)	3,818	(274,153)	2,095,196	(165,849)	(109,325)	(275,174)	31,497	3,818	35,315
2016	1,748,469	(205,861)	(71,851)	3,587	(274,125)	1,921,083	(174,113)	(101,061)	(275,174)	29,210	3,587	32,797
2017	1,536,365	(212,105)	(65,331)	3,292	(274,143)	1,737,823	(183,461)	(91,713)	(275,174)	26,383	3,292	29,675
2018	1,317,407	(218,957)	(58,167)	2,987	(274,138)	1,544,994	(192,629)	(82,545)	(275,174)	24,378	2,987	27,365
2019	1,090,972	(226,436)	(50,342)	2,642	(274,135)	1,342,510	(202,484)	(72,690)	(275,174)	22,348	2,642	24,990
2020	856,362	(234,610)	(41,796)	2,265	(274,140)	1,129,798	(212,712)	(62,462)	(275,174)	20,666	2,265	22,931
2021	624,269	(232,093)	(32,496)	1,851	(262,738)	917,389	(212,409)	(51,368)	(263,777)	18,872	1,851	20,723
2022	419,855	(204,414)	(23,372)	1,416	(226,370)	731,670	(185,719)	(41,684)	(227,403)	18,312	1,416	19,728
2023	207,363	(212,492)	(14,873)	997	(226,368)	536,449	(195,221)	(32,182)	(227,403)	17,309	997	18,306
2024	38,604	(168,759)	(6,057)	591	(174,225)	364,827	(171,622)	(22,492)	(194,114)	16,436	591	17,027
2025	0	(38,604)	(425)	197	(38,831)	237,440	(127,386)	(15,332)	(142,718)	14,907	197	15,105
2026	0	0	0	0	0	103,574	(133,866)	(8,852)	(142,718)	8,852	0	8,852
2027	0	0	0	0	0	0	(103,574)	(2,161)	(105,735)	2,161	0	2,161
2028	0	0	0	0	0	0	0	0	0	0	0	0
2029	0	0	0	0	0	0	0	0	0	0	0	0
2030	0	0	0	0	0	0	0	0	0	0	0	0
2031	0	0	0	0	0	0	0	0	0	0	0	0
2032	0	0	0	0	0	0	0	0	0	0	0	0
2033	0	0	0	0	0	0	0	0	0	0	0	0
2034	0	0	0	0	0	0	0	0	0	0	0	0
2035	0	0	0	0	0	0	0	0	0	0	0	0
2036	0	0	0	0	0	0	0	0	0	0	0	0
2037	0	0	0	0	0	0	0	0	0	0	0	0
2038	0	0	0	0	0	0	0	0	0	0	0	0
2039	0	0	0	3,754	3,754	0	0	0	0	0	3,754	3,754
2040	0	0	0	3,818	3,818	0	0	0	0	0	3,818	3,818
2041	0	0	0	3,587	3,587	0	0	0	0	0	3,587	3,587
2042	0	0	0	3,292	3,292	0	0	0	0	0	3,292	3,292
2043	0	0	0	2,987	2,987	0	0	0	0	0	2,987	2,987
2044	0	0	0	2,642	2,642	0	0	0	0	0	2,642	2,642
2045	0	0	0	2,265	2,265	0	0	0	0	0	2,265	2,265
2046	0	0	0	1,851	1,851	0	0	0	0	0	1,851	1,851
2047	0	0	0	1,416	1,416	0	0	0	0	0	1,416	1,416
2048	0	0	0	997	997	0	0	0	0	0	997	997
2049	0	0	0	591	591	0	0	0	0	0	591	591
2050	0	0	0	197	197	0	0	0	0	0	197	197
2051	0	0	0	0	0	0	0	0	0	0	0	0
2052	0	0	0	0	0	0	0	0	0	0	0	0
2053	0	0	0	0	0	0	0	0	0	0	0	0
2054	0	0	0	0	0	0	0	0	0	0	0	0
2055	0	0	0	0	0	0	0	0	0	0	0	0
2056	0	0	0	0	0	0	0	0	0	0	0	0
2057	0	0	0	0	0	0	0	0	0	0	0	0
2058	0	0	0	0	0	0	0	0	0	0	0	0
2059	0	0	0	0	0	0	0	0	0	0	0	0
2060	0	0	0	0	0	0	0	0	0	0	0	0
2061	0	0	0	0	0	0	0	0	0	0	0	0
2062	0	0	0	0	0	0	0	0	0	0	0	0
2063	0	0	0	0	0	0	0	0	0	0	0	0
2064	0	0	0	0	0	0	0	0	0	0	0	0
2065	0	0	0	0	0	0	0	0	0	0	0	0
2066	0	0	0	0	0	0	0	0	0	0	0	0
2067	0	0	0	0	0	0	0	0	0	0	0	0
2068	0	0	0	0	0	0	0	0	0	0	0	0

\* The estimated impact of patronage capital is based on CFC's historical patronage allocation level and CFC's current patronage capital retirement policy. CFC's annual patronage allocation and retirement are subject to approval by CFC's Board of Directors. NPV calculations assume discount rate of 5%.



## Farmers Rural Electric Cooperative

### Detailed Comparison of Cash Flows

Portfolio: Cash Flow Match for KY034 completed 07/23/12

Year	RUS events	CFC events				Comparison	
	RUS Payments	CFC Payments	CFC Patronage	LCTC's Payments	LCTC's Return	CFC Net Cash Flows	RUS - CFC Net Cash Flows
3/1/2013	(\$183,449)	(\$228,606)	-	-	-	(\$228,606)	\$45,156
3/1/2014	(\$275,174)	(\$277,874)	\$3,754	-	-	(\$274,121)	(\$1,053)
3/1/2015	(\$275,174)	(\$277,970)	\$3,818	-	-	(\$274,153)	(\$1,021)
3/1/2016	(\$275,174)	(\$277,712)	\$3,587	-	-	(\$274,125)	(\$1,049)
3/1/2017	(\$275,174)	(\$277,435)	\$3,292	-	-	(\$274,143)	(\$1,031)
3/1/2018	(\$275,174)	(\$277,125)	\$2,987	-	-	(\$274,138)	(\$1,036)
3/1/2019	(\$275,174)	(\$276,778)	\$2,642	-	-	(\$274,135)	(\$1,038)
3/1/2020	(\$275,174)	(\$276,406)	\$2,265	-	-	(\$274,140)	(\$1,034)
3/1/2021	(\$263,777)	(\$264,589)	\$1,851	-	-	(\$262,738)	(\$1,039)
3/1/2022	(\$227,403)	(\$227,786)	\$1,416	-	-	(\$226,370)	(\$1,033)
3/1/2023	(\$227,403)	(\$227,365)	\$997	-	-	(\$226,368)	(\$1,035)
3/1/2024	(\$194,114)	(\$174,816)	\$591	-	-	(\$174,225)	(\$19,889)
3/1/2025	(\$142,718)	(\$39,029)	\$197	-	-	(\$38,831)	(\$103,887)
3/1/2026	(\$142,718)	-	-	-	-	-	(\$142,718)
3/1/2027	(\$105,735)	-	-	-	-	-	(\$105,735)
3/1/2028	-	-	-	-	-	-	-
3/1/2029	-	-	-	-	-	-	-
3/1/2030	-	-	-	-	-	-	-
3/1/2031	-	-	-	-	-	-	-
3/1/2032	-	-	-	-	-	-	-
3/1/2033	-	-	-	-	-	-	-
3/1/2034	-	-	-	-	-	-	-
3/1/2035	-	-	-	-	-	-	-
3/1/2036	-	-	-	-	-	-	-
3/1/2037	-	-	-	-	-	-	-
3/1/2038	-	-	-	-	-	-	-
3/1/2039	-	-	\$3,754	-	-	\$3,754	(\$3,754)
3/1/2040	-	-	\$3,818	-	-	\$3,818	(\$3,818)
3/1/2041	-	-	\$3,587	-	-	\$3,587	(\$3,587)
3/1/2042	-	-	\$3,292	-	-	\$3,292	(\$3,292)
3/1/2043	-	-	\$2,987	-	-	\$2,987	(\$2,987)
3/1/2044	-	-	\$2,642	-	-	\$2,642	(\$2,642)
3/1/2045	-	-	\$2,265	-	-	\$2,265	(\$2,265)
3/1/2046	-	-	\$1,851	-	-	\$1,851	(\$1,851)



## Farmers Rural Electric Cooperative

### Detailed Comparison of Cash Flows

Portfolio: Cash Flow Match for KY034 completed 07/23/12

Year	RUS events	CFC events				Comparison	
	RUS Payments	CFC Payments	CFC Patronage	LCTC's Payments	LCTC's Return	CFC Net Cash Flows	RUS - CFC Net Cash Flows
3/1/2047	-	-	\$1,416	-	-	\$1,416	(\$1,416)
3/1/2048	-	-	\$997	-	-	\$997	(\$997)
3/1/2049	-	-	\$591	-	-	\$591	(\$591)
3/1/2050	-	-	\$197	-	-	\$197	(\$197)
3/1/2051	-	-	-	-	-	-	-
3/1/2052	-	-	-	-	-	-	-
3/1/2053	-	-	-	-	-	-	-
3/1/2054	-	-	-	-	-	-	-
3/1/2055	-	-	-	-	-	-	-
3/1/2056	-	-	-	-	-	-	-
3/1/2057	-	-	-	-	-	-	-
3/1/2058	-	-	-	-	-	-	-
3/1/2059	-	-	-	-	-	-	-
3/1/2060	-	-	-	-	-	-	-
3/1/2061	-	-	-	-	-	-	-
3/1/2062	-	-	-	-	-	-	-

#### Sum of Cash Flows

Year 5	(\$1,284,145)	(\$1,339,597)	\$14,450	\$0	\$0	(\$1,325,147)	\$41,002
Year 10	(\$2,600,846)	(\$2,662,280)	\$25,611	\$0	\$0	(\$2,636,669)	\$35,822
Year 15	(\$3,413,536)	(\$3,103,490)	\$27,396	\$0	\$0	(\$3,076,093)	(\$337,443)
Year 20	(\$3,413,536)	(\$3,103,490)	\$27,396	\$0	\$0	(\$3,076,093)	(\$337,443)
Year 30	(\$3,413,536)	(\$3,103,490)	\$41,847	\$0	\$0	(\$3,061,643)	(\$351,893)
All years	(\$3,413,536)	(\$3,103,490)	\$54,793	\$0	\$0	(\$3,048,697)	(\$364,839)



**Loan Funds Requisition Statement  
Refinance of RUS 5% Loans**

Borrower Name: Farmers Rural Electric Cooperative Corp.  
Date of Advance: July 20, 2012

Co-op ID: KY034

Amount requested to prepay the following RUS loans:

Loan Designation and Account No.	Principal to be Paid	Interest to be Paid	Total Payment
AH6 - 1B280	\$ 163,989.96	\$ 448.05	\$ 164,438.01
AH6 - 1B282	\$ 163,989.96	\$ 448.05	\$ 164,438.01
AK6 - 1B290	\$ 364,316.75	\$ 995.40	\$ 365,312.15
AK6 - 1B292	\$ 364,316.75	\$ 995.40	\$ 365,312.15
AL6 - 1B301	\$ 731,690.32	\$ 1,999.16	\$ 733,689.48
AL6 - 1B306	\$ 731,690.32	\$ 1,999.16	\$ 733,689.48
<b>Total Amount to be wired directly to RUS by CFC for borrower.</b>	<b>\$ 2,519,994.06</b>	<b>\$ 6,885.22</b>	<b>\$ 2,526,879.28</b>

**Officer's Certification**

I hereby certify that as of the date below: (1) I am duly authorized to make this certification and to request funds on behalf of the Borrower (each such request, an "Advance") in accordance with the loan agreement governing the Advance (the "Loan Agreement"); (2) no Event of Default (as defined in the Loan Agreement) has occurred and is continuing; (3) I know of no other event that has occurred which, with the lapse of time and/or notification to CFC of such event, or after giving effect to the Advance, would become such an Event of Default; (4) all of the representations and warranties made in the Loan Agreement are true; (5) the Borrower has satisfied each other condition to the Advance as set forth in the Loan Agreement; and (6) the proceeds of the Advance will be used only for the purposes permitted by the Loan Agreement. I hereby authorize CFC to make Advances on the following terms, and hereby agree that such terms shall be binding upon Borrower under the provisions of the Loan Agreement:

Facility Number	Advance No.	Advance Amount	Advance Term (Years)	Loan Maturity	Amortization Type	Interest Rate	Rate Term	Rate Maturity	Amortization Begin Date	1st Prin Pymt Date
9020	1	\$256,345.75	1	5/31/2013	LDS	2.750%	1	FTM	9/1/2012	11/30/2012
9020	2	\$146,078.37	2	5/31/2014	LDS	2.800%	2	FTM	6/1/2013	8/31/2013
9020	3	\$218,444.19	3	5/31/2015	LDS	2.900%	3	FTM	6/1/2014	8/31/2014
9020	4	\$201,643.17	4	5/31/2016	LDS	3.050%	4	FTM	6/1/2015	8/31/2015
9020	5	\$215,712.63	5	5/31/2017	LDS	3.300%	5	FTM	6/1/2016	8/31/2016
9020	6	\$220,112.09	6	5/31/2018	LDS	3.500%	6	FTM	6/1/2017	8/31/2017
9020	7	\$228,651.87	7	5/31/2019	LDS	3.750%	7	FTM	6/1/2018	8/31/2018
9020	8	\$236,677.38	8	5/31/2020	LDS	3.900%	8	FTM	6/1/2019	8/31/2019
9020	9	\$230,578.13	9	5/31/2021	LDS	4.050%	9	FTM	6/1/2020	8/31/2020
9020	10	\$195,552.25	10	5/31/2022	LDS	4.200%	10	FTM	6/1/2021	8/31/2021
9020	11	\$218,284.71	11	5/31/2023	LDS	4.300%	11	FTM	6/1/2022	8/31/2022
9020	12	\$151,913.52	12	5/31/2024	LDS	4.400%	12	FTM	6/1/2023	8/31/2023
5107		\$6,885.22								
<b>Total</b>		<b>\$2,526,879.28</b>								

\* \$6,885.22 is the accrued interest due. It may be paid without accruing any LOC interest charges by wiring funds same day to CFC. See next page for wire transfer instructions.

Certified By: William J. Prather  
Signature

Date: 7-11-2012

WILLIAM T. PRATHER  
Print Name

PRESIDENT/CEO  
Title

Please email signed copy to [Elaine.MacDonald@nrucfc.coop](mailto:Elaine.MacDonald@nrucfc.coop) or fax to 703.467-5652 ATTN: Elaine MacDonald (AVP)