

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CLARK ENERGY	)	
COOPERATIVE, INC. FOR AUTHORIZATION	)	
TO BORROW \$7,500,000.00 FROM NATIONAL	)	
RURAL UTILITIES COOPERATIVE FINANCE	)	CASE NO.
CORPORATION, TO EXECUTE THE	)	2017-00206
NECESSARY PROMISSORY NOTE, AND TO	)	
PREPAY RURAL UTILITIES SERVICE NOTES	)	
IN THE SAME AMOUNT	)	

ORDER

On May 17, 2017, Clark Energy Cooperative, Inc. (“Clark Energy”) filed an application seeking Commission authority to execute notes to the National Rural Utilities Cooperative Finance Corporation (“CFC”) in an amount up to \$7,500,000.<sup>1</sup> On June 13, 2017, Commission Staff issued a request for information (“Staff’s First Request”) to Clark Energy to clarify certain issues in this case. Clark Energy filed its responses to Staff’s First Request on June 21, 2017. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Clark Energy intends to use the proceeds from the proposed CFC loan to refinance and discharge \$7,381,131 of its outstanding indebtedness to the Rural Utilities Service (“RUS”).<sup>2</sup> The refinancing of the RUS secured debt is authorized pursuant to 7 CFR Part 1786.<sup>3</sup> The outstanding RUS balance consists of fixed-rate debt with interest rates

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<sup>1</sup> Application, paragraph 6.

<sup>2</sup> *Id.*, Exhibit 2, page 1 of 2.

<sup>3</sup> *Id.*, Exhibit 1, page 1 of 11.

varying from 2.50 percent to 6.00 percent.<sup>4</sup> Clark Energy proposes to refinance eight RUS loans in the aggregate amount of \$7,381,131 with one note with an effective interest rate of 3.5 percent and term of approximately 13 years.<sup>5</sup> Clark Energy requests that a decision be rendered by August 1, 2017, in order to close the transaction by August 24, 2017.<sup>6</sup>

One fixed-rate RUS note has a lower interest rate than the rate under the refinancing. Clark Energy advised the Commission that RUS does not permit selected notes to be refinanced, and the entire RUS portfolio to which a note belongs to must be refinanced in order to refinance any of them.<sup>7</sup> The proposed CFC notes will have a principal repayment tenure of 13 years, with the principal repayment schedule being approximately equal to the longest maturity date of the RUS notes being refinanced.<sup>8</sup> Clark Energy stated that it will not incur any fees to prepay the RUS loans or close the CFC loan, with the exception of legal expense incurred by Clark Energy's attorney. These legal fees will be paid through company funds. Clark Energy provided a cash flow analysis which indicates that the refinancing would save \$1,077,043 over the life of the proposed loans, resulting in a positive net present value cash flow of \$707,604.<sup>9</sup>

The Commission has reviewed the proposed refinancing and finds Clark Energy's proposal to be reasonable due to the lower effective interest rate and cash flow savings

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<sup>4</sup> *Id.*, Exhibit 2, page 2 of 2.

<sup>5</sup> *Id.*, paragraph 6.

<sup>6</sup> *Id.*, page 1.

<sup>7</sup> *Id.*, Exhibit 2, page 2 of 2

<sup>8</sup> Clark Energy's response to Staff's First Request, Item 1.a.

<sup>9</sup> *Id.*, Item 1.c.

Clark Energy would see over the period of the loan. The Commission commends Clark Energy for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its member-consumers.

The final amounts of the RUS payoff, the legal fees, and the new CFC loan will not be known until the refinancing transaction is finalized. Therefore, Clark Energy should provide the Commission with the exact amount of the new CFC loan within ten days of finalizing the transaction. In addition, Clark Energy should provide an updated version of the response to Staff's First Request, Item 1.a., reflecting the cash flow analysis of the new CFC loan.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The proposed loan from CFC is for lawful objects within the corporate purposes of Clark Energy, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. Clark Energy should execute its note as security for the proposed loan in the manner described in its application.

3. Within ten days of finalizing the refinancing transaction, Clark Energy should notify the Commission in writing of the exact amount of the new CFC loan. Clark Energy should include with the notice an updated version of Staff's Second Request, Item 1.a., reflecting the savings based on the actual amount of the new CFC loan and legal fees.

4. Within ten days of the execution of the new CFC loan documents, Clark Energy should file with the Commission one copy in paper medium and an electronic version of the loan documents.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Clark Energy's application.

6. The terms and conditions of the new CFC loan should be consistent with the CFC refinancing program as described in Clark Energy's application.

IT IS THEREFORE ORDERED that:

1. Clark Energy is authorized to borrow from CFC up to \$7,500,000 but no more than the total amount needed to pay off the RUS notes proposed to be refinanced as identified in the application. The loan maturity date and interest rate shall be in accordance with the CFC refinancing program as described in Clark Energy's application.

2. Clark Energy shall execute the CFC loan documents as authorized herein.

3. Clark Energy shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

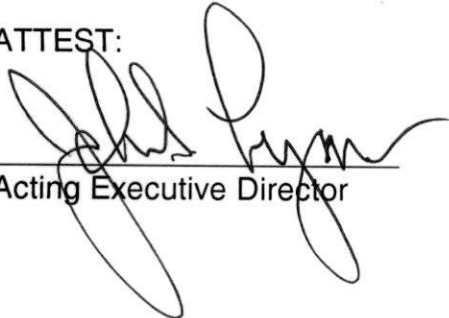
4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission

ENTERED  
JUL 13 2017  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



Acting Executive Director

Case No. 2017-00206

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