

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KENERGY CORP. FOR)
AUTHORIZATION TO BORROW \$27,814,894)
FROM CFC AND EXECUTE NECESSARY NOTES) CASE NO. 2015-00191
AND TO PREPAY RURAL UTILITIES SERVICE)
SERVICE NOTES OF THE SAME AMOUNT)

APPLICATION

Kenergy Corp. ("Kenergy") respectfully submits this application seeking expedited approval by September 25, 2015 (in order to close by October 2, 2015) of long-term refinancing, pursuant to KRS 278.300. The petition respectfully shows:

1. Kenergy is a nonprofit electric cooperative organized under KRS Chapter 279 and is engaged in the business of distributing retail electric power to member customers in the Kentucky counties of Breckenridge, Caldwell, Crittenden, Daviess, Hancock, Henderson, Hopkins, Livingston, Lyon, McLean, Muhlenberg, Ohio, Union and Webster.

2. Kenergy's post office address is Post Office Box 18, Henderson, Kentucky 42419-0018. Kenergy's electronic address is KPSC@kenergycorp.com.

3. The current Articles of Consolidation are filed in Case No. 99-136. Kenergy is incorporated in Kentucky and attests that it is in good standing.

4. As of April 30, 2015, Kenergy serves 56,339 member-customers. It has 7,117 miles of distribution lines in its fourteen county service territory, and owns additional facilities necessary to support this distribution system. The total original cost of these distribution lines and additional facilities as of April 30, 2015 is \$290,849,757.

5. The financial exhibit, as required by 807 KAR 5:001, Section 11(2)(a) is attached as Exhibit 1 of this application.

6. Kenergy is not seeking authorization to issue any kinds of stock as part of this application.

7. Kenergy seeks to borrow from Cooperative Finance Corporation ("CFC") a total of \$27,814,894 and execute one note in conjunction with this borrowing from CFC at a fixed interest rate of 4.11%. The CFC loan will be slightly less than the weighted average life of the debt being refinanced. A copy of the proposal letter from CFC is attached in Exhibit 2, Attachment B, of this application. A copy of the resolution of the Kenergy Board of Directors approving the subject refinancing is attached in Exhibit 2, Attachment A. The CFC loan is secured under the provisions of the Restated Mortgage and Security Agreement filed in Case No. 2010-00201. Kenergy is the mortgagor under mortgage dated July 1, 2003, with maximum indebtedness of \$250,000,000. Rural Utilities Service ("RUS"), CoBank and CFC are the mortgagees. There are no sinking fund provisions. Also attached in Exhibit 2, Attachment C, are the supplemental mortgages dated November 1, 2013, December 30, 2011 and June 21, 2010.

8. Kenergy expects the actual payoff to be very close to the \$27,814,894. CFC will accommodate the small difference, which will allow the note with CFC to stay at \$27,814,894.

9. Kenergy will use the proceeds from the CFC loan to prepay notes of the same amount outstanding to Rural Utilities Service ("RUS"). The notes being prepaid are listed in the CFC proposal in Exhibit 2, Attachment B.

10. Kenergy has received expedited approval from the Public Service Commission in Case No. 2010-00201 to refinance \$9,110,101 of 5% RUS notes with CoBank.

11. The notes secured by mortgages of Kenergy are listed in Exhibit 1, Attachment A, of this application.

12. As no property is being acquired in conjunction with this financing, 807 KAR 5:001, Section 11(2)(c) is not applicable.

13. Additional information in support of this application is included in attached Exhibit 2, including net present value analysis of the cash flows over the life of the loan. The lifetime nominal cash flow dollar savings are \$6,731,398, with a present value of \$2,242,250 discounted at the fixed interest rate of 5.00%.

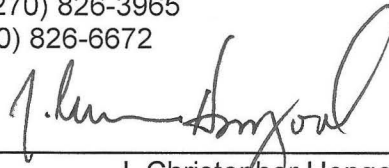
14. A Certificate of Good Standing (Certificate of Existence) is attached as Exhibit 2 – Attachment D. See 808 Kar 5:001, Section 14(2).

WHEREFORE, Kenergy asks that the Commission issue an Order authorizing Kenergy to execute and issue evidences of indebtedness as security for the CFC loan described herein, and for any other relief to which it may be entitled.

DATED at Henderson, Kentucky, this 19th day of June, 2015.

DORSEY, GRAY, NORMENT & HOPGOOD
Attorneys for Applicant
318 Second Street
Henderson, Kentucky 42420
Phone: (270) 826-3965
FAX: (270) 826-6672

By: _____



J. Christopher Hopgood
chopgood@dkgnlaw.com

VERIFICATION

The undersigned, Steve Thompson, being first duly sworn states that he is the Vice-President of Finance of Kenergy Corp.; that he has personal knowledge of the matters set forth in the foregoing application; and that the statements contained therein are true and correct to the best of his knowledge, information, and belief.



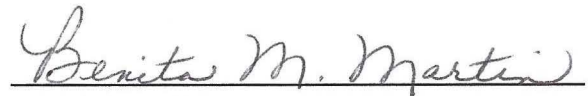
Steve Thompson

STATE OF KENTUCKY

COUNTY OF HENDERSON

Subscribed, sworn to, and acknowledged before me by Steve Thompson this 19th day of June, 2015.

My commission expires Oct. 16, 2016.



Notary Public, State of KY at Large

(seal)

KENERGY CORP.

CASE NO. 2015-00191

INDEX OF EXHIBITS TO APPLICATION

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

Exhibit 1 – Attachment A Notes Executed
Exhibit 1 – Attachment B Statement of Operations
Exhibit 1 – Attachment C Financial & Statistical Report

SUPPLEMENTAL INFORMATION

Exhibit 2 - Attachment A Board Resolution
Exhibit 2 - Attachment B CFC Proposal
Exhibit 2 - Attachment C Restated Mortgage & Security Agreement
(Filed in Case No. 2010-00201)
Supplemental Mortgage dated Nov. 1, 2013
Supplemental Mortgage dated Dec. 30, 2011
Supplemental Mortgage dated June 21, 2010
Exhibit 2 – Attachment D Certificate of Good Standing

Case No. 2015-00191

**Application of Kenergy Corp. for Authorization
to Borrow \$27,814,894 from CFC and Execute
Necessary Note to Prepay Rural Utilities Service
Treasury Notes of the Same Amount**

APPLICATION OF KENERGY CORP.

EXHIBIT 1

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 6

Unless otherwise noted, the financial information contained in this Exhibit is for the twelve months ending or as of April 30, 2015, which is within the 90 day requirement of 807 KAR 5:001, Section 6.

- Section 6(1) Kenergy has no stock authorized.
- Section 6(2) Kenergy has no stock issued or outstanding.
- Section 6(3) Kenergy has no preferred stock issued.
- Section 6(4) All of Kenergy's loans with the RUS, CoBank and CFC are secured by the Restated Mortgage and Security Agreement ("Restated Mortgage"), which was executed on July 1, 2003 and Supplemental Mortgages dated November 1, 2013, December 30, 2011 and June 21, 2010. A copy of the Restated Mortgage was filed in Case No. 2010-00201. The Supplemental Mortgages are shown in Exhibit 2, Attachment C. Kenergy is the mortgagor, while the RUS, CoBank and CFC are the mortgagees. The total debt limit is \$250,000,000. The current actual indebtedness is shown as Attachment A, pages 1 – 3 of Exhibit 1. There are no sinking fund provisions contained in the Restated Mortgage or Supplemental Mortgages.
- Section 6(5) Kenergy has no bonds authorized or issued.
- Section 6(6) Attachment A to this Exhibit contains the listing of Kenergy's total notes outstanding.
- Section 6(7) Kenergy has no other indebtedness.
- Section 6(8) As Kenergy has no stock authorized, issued, or outstanding, no dividends have been paid during the five previous fiscal years.
- Section 6(9) Attachments B and C to this Exhibit contain Kenergy's detailed income statement and balance sheet.

**FINANCIAL EXHIBITS FOR KENERGY
NOTES EXECUTED
AS OF APRIL 30, 2015**

Line No.	Note No.	Date of Issue	Principal Balance	Date of Principal Maturity	Rate of Interest	Payable In Favor of	Date of Interest Term Maturity (if not same as principal)	Interest Last Fiscal Year (2014)
1	1B210	12/14/94	1,032,355.46	2029	2.00%	U.S. GOVERNMENT	08/31/22	\$ 21,704.28
2	1B211	12/14/94	282.55	2029	3.125%	U.S. GOVERNMENT	05/31/20	\$ 9.24
3	1B215	12/14/94	963,457.30	2029	3.125%	U.S. GOVERNMENT	05/31/20	\$ 31,512.75
4	1B220	07/01/97	1,328,792.15	2032	2.625%	U.S. GOVERNMENT	12/31/21	\$ 36,272.68
5	1B225	07/01/97	1,361,278.74	2032	4.125%	U.S. GOVERNMENT		\$ 58,085.84
6	1B370	08/12/98	1,923,068.02	2033	5.125%	U.S. GOVERNMENT		\$ 101,430.71
7	1B375	01/19/99	310,047.45	2034	5.00%	U.S. GOVERNMENT		\$ 15,965.81
8	1B376	02/10/99	291,809.46	2034	5.00%	U.S. GOVERNMENT		\$ 15,026.68
9	1B377	05/12/99	656,571.17	2034	5.00%	U.S. GOVERNMENT		\$ 33,810.02
10	1B378	05/26/99	415,828.46	2034	5.00%	U.S. GOVERNMENT		\$ 21,413.01
11	1B380	02/01/01	13,190,661.20	2036	0.250%	U.S. GOVERNMENT	03/31/16	\$ 34,330.57
12	1B381	02/01/01	8,720,265.22	2036	2.125%	U.S. GOVERNMENT	04/30/17	\$ 191,467.18
13	1B382	02/01/01	4,690,737.87	2036	1.625%	U.S. GOVERNMENT	01/31/18	\$ 78,906.50
14	1B383	02/01/01	6,092,122.71	2036	1.375%	U.S. GOVERNMENT	07/31/19	\$ 86,802.06
15	1B384	02/01/01	7,105,882.08	2036	0.625%	U.S. GOVERNMENT	03/31/17	\$ 46,157.49
16	1B570	06/19/99	231,988.54	2034	5.00%	U.S. GOVERNMENT		\$ 11,946.21
17	1B390	01/31/06	3,530,200.26	2041	4.690%	U.S. GOVERNMENT		\$ 168,498.32
18	1B391	01/31/06	3,561,662.20	2041	5.120%	U.S. GOVERNMENT		\$ 185,386.03
19	1B392	01/31/06	3,989,527.14	2041	4.900%	U.S. GOVERNMENT		\$ 198,838.30
20	1B393	01/31/06	4,001,981.48	2041	5.070%	U.S. GOVERNMENT		\$ 206,302.54
21	1B394	01/31/06	4,550,286.67	2041	4.470%	U.S. GOVERNMENT		\$ 207,116.08
22	1B395	01/31/06	4,611,189.29	2041	4.690%	U.S. GOVERNMENT		\$ 220,094.43
23	F0010	07/01/03	5,032,266.19	2037	4.940%	U.S. GOVERNMENT		\$ 267,873.31
24	F0015	07/01/03	4,193,555.34	2037	4.940%	U.S. GOVERNMENT		\$ 222,032.69
25	F0020	07/01/03	5,032,266.19	2037	4.940%	U.S. GOVERNMENT		\$ 243,186.94
26	F0025	07/01/03	3,652,407.51	2037	4.940%	U.S. GOVERNMENT		\$ 201,564.26
27	F0030	11/03/08	8,253,872.54	2042	3.544%	U.S. GOVERNMENT		\$ 269,467.65
28	F0035	11/03/08	8,369,192.03	2042	4.537%	U.S. GOVERNMENT		\$ 363,651.56
29	F0040	11/03/08	7,120,859.08	2042	2.422%	U.S. GOVERNMENT		\$ 228,867.06
30	F0045	11/03/08	5,251,307.35	2042	2.607%	U.S. GOVERNMENT		\$ 148,956.98
31	F0050	11/03/08	431,142.30	2042	2.565%	U.S. GOVERNMENT		\$ 43,415.05
32	F0055	03/01/11	6,991,802.29	2045	0.164%	U.S. GOVERNMENT	06/30/15	\$ 12,123.51
33	F0060	03/01/11	12,212,339.47	2045	0.164%	U.S. GOVERNMENT	06/30/15	\$ 18,842.54
34	F0065	03/01/11	2,384,490.63	2045	0.164%	U.S. GOVERNMENT	06/30/15	\$ 7,707.69

**FINANCIAL EXHIBITS FOR KENERGY
NOTES EXECUTED
AS OF APRIL 30, 2015**

Line No.	Note No.	Date of Issue	Principal Balance	Date of Principal Maturity	Rate of Interest	Payable In Favor of	Date of Interest Term Maturity (if not same as principal)	Interest Last Fiscal Year (2014)
35	F0070	11/01/13	8,000,000.00	2047	3.103%	U.S. GOVERNMENT		\$ 885.60
36	Economic Dev Loan	06/22/06	66,203.95	2016	0.00%	U.S. GOVERNMENT		\$ -
37	Cushion of Credit	n/a	(38,059,261.64)	n/a	5.00%	U.S. GOVERNMENT		\$ -
38	ML0501T1	07/01/97	1,381,523.70	2032	2.48%	CoBank	10/20/17	\$ 35,498.26
39	ML0501T2	12/05/86	614,512.00	2019	2.40%	CoBank	03/17/18	\$ 20,024.18
40	ML0501T4	10/05/88	751,391.00	2022	2.47%	CoBank	03/17/18	\$ 23,407.45
41	ML0501T5	02/03/84	325,370.00	2017	2.08%	CoBank		\$ 18,845.73
42	ML0501T6	10/05/93	1,006,344.22	2028	2.92%	CoBank	03/19/20	\$ 46,678.97
43	ML0501T7	01/05/94	1,026,032.32	2029	4.17%	CoBank	02/20/16	\$ 44,794.00
44	ML0501T8	06/15/92	1,035,435.00	2025	5.36%	CoBank		\$ 58,873.23
45	ML0501T10	10/02/01	2,457,670.34	2026	2.46%	CoBank	10/20/17	\$ 64,706.44
46	ML0501T11	09/19/03	-	2014	4.94%	CoBank		\$ 8.14
47	ML0501T12	04/05/04	-	2015	4.64%	CoBank		\$ 6,703.45
48	ML0501T13	04/05/04	183,399.78	2016	4.77%	CoBank		\$ 15,997.08
49	ML0501T14	04/05/04	221,461.74	2017	4.89%	CoBank		\$ 15,278.84
50	ML0501T15	04/05/04	539,875.33	2018	4.97%	CoBank		\$ 34,119.73
51	ML0501T19	08/18/04	294,208.01	2021	3.32%	CoBank	02/16/18	\$ 11,067.29
52	ML0501T20	08/18/04	634,145.38	2029	3.32%	CoBank	02/16/18	\$ 22,396.28
53	ML0501T21	08/18/04	1,061,168.50	2033	3.32%	CoBank	02/16/18	\$ 37,011.89
54	ML0501T22	06/21/10	5,211,059.63	2020	4.41%	CoBank		\$ 266,046.63
55	ML0501T23	11/30/11	3,067,444.20	2021	3.15%	CoBank		\$ 109,072.52
56	KY0659013001	04/30/13	<u>\$ 968,699.86</u>	2016	2.20%	CFC		<u>\$ 25,576.65</u>
57			<u>\$ 132,272,179.66</u>	(1)				<u>\$ 4,855,758.33</u> (2)


(1) RUS Form 7, Part C, Line 41 plus 45

(2) Exclusive of Cobank capital credits.

KENERGY
STATEMENT OF OPERATIONS

ITEM (a)	TWELVE MONTHS APRIL 30, 2015 (b)
1. Operating Revenue and Patronage Capital	\$438,645,656
2. Power Production Expense	
3. Cost of Purchased Power	\$399,590,810
4. Transmission Expense	
5. Distribution Expense - Operation	\$4,053,310
6. Distribution Expense - Maintenance	\$8,496,516
7. Consumer Accounts Expense	\$4,073,543
8. Customer Service and Informational Expense	\$155,457
9. Sales Expense	\$114,586
10. Administrative and General Expense	\$4,020,597
11. Total Operation & Maintenance Expense (2 thru 10)	\$420,504,819
12. Depreciation and Amortization Expense	\$10,550,412
13. Tax Expense - Property & Gross Receipts	
14. Tax Expense - Other	\$632,984
15. Interest on Long-Term Debt	\$4,697,797
16. Interest Charged to Construction - Credit	
17. Interest Expense - Other	\$46,687
18. Other Deductions	\$86,705
19. Total Cost of Electric Service (11 thru 18)	\$436,519,404
20. Patronage Capital & Operating Margins (1 minus 19)	\$2,126,252
21. Non-Operating Margins - Interest	\$1,952,770
22. Allowance for Funds Used During Construction	
23. Income (Loss) from Equity Investments	
24. Non-Operating Margins - Other	\$29,025
25. Generation and Transmission Capital Credits	
26. Other Capital Credits & Patronage Dividends	\$221,706
27. Extraordinary Items....(See Page 2, Part D)	
28. Patronage Capital or Margins (20 thru 26)	\$4,329,752



Your Touchstone Energy® Cooperative 

FINANCIAL AND STATISTICAL REPORT	BORROWER DESIGNATION	
	KENERGY	
INSTRUCTIONS - See RUS Bulletin 1717B-2	PERIOD ENDED	RUS USE ONLY
	APRIL 30, 2015	

PART C. BALANCE SHEET

ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service.....	290,849,757	30. Memberships.....	228,865
2. Construction Work in Progress.....	2,298,952	31. Patronage Capital.....	70,575,805
3. Total Utility Plant (1+2).....	293,148,709	32. Operating Margins - Prior Years.....	78,651
4. Accum. Provision for Depreciation and Amort.....	95,356,762	33. Operating Margins - Current Years.....	924,356
5. Net Utility Plant (3-4).....	197,791,947	34. Non-Operating Margins.....	664,284
6. Non-Utility Property (Net).....	1,329	35. Other Margins and Equities.....	6,805,921
7. Investments in Subsidiary Companies.....		36. Total Margins & Equities (30 thru 35).....	79,277,882
8. Invest. In Assoc.Org.-Patronage Capital.....	883,286	37. Long-Term Debt - RUS (Net).....	7,973,750
9. Invest. In Assoc.Org.-Other-General Funds.....	656,687	(Payments-Unapplied \$38,059,262)	
10. Invest. In Assoc.Org.-Other-Nongeneral Funds....	4,581,245	38. Long-Term Debt - RUS - Econ. Devel. (Net)	5,093
11. Investments in Economic Development Projects.....	66,204	39. Long-Term Debt Other - REA Guaranteed	98,926,032
12. Other Investments.....	6,600	40. Long-Term Debt - Other (Net).....	17,989,752
13. Special Funds.....		41. Total Long-Term Debt (37 thru 40).....	124,894,627
14. Total Other Property and Investments (6 thru 13)...	6,195,351	42. Obligations Under Capital Leases.....	
15. Cash - General Funds.....	927,230	43. Accumulated Operating Provisions.....	232,715
16. Cash - Construction Funds - Trustee.....		44. Total Other Noncurrent Liabilites (42 + 43)....	232,715
17. Special Deposits.....		45. Notes Payable.....	9,077,553
18. Temporary Investments.....	1,826,976	46. Accounts Payable.....	23,162,588
19. Notes Receivable (Net).....		47. Consumer Deposits.....	4,160,957
20. Accounts Receivable - Sales of Energy (Net).....	21,323,475	48. Other Current and Accrued Liabilities.....	2,397,772
21. Accounts Receivable - Other (Net).....	1,938,498	49. Total Current & Accrued Liabilities (45 thru 48)	38,798,870
22. Materials and Supplies - Electric and Other.....	2,135,416	50. Deferred Credits.....	2,011,756
23. Prepayments.....	905,483	51. Accumulated Deferred Income Taxes.....	
24. Other Current and Accrued Assets.....	10,639,705	52. Total Liabilities and Other Credits	
25. Total Current and Accrued Assets (15 thru 24).....	39,696,783	(36 + 41 + 44 + 49 thru 51).....	245,215,850
26. Regulatory Assets.....		ESTIMATED CONTRIBUTIONS IN AID OF CONSTRUCTION	
27. Other Deferred Debits.....	1,531,769	53. Balance Beginning of Year.....	
28. Accumulated Deferred Income Taxes.....		54. Amount Received This Year(Net).....	
29. Total Assets and Other Debits (5+14+25 thru 28)	245,215,850	55. Total Contributions in Aid of Construction.....	

PART D. NOTES TO FINANCIAL STATEMENTS

THIS SPACE BELOW IS PROVIDED FOR IMPORTANT NOTES REGARDING THE FINANCIAL STATEMENT CONTAINED IN THIS REPORT.
(IF ADDITIONAL SPACE IS NEEDED, USE SEPARATE SHEET.)



P.O. Box 18 • 6402 Old Corydon Road
Henderson, Kentucky 42419-0018
1.800.844.4832

KENERGY CORP.

RESOLUTION OF BOARD OF DIRECTORS

REFINANCING OF RURAL UTILITIES SERVICE NOTES

WHEREAS, a refinancing of Rural Utilities Service (RUS) secured debt is permitted under Article II, Section 2.02 of the RUS mortgage,

WHEREAS, Kenergy Corp. has approximately \$28 million of RUS fixed 4.9% notes with maturities averaging 25 years,

WHEREAS, in the current interest rate environment Kenergy will realize a significant savings if it replaces said RUS notes with private financing,

WHEREAS, the interest rate changes daily and the exact date of the loan closing is undeterminable because Kentucky Public Service Commission (KPSC) approval is required,

NOW THEREFORE BE IT RESOLVED, that the Kenergy Corp. Board Chairman, select CFC based on the value analysis performed by staff and discussed by the board, and execute the forward setting of a fixed interest rate less than 4.9% exclusive of capital credit retirements,

BE IT FURTHER RESOLVED, that the President/CEO is authorized and directed, on behalf of Kenergy Corp., to seek KPSC approval for refinancing all or a portion of said RUS fixed interest notes, as determined by the President/CEO and approved by KPSC.

I, Debra Hayden, Assistant Corporate Secretary of Kenergy Corp., do hereby certify that the above is a true and correct copy of a resolution adopted at the meeting of the Board of Directors of Kenergy Corp. on June 9, 2015, at which a quorum was present and voted.

SEAL

Debra Hayden, Assistant Corporate Secretary





**National Rural Utilities
Cooperative Finance Corporation**

Created and Owned by America's Electric Cooperative Network

20701 Cooperative Way
Dulles, Virginia 20166
703-467-1800 | www.nrucfc.coop

June 5, 2015

Mr. Steve Thompson
Vice President, Finance
Kenergy Corp.
P.O. Box 18
Henderson, KY 42419

Dear Mr. Thompson:

On March 22, 1994, RUS published the final rules for the prepayment of RUS notes at a discount. CFC is pleased to inform you that Kenergy Corp. has been approved to receive CFC funding to refinance its RUS debt.

We have determined that your system may refinance approximately \$28,000,000 with a secured long-term commitment from CFC for a term that matches the composite life of the existing RUS debt. CFC will also consider lending for terms other than the composite life of the existing RUS debt. It is anticipated that distribution systems interested in refinancing for shorter terms than their existing RUS debt will need to run financial forecasts to evaluate and support the goals and expectations of their system.

According to RUS' rules, borrowers that apply for the note buyout must show evidence of available financing for prepayment of notes. This letter may be used for that purpose. Financing will be available to Kenergy Corp. after the execution of CFC loan and security documents and, as may be required by some systems, regulatory approval from state and/or federal agencies.

CFC's approved commitment to Kenergy Corp. will be available for advance anytime during the next eighteen months, which means you will have quick access to loan funds in the event you choose to refinance your RUS debt. We look forward to providing you with any assistance that may be needed. Please contact Brian Stavish, your Regional Vice President at 571-213-9003 or Ranyer Bravo in our Dulles office at (800) 424-2954, extension 1885 for more information concerning the note buyout.

Sincerely,

John T. Evans

Executive Vice-President and Chief Operating Officer



Kenergy
 RUS Payoff
 RUS Refinance

Count	Loan Number	Payments Per Year	Interest Rate	Amort Type	Loan Balance	Loan Payment	Maturity Date	Years to Maturity	Treasury Rate	Payoff Amount	Amount of Discount	Percentage Discount
1	1B370	12	5.13%	LD	\$ 1,895,688.95	\$ 13,692.12	4/30/2033	17.59	0.00%	\$ 1,895,688.95	\$ (0.00)	0.000%
2	1B375	12	5.00%	LD	\$ 305,522.12	\$ 2,197.25	2/28/2033	17.43	0.00%	\$ 305,522.12	\$ 0.00	0.000%
3	1B376	12	5.00%	LD	\$ 287,550.32	\$ 2,068.00	2/28/2033	17.43	0.00%	\$ 287,550.32	\$ (0.00)	0.000%
4	1B377	12	5.00%	LD	\$ 646,988.11	\$ 4,653.00	2/28/2033	17.43	0.00%	\$ 646,988.11	\$ (0.00)	0.000%
5	1B378	12	5.00%	LD	\$ 409,759.19	\$ 2,946.90	2/28/2033	17.43	0.00%	\$ 409,759.19	\$ (0.00)	0.000%
6	1B390	12	4.69%	LD	\$ 3,499,968.70	\$ 19,880.00	8/31/2040	24.94	0.00%	\$ 3,499,968.70	\$ 0.00	0.000%
7	1B391	12	5.12%	LD	\$ 3,533,061.69	\$ 20,960.00	8/31/2040	24.94	0.00%	\$ 3,533,061.69	\$ 0.00	0.000%
8	1B392	12	4.90%	LD	\$ 3,956,454.42	\$ 22,950.00	8/31/2040	24.94	0.00%	\$ 3,956,454.42	\$ (0.00)	0.000%
9	1B393	12	5.07%	LD	\$ 3,969,537.57	\$ 23,445.00	8/31/2040	24.94	0.00%	\$ 3,969,537.57	\$ (0.00)	0.000%
10	1B394	12	4.47%	LD	\$ 4,510,059.74	\$ 25,038.13	9/30/2040	25.02	0.00%	\$ 4,510,059.74	\$ (0.00)	0.000%
11	1B395	12	4.69%	LD	\$ 4,571,701.02	\$ 25,967.38	8/31/2040	24.94	0.00%	\$ 4,571,701.02	\$ (0.00)	0.000%
12	1B570	12	5.00%	LD	\$ 228,602.53	\$ 1,644.06	2/28/2033	17.43	0.00%	\$ 228,602.53	\$ (0.00)	0.000%
										\$ 27,814,894.36		

Co-op Name: Kenergy
 Co-op ID: KY065
 Date Prepared: 6/16/2015
 Interest Rates as of: 6/8/2015
 Financing Amount: \$ 27,814,894
 Scenario Name: Cash Flow Neutral for KY065 as of 6/8/2015

Effective Interest Rate: 3.85%
 Stated Interest Rate: 4.11%
 Pat. Capital and Discount Benefit: 0.26%
 Total Interest Difference: \$ 5,403,410
 Total Int. & Pat. Cap. Difference: \$ 6,731,398
 Total Cash Flow Difference: \$ 6,731,398



ANNUAL CASH FLOW SUMMARY

	CFC						RUS				Interest Expense Difference	Patronage Capital Retirement	Total Cash Flow Difference	Net Present Value
	Ending Balance	Principal Payments	Interest Expense	Cash Patronage	Cash Discounts	Cash Flows	Ending Balance	Principal Payments	Interest Expense	Cash Flows				
28-Feb	(27,814,894)	(13,744,682)	1,327,988	0	(40,231,588)	27,814,894	(27,814,894)	(19,148,092)	(46,962,986)	5,403,410	1,327,988	6,731,398	2,242,250	
2015	27,814,894	0	0	0	0	27,814,894	0	0	0	0	0	0	0	
2016	27,438,553	(376,341)	(567,090)	33,917	0	27,546,033	(268,861)	(558,348)	(827,209)	(8,742)	33,917	(82,305)	(78,385)	
2017	26,527,954	(910,599)	(1,103,158)	50,214	0	26,877,398	(668,636)	(1,316,667)	(1,985,302)	213,509	50,214	21,759	19,736	
2018	25,594,549	(933,405)	(1,065,202)	49,099	0	26,178,658	(698,739)	(1,286,563)	(1,985,302)	221,361	49,099	35,794	30,920	
2019	24,634,814	(959,935)	(1,026,213)	47,810	0	25,445,207	(733,451)	(1,251,851)	(1,985,302)	225,638	47,810	46,965	38,638	
2020	23,647,342	(987,272)	(986,113)	46,362	0	24,678,058	(767,149)	(1,218,153)	(1,985,302)	232,040	46,362	58,279	45,663	
2021	22,623,746	(1,023,596)	(944,663)	44,731	0	23,867,270	(810,788)	(1,174,514)	(1,985,302)	229,851	44,731	61,775	46,097	
2022	21,562,743	(1,061,004)	(901,690)	42,940	0	23,018,966	(848,304)	(1,136,998)	(1,985,302)	235,308	42,940	65,548	46,584	
2023	20,461,535	(1,101,208)	(857,109)	41,021	0	22,128,501	(890,466)	(1,094,837)	(1,985,302)	237,728	41,021	68,007	46,030	
2024	19,319,946	(1,141,589)	(810,871)	38,994	0	21,196,130	(932,371)	(1,052,931)	(1,985,302)	242,061	38,994	71,836	46,306	
2025	18,131,077	(1,188,868)	(762,801)	36,842	0	20,212,682	(983,448)	(1,001,854)	(1,985,302)	239,053	36,842	70,476	43,266	
2026	16,894,338	(1,236,739)	(712,773)	34,564	0	19,182,709	(1,029,972)	(955,330)	(1,985,302)	242,557	34,564	70,354	41,135	
2027	15,607,167	(1,287,172)	(660,715)	32,163	0	18,101,523	(1,081,186)	(904,116)	(1,985,302)	243,402	32,163	69,579	38,744	
2028	14,268,543	(1,338,623)	(606,560)	29,635	0	16,968,459	(1,133,064)	(852,238)	(1,985,302)	245,678	29,635	69,754	36,992	
2029	12,872,260	(1,396,284)	(550,135)	26,968	0	15,775,276	(1,193,183)	(792,119)	(1,985,302)	241,984	26,968	65,852	33,260	
2030	11,417,160	(1,455,100)	(491,311)	24,176	0	14,524,823	(1,250,653)	(734,649)	(1,985,302)	243,338	24,176	63,067	30,336	
2031	9,900,487	(1,516,673)	(430,004)	21,243	0	13,211,756	(1,312,868)	(672,435)	(1,985,302)	242,430	21,243	59,868	27,426	
2032	8,319,865	(1,580,622)	(366,109)	18,151	0	11,834,889	(1,376,866)	(608,436)	(1,985,302)	242,326	18,151	56,721	24,747	
2033	6,680,006	(1,639,858)	(299,707)	14,922	0	10,396,726	(1,438,164)	(537,329)	(1,975,493)	237,622	14,922	50,850	21,129	
2034	5,277,482	(1,402,524)	(238,445)	11,924	0	9,198,765	(1,197,961)	(474,062)	(1,672,023)	235,618	11,924	42,978	17,008	
2035	3,826,827	(1,450,655)	(179,640)	9,010	0	7,955,900	(1,243,165)	(415,721)	(1,658,886)	236,081	9,010	37,602	14,172	
2036	2,312,410	(1,514,417)	(118,458)	5,966	0	6,652,021	(1,303,579)	(355,307)	(1,658,886)	236,850	5,966	31,977	11,478	
2037	730,557	(1,581,853)	(54,567)	2,764	0	5,282,866	(1,369,156)	(289,731)	(1,658,886)	235,164	2,764	25,230	8,625	
2038	0	(730,557)	(11,351)	578	0	3,847,034	(1,435,831)	(223,055)	(1,658,886)	211,704	578	917,556	298,730	
2039	0	0	0	0	0	2,340,543	(1,506,491)	(152,395)	(1,658,886)	152,395	0	1,658,886	514,367	
2040	0	0	0	0	0	760,004	(1,580,540)	(78,346)	(1,658,886)	78,346	0	1,658,886	489,874	
2041	0	0	0	33,917	0	0	(760,004)	(10,107)	(770,111)	10,107	33,917	804,028	226,125	
2042	0	0	0	50,214	0	0	0	0	0	0	50,214	50,214	13,450	
2043	0	0	0	49,099	0	0	0	0	0	0	49,099	49,099	12,525	
2044	0	0	0	47,810	0	0	0	0	0	0	47,810	47,810	11,615	
2045	0	0	0	46,362	0	0	0	0	0	0	46,362	46,362	10,727	
2046	0	0	0	44,731	0	0	0	0	0	0	44,731	44,731	9,857	
2047	0	0	0	42,940	0	0	0	0	0	0	42,940	42,940	9,012	
2048	0	0	0	41,021	0	0	0	0	0	0	41,021	41,021	8,199	
2049	0	0	0	38,994	0	0	0	0	0	0	38,994	38,994	7,423	
2050	0	0	0	36,842	0	0	0	0	0	0	36,842	36,842	6,679	
2051	0	0	0	34,564	0	0	0	0	0	0	34,564	34,564	5,968	
2052	0	0	0	32,163	0	0	0	0	0	0	32,163	32,163	5,289	
2053	0	0	0	29,635	0	0	0	0	0	0	29,635	29,635	4,641	
2054	0	0	0	26,968	0	0	0	0	0	0	26,968	26,968	4,022	
2055	0	0	0	24,176	0	0	0	0	0	0	24,176	24,176	3,434	
2056	0	0	0	21,243	0	0	0	0	0	0	21,243	21,243	2,874	
2057	0	0	0	18,151	0	0	0	0	0	0	18,151	18,151	2,339	
2058	0	0	0	14,922	0	0	0	0	0	0	14,922	14,922	1,831	
2059	0	0	0	11,924	0	0	0	0	0	0	11,924	11,924	1,393	
2060	0	0	0	9,010	0	0	0	0	0	0	9,010	9,010	1,003	
2061	0	0	0	5,966	0	0	0	0	0	0	5,966	5,966	632	
2062	0	0	0	2,764	0	0	0	0	0	0	2,764	2,764	279	
2063	0	0	0	578	0	0	0	0	0	0	578	578	56	
2064	0	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	0	
2066	0	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	0	
2068	0	0	0	0	0	0	0	0	0	0	0	0	0	
2069	0	0	0	0	0	0	0	0	0	0	0	0	0	
2070	0	0	0	0	0	0	0	0	0	0	0	0	0	
2071	0	0	0	0	0	0	0	0	0	0	0	0	0	

* The estimated impact of Pat. Cap. is based on CFC's historical patronage allocation level and CFC's current retirement policy. CFC's patronage allocation & retirement are subject to approval by CFC's Board of Directors
 ** 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. No future representation of interest rates is implied; Rates are subject to change daily.



**National Rural Utilities
Cooperative Finance Corporation**

Created and Owned by America's Electric Cooperative Network

20701 Cooperative Way
Dulles, Virginia 20166
703-467-1800 | www.nrucfc.coop

June 9, 2015

Mr. Steve Thompson
Vice President, Finance
Kenergy Corp.
P.O. Box 18
Henderson, KY 42419

RE: Kenergy Corp. ("Borrower") Rate Lock Option Offer

Dear Steve:

Pursuant to Borrower's request, National Rural Utilities Cooperative Finance Corporation ("CFC") is pleased to offer Borrower this interest rate lock option for drawing certain funds, as more particularly described on the attached Schedule A ("Rate Lock Option"). The loan number, advance amount, advance date, interest rate and any other terms for each advance for which CFC is offering the Rate Lock Option are set forth on Schedule A, and such attributes together constitute a "Scheduled Advance" for purposes of the Rate Lock Option. In consideration of CFC's offer and Borrower's acceptance of it, CFC and Borrower hereby agree as follows:

- (a) The Rate Lock Option is limited to Scheduled Advances, and shall not be construed as an offer, agreement or obligation associated with any other advance that has been or may be made by CFC;
- (b) CFC's obligation to fund any Scheduled Advance is expressly conditioned upon Borrower and CFC entering into and executing a mutually agreeable loan agreement that governs the terms of the Schedule Advance(s) ("Loan Agreement"), and upon Borrower meeting all of the conditions to advance as set forth therein; and
- (c) By exercising this Rate Lock Option, Borrower agrees to the following terms:

IF:	THEN:
As of the date of the first Scheduled Advance, Borrower has not entered into a Loan Agreement with CFC regarding such Scheduled Advance:	Borrower shall pay to CFC, on demand, (1) a make-whole amount, computed on the amount of the Scheduled Advance, in accordance with CFC's standard formula for calculating reinvestment loss resulting from its commitment to make a


	fixed rate loan, plus (2) an administrative fee of 33 basis points on the amount of the Scheduled Advance (collectively, the "Make-Whole Amount");
Borrower draws the full amount of the Scheduled Advance on or before its scheduled date:	the Scheduled Advance is subject to the Rate Lock Option.
Borrower does not draw any of the Scheduled Advance on or before its scheduled date:	Borrower shall pay to CFC, on demand, the Make-Whole Amount.
Borrower draws less than the full amount of the Scheduled Advance on or before its scheduled date:	Borrower shall pay to CFC, on demand, the Make-Whole Amount, <i>except</i> that the Make-Whole amount shall be computed only upon the undrawn amount of the Scheduled Advance; <i>and</i> the amount drawn shall be subject to the Rate Lock Option.
Borrower draws more than the full amount of the Scheduled Advance on or before its scheduled date:	the amount of the Scheduled Advance shall be subject to the Rate Lock Option; <i>and</i> the excess amount drawn shall not be subject to the Rate Lock Option, but instead shall be subject to the interest rate terms of the Loan Agreement.

(d) By signing below, the signatory hereby irrevocably exercises the Rate Lock Option on behalf of Borrower and certifies that (1) the signatory is duly authorized to act for, on behalf of, and commit Borrower as described herein, (2) no state regulatory commission or other governmental approval is required to exercise the Rate Lock Option and perform under the terms and conditions set forth herein or, if such approvals are required, then such approvals have been obtained, are in effect, and evidence thereof is attached hereto.

If the foregoing accurately describes our mutual understanding of the Rate Lock Option and the terms and conditions under which it is offered, please execute and return a copy of this letter by e-mail to ranyer.bravo@nrucfc.coop before 9pm Eastern June 9, 2015 at which time this offer for the Rate Lock Option will automatically be deemed withdrawn.

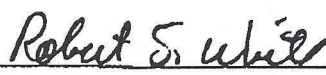
Sincerely,

NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION

By: 
Ranyer Bravo
Assistant Secretary-Treasurer

ACCEPTED AND AGREED TO THIS 9th DAY OF June, 2015

KENERGY CORP.

By: 
Its: Board Chairman

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	All-in Rate
1	6/8/2015	\$27,814,894	10/2/2015	270	LD	0	12/1/2015	2/28/2038	23	FTM	4.11%