

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH KENTUCKY RURAL ELECTRIC)	
COOPERATIVE FOR AUTHORIZATION TO BORROW)	CASE NO.
\$58,634,282 FROM COBANK AND TO EXECUTE ALL)	2016-00040
DOCUMENTS NECESSARY TO PREPAY RURAL UTILITIES)	
SERVICE NOTES OF THE SAME AMOUNT)	

RESPONSES TO COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION
TO SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

DATED FEBRUARY 26, 2016

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2016-00040

PUBLIC SERVICE COMMISSION REQUEST DATED 2/26/16

South Kentucky Rural Electric Cooperative Corporation (“South Kentucky”) hereby submits responses to the Initial Request for Information of the Staff (“PSC”) in this case dated February 26, 2016. Each response with its associated supportive reference materials is individually tabbed.

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SERVICE NOTES OF THE SAME AMOUNT)

CERTIFICATE

STATE OF KENTUCKY)
)
COUNTY OF PULASKI)

Michelle Herrman, being duly sworn, states that she has supervised the preparation of the responses of South Kentucky Rural Electric Cooperative Corporation to the Public Service Commission Staff’s Initial Request for Information in the above-referenced case dated February 26, 2016, and that the matters and things set forth therein are true and accurate to the best of her knowledge, information and belief, formed after reasonable inquiry.

Michelle D Herrman

Subscribed and sworn before me on this 7th day of March, 2016.



Ashley Kerr
 Notary Public

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2016-00040

COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 2/26/2016

REQUEST 1

RESPONSIBLE PARTY: Michelle Herrman

Request 1. Refer to the Application, Exhibit 2 -Attachment B, page 8 of 8. Confirm that “Weighted Avg Life (yrs.)” is the weighted average life of payments for both the CoBank and Rural Utilities (“RUS”) loans. Provide supporting calculations in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

Response 1.

The Weighted Average Life (yrs.) for the CoBank Loan and the RUS loans are 9.9 years and 13.06 years, respectively. The requested Excel spreadsheet has been uploaded electronically to the case file entitled as, “Exhibit_2_Att_B_Page_8_of_8.xlsx,” for the Weighted Average Life Calculations. Please note that the Exhibit 2, Attachment B, page 8 of 8 was provided in a format that is proprietary to CoBank. The attached spreadsheet supports the calculations provided in the original exhibit.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION

PSC CASE NO. 2016-00040

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REQUEST 2

RESPONSIBLE PARTY: Michelle Herrman

Request 2. Refer to the Application, revised Exhibit 2 – Attachment B, page 5 of 8.

- a. Explain why the RUS blended interest rate of 5.09 percent was used to calculate the net present value (“NPV”) of the interest savings.
- b. Provide the NPV calculation using the CoBank interest rate of 3.55 percent.

Response 2.

- a. The RUS blended interest rate of 5.09 percent was used to calculate the net present value (“NPV”) of the interest savings because the RUS blended interest rate produces a more conservative NPV of the interest savings. The NPV interest savings using the RUS blended interest rate of 5.09% is \$6,377,575 and the NPV interest savings using the CoBank interest rate of 3.55% is \$8,684,982.
- b. The NPV using the CoBank interest rate of 3.55 % is \$8,684,982. Please see spreadsheet “RExhibit_2_Att_B_Page_7_of_8.xlsx” for calculation.

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REQUEST 3

RESPONSIBLE PARTY: Michelle Herrman

Request 3. Refer to the Application and provide the revised Exhibit 1 – Attachment A, page 1 of 1, and the revised Exhibit 2 – Attachment B, pages 5 and 7 of 8, in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

Response 3.

The requested Excel spreadsheets has been uploaded electronically to the case file entitled as, "RExhibit_1_Att_A_Page_1_of_1.xlsx. Revised Exhibit 2 – Attachment B page 5 of 8, is unable to be provided in Excel since it is a proprietary document of CoBank. Please refer to "RExhibit_2_Att_B_Page_7_of_8.xlsx" for NPV calculation.

SOUTH KENTUCKY RURAL ELECTRIC COOPERATIVE CORPORATION**PSC CASE NO. 2016-00040****COMMISSION STAFF'S INITIAL REQUEST FOR INFORMATION DATED 2/26/2016****REQUEST 4****RESPONSIBLE PARTY: Michelle Herrman**

Request 4. Provide an estimate of any fees or expenses that South Kentucky expects it will incur to close the loan with CoBank, as well as an estimate of the impact on the NPV of the proposed financing to the extent they are not already reflected.

Response 4.

The only fees that South Kentucky expects to incur are related to legal counsel for assistance with Commission approval filings, review of loan documents, preparation of legal opinions and the associated title work in conjunction with those opinions. We estimate those fees to be approximately \$15,000. The estimated impact on the NPV of these fees is a reduction as indicated below.

NPV Savings Calculation Rate	NPV Savings Without Legal Counsel Fees	NPV Savings With Legal Counsel Fees	Reduction in NPV Savings associated with Legal Fees
5.09	\$6,377,575	\$6,363,301	(\$10,274)
3.55	\$8,684,982	\$8,670,497	(\$14,485)

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REQUEST 5

RESPONSIBLE PARTY: Michelle Herrman

Request 5. South Kentucky has requested approval by April 15, 2016, in order to close by April 30, 2016. If approval were to be received earlier than the requested date, explain whether the closing date would change, and any impact of an earlier closing date on the terms as provided in the application.

Response 5.

Commission approval in advance of April 15, 2016 would be beneficial to the Cooperative. While simultaneous approval is also being sought from the Rural Utilities Service, early approval would provide the opportunity to close the loan with CoBank at an earlier date and, thereby, provide interest expense savings of approximately \$2,500 per day.