

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SHELBY ENERGY	}	
COOPERATIVE, INC. FOR AUTHORIZATION	}	
TO BORROW \$15,796,145 FROM THE	}	CASE NO. 2016-00160
NATIONAL RURAL UTILITIES	}	
COOPERATIVE FINANCE CORPORATION,	}	
AND EXECUTE THE NECESSARY NOTE,	}	
AND TO PREPAY RURAL UTILITIES	}	
SERVICE NOTES OF THE SAME AMOUNT	}	

**APPLICATION**

Comes Shelby Energy Cooperative, Inc. (“Shelby Energy”), to respectfully submit this application seeking expedited approval by May 23, 2016, in order to close by the June 17, 2016 closing date set by Rural Utilities Service (“RUS”), of long-term refinancing pursuant to KRS 278.300. The closing date will not change if Public Service Commission (the “Commission”) approval is received earlier than the requested date, nor would it have any effect on the terms set forth in this application. This application respectfully shows:

1. Shelby Energy 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 Anderson, Carroll, Franklin, Henry, Jefferson, Oldham, Owen, Shelby, Spencer and Trimble.

2. Shelby Energy's mailing and physical address is 620 Old Finchville Road, Shelbyville, Kentucky 40065-1714. Shelby Energy's electronic address is [psc@shelbyenergy.com](mailto:psc@shelbyenergy.com).

3. The Articles of Incorporation and all amendments thereto for Shelby Energy are filed in Case No. 1997-231. Shelby Energy is incorporated in Kentucky and attests that it is in good standing.

4. As of February 29, 2016, Shelby Energy had 15,587 member-customers. It has 2,127 miles of distribution lines in its 10-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 February 29, 2016 was \$86,541,227.

5. The financial exhibit, as required by 807 KAR 5:001, Section 12(1)(a) is attached as Exhibit 1 to this application.

6. Shelby Energy is not seeking authorization to issue any kind of stock as part of this application.

7. Shelby Energy seeks to borrow from the National Rural Electric Cooperative Finance Corporation ("CFC") \$15,796,145 and execute a loan agreement and one note in conjunction with this borrowing from CFC at a fixed interest rate of 3.82%. The CFC loan term will be 23 years, which is approximately 12 months less than the longest maturity date of the RUS notes being refinanced. A copy of the proposal letter from CFC is attached as Exhibit 2, Pages 1-4 of this application. A copy of the resolution of the Shelby Energy Board of Directors is attached as Exhibit 3, Pages 1-2 of this

application. The CFC loan will be secured under the provisions of the Restated Mortgage and Security agreement dated as of November 1, 2005 (the "Mortgage"), between Shelby Energy, as Mortgagor, the United States of America ("RUS") and CFC, as Mortgagees, a copy of which was filed in Case No. 2011-00391. The maximum indebtedness under this Mortgage is \$100,000,000. There are no sinking fund provisions or supplemental mortgages.

8. Shelby Energy expects the actual payoff to be \$15,796,145 or less depending on the time required to secure Commission approval and any payments made in the meantime. In the unlikely event it is more than the CFC loan proceeds, Shelby Energy would make up the difference with internal cash.

9. Shelby Energy will use the proceeds from the CFC loan solely to prepay notes of the same amount outstanding to RUS. The RUS notes being prepaid are listed in Exhibit 4 to this application.

10. Shelby Energy previously received expedited approval from the Commission in Case No. 2011-00391 to refinance other RUS debt.

11. The notes secured by the Mortgage are listed in Exhibit 5 to this application.

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

13. Additional information in support of this application is included in attached Exhibit 6, Pages 1-3, including net present value analysis of the cash flows over the life of the loan. The lifetime nominal cash flow dollar savings are \$1,598,283, with a

present value of \$1,477,703 discounted at the fixed interest rate of 4% (the RUS Blended Rate of 3.98% rounded up). The calculations are listed in Exhibit 6, Page 3.

14. There are no fees or expenses to prepay the RUS loans or close the loan from CFC, except for legal expenses for Shelby Energy's attorney to obtain Commission approval for this transaction and prepare and submit to CFC the opinion of counsel, note, and loan agreement. The legal expenses are expected to be approximately \$3,000.00.

15. Due to the quick requested approval date and to assist the Commission and Staff in processing this case, Shelby Energy has modeled this Application and the exhibits after those in Case No. 2015-191, answering in advance the questions posed by the Staff Requests for Information in that case.

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

Dated at Shelbyville, Kentucky this 3 day of May, 2016.



Donald T. Prather  
Mathis, Riggs, Prather & Ratliff, P.S.C.  
500 Main Street, Suite 5  
Shelbyville, Kentucky 40065  
Phone: (502) 633-5220  
Fax: (502) 633-0667  
Attorney for Shelby Energy Cooperative, Inc.

VERIFICATION

The undersigned Denise Hume, being first duly sworn, states that she is the Accounting & Finance Manager of Shelby Energy Cooperative, Inc.; and that she 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 her knowledge, information and belief.

Denise Hume

Denise Hume, Manager, Accounting & Finance  
Shelby Energy Cooperative, Inc.

COMMONWEALTH OF KENTUCKY  
COUNTY OF SHELBY

Subscribed and sworn to before me by Denise Hume, Manager, Accounting & Finance, of Shelby Energy cooperative, Inc. this 3<sup>rd</sup> day of May, 2016.

Candice H. Waford

Notary Public ID 5029590

My Commission Expires: 01/13/18

APPLICATION OF SHELBY ENERGY COOPERATIVE, INC.

FINANCIAL EXHIBIT – 807 KAR 5:001, SECTION 12

Unless otherwise noted, the financial information contained in this Exhibit is for the 12 months ending on or as of February 29, 2016, which is within the 90-day requirement of 807 KAR 5:001, Section 12.

- Section 12(2)(a)      Shelby Energy has no stock authorized.
- Section 12(2)(b)      Shelby Energy has no stock issued or outstanding.
- Section 12(2)(c)      Shelby Energy has no preferred stock issued.
- Section 12(2)(d)      All of Shelby Energy's loans with the RUS and CFC are secured by the restated Mortgage which was executed on November 28, 2005. Shelby Energy is the mortgagor, while the RUS and CFC are the mortgagees. The total debt limit is \$100,000,000.00. The current actual indebtedness is shown in Exhibit 5. There are no sinking fund provisions contained in the Mortgage.
- Section 12(2)(e)      Shelby Energy has no bonds authorized or issued.
- Section 12(2)(f)      Exhibit 5 contains the listing of Shelby Energy total notes outstanding, including date of issue, amount, date of maturity, interest rate, in whose favor, and the amount of interest paid thereto during fiscal year 2015.
- Section 12(2)(g)      Shelby Energy has no other indebtedness.
- Section 12(2)(h)      As Shelby Energy has no stock authorized, issued, or outstanding, no dividends have been paid during the five previous fiscal years.
- Section 12(2)(i)      Exhibits 7 and 8 contain Shelby Energy's detailed statement of operations and balance sheet.



**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](http://www.nrucfc.coop)

February 25, 2016

Ms. Debra J. Martin  
President & CEO  
Shelby Energy Cooperative, Inc.  
620 Old Finchville Road  
Shelbyville, KY 40065

RE: Shelby Energy Cooperative, Inc. ("Borrower") Rate Lock Option Offer  
Loan No. KY030-A-9018

Dear Debbie:

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:

CFC FACIL  
KY030-A-9018(MACDONE)  
204866-1

<b>IF:</b>	<b>THEN:</b>
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 or facsimile before 5 pm on February 26, 2016, at which time this offer for the Rate Lock Option will automatically be deemed withdrawn.

Sincerely,

**NATIONAL RURAL UTILITIES COOPERATIVE FINANCE CORPORATION**

By: Elaine MacDonald  
Elaine MacDonald  
Assistant Secretary-Treasurer

**ACCEPTED AND AGREED TO THIS 25<sup>th</sup> day of February, 2016**

**Shelby Energy Cooperative, Inc.**

By: Dennis J. Martin  
Its: President + CEO

**SCHEDULE A**

Loan #9017 Adv #	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	Adder Bps	All-in Rate
1	2/25/2016	\$271,435.32	6/25/2016	6	LD	0	9/1/2016	11/30/2016	1	FTM	2.60%	0.000%	2.60%
2	2/25/2016	\$506,193.93	6/25/2016	18	LD	3	12/1/2016	11/30/2017	2	FTM	2.70%	0.000%	2.70%
3	2/25/2016	\$521,127.85	6/25/2016	30	LD	15	12/1/2017	11/30/2018	3	FTM	2.75%	0.000%	2.75%
4	2/25/2016	\$535,221.61	6/25/2016	42	LD	27	12/1/2018	11/30/2019	4	FTM	2.90%	0.000%	2.90%
5	2/25/2016	\$549,386.93	6/25/2016	54	LD	39	12/1/2019	11/30/2020	5	FTM	3.20%	0.000%	3.20%
6	2/25/2016	\$567,959.46	6/25/2016	66	LD	51	12/1/2020	11/30/2021	6	FTM	3.30%	0.000%	3.30%
7	2/25/2016	\$586,254.55	6/25/2016	78	LD	63	12/1/2021	11/30/2022	7	FTM	3.40%	0.000%	3.40%
8	2/25/2016	\$605,596.63	6/25/2016	90	LD	75	12/1/2022	11/30/2023	8	FTM	3.45%	0.000%	3.45%
9	2/25/2016	\$624,807.27	6/25/2016	102	LD	87	12/1/2023	11/30/2024	9	FTM	3.55%	0.000%	3.55%
10	2/25/2016	\$647,507.16	6/25/2016	114	LD	99	12/1/2024	11/30/2025	10	FTM	3.60%	0.000%	3.60%
11	2/25/2016	\$670,123.30	6/25/2016	126	LD	111	12/1/2025	11/30/2026	11	FTM	3.65%	0.000%	3.65%
12	2/25/2016	\$693,852.08	6/25/2016	138	LD	123	12/1/2026	11/30/2027	12	FTM	3.70%	0.000%	3.70%
13	2/25/2016	\$717,856.35	6/25/2016	150	LD	135	12/1/2027	11/30/2028	13	FTM	3.75%	0.000%	3.75%
14	2/25/2016	\$738,073.55	6/25/2016	162	LD	147	12/1/2028	11/30/2029	14	FTM	3.80%	0.000%	3.80%
15	2/25/2016	\$665,482.38	6/25/2016	174	LD	159	12/1/2029	11/30/2030	15	FTM	3.85%	0.000%	3.85%
16	2/25/2016	\$690,285.68	6/25/2016	186	LD	171	12/1/2030	11/30/2031	16	FTM	3.90%	0.000%	3.90%
17	2/25/2016	\$715,641.43	6/25/2016	198	LD	183	12/1/2031	11/30/2032	17	FTM	3.90%	0.000%	3.90%
18	2/25/2016	\$743,272.23	6/25/2016	210	LD	195	12/1/2032	11/30/2033	18	FTM	3.95%	0.000%	3.95%
19	2/25/2016	\$771,562.48	6/25/2016	222	LD	207	12/1/2033	11/30/2034	19	FTM	3.95%	0.000%	3.95%
20	2/25/2016	\$801,063.06	6/25/2016	234	LD	219	12/1/2034	11/30/2035	20	FTM	4.00%	0.000%	4.00%
21	2/25/2016	\$831,668.48	6/25/2016	246	LD	231	12/1/2035	11/30/2036	21	FTM	4.00%	0.000%	4.00%
22	2/25/2016	\$863,941.13	6/25/2016	258	LD	243	12/1/2036	11/30/2037	22	FTM	4.00%	0.000%	4.00%
23	2/25/2016	\$897,191.42	6/25/2016	270	LD	255	12/1/2037	11/30/2038	23	FTM	4.00%	0.000%	4.00%
24	2/25/2016	\$476,322.87	6/25/2016	282	LD	267	12/1/2038	11/30/2039	24	FTM	4.00%	0.000%	4.00%
<b>Total:</b>		<b>\$15,691,827.15</b>											

## CERTIFICATE OF RESOLUTIONS AND INCUMBENCY

I, Roger Taylor, do hereby certify that (i) I am the Secretary of Shelby Energy Cooperative, Inc. (hereinafter called the "Cooperative"); (ii) the following are true and correct copies of resolutions duly adopted by the board of directors of the Cooperative at a meeting held on April 28, 2016; (iii) the meeting was duly and regularly called and held in accordance with the articles and bylaws of the Cooperative; (iv) the Cooperative is duly incorporated, validly existing and in good standing under the laws of the state of its incorporation and there is no pending or contemplated proceeding for the merger, consolidation, sale of assets or business or dissolution of the Cooperative; (v) forms of the loan documents were submitted to the meeting and were authorized by the board of directors to be executed; (vi) none of the following resolutions has been rescinded or modified as of this date; and (vii) the persons authorized below have been duly elected or appointed to their respective positions and occupied such positions on the date of actual execution of the loan documents:

RESOLVED, that the Cooperative borrow from National Rural Utilities Cooperative Finance Corporation ("CFC"), from time to time as determined by the persons designated by the board of directors of the Cooperative, an aggregate amount not to exceed \$16,450,000.00, as set forth in the loan agreement with CFC governing such loan, substantially in the form of the loan agreement presented to this meeting (the "Loan Agreement");

RESOLVED, that the proceeds of this loan be used to refinance certain of the Cooperative's existing indebtedness with its other lenders;

RESOLVED, that the individuals listed below are hereby authorized to execute and deliver to CFC the following documents:

- (a) as many counterparts as shall be deemed advisable of the Loan Agreement;
- (b) one or more secured promissory notes payable to the order of CFC, which in the aggregate shall not exceed the principal amount of \$16,450,000.00, substantially in the form of the note(s) presented to this meeting; and

RESOLVED, that each of the following individuals is hereby authorized in the name and on behalf of the Cooperative to execute and to deliver all such other documents and instruments as may be necessary or appropriate, to make all payments, to execute any future amendments to said Loan Agreement as such individual may deem appropriate within the amount of the promissory notes so authorized herein and to do all such other acts as in the opinion of such authorized individual acting may be necessary or appropriate in order to carry out the purposes and intent of the foregoing resolutions:

<u>Title or Office</u>	<u>Name (typed or printed)</u>
Ashley Chilton	Chairman
Roger Taylor	Secretary/Treasurer
Debra Martin	President & CEO
Denise Hume	Manager, Accounting & Finance
Jared Routh	Assistant Manager, Accounting & Finance

IN WITNESS WHEREOF, I have hereunto set my hand and affixed the seal of the Cooperative this 28<sup>th</sup> day of April, 2016.

  
Secretary

(SEAL)



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## Shelby Energy Co-op

RUS Payoff

RUS Refi - Cash Flow Neutral

Count	Loan Number	Payments Per Year	Interest Rate	Amort Type	Loan Balance	Payment	Maturity Date	Years to Maturity	Treasury Rate	Payoff Amount	Amount of Discount	Percentage Discount
1	RET-7-1	12	6.00%	LD	\$ 578,590.78	\$ 5,246.43	10/31/2029	13.33	0.00%	\$ 578,590.78	\$ 0.00	0.000%
2	RET-7-2	12	2.03%	LD	\$ 496,813.71	\$ 902.82	11/30/2029	13.43	0.00%	\$ 496,813.71	\$ (0.00)	0.000%
3	RET-9-1	12	4.75%	LD	\$ 4,328,953.48	\$ 25,050.00	9/30/2040	24.23	0.00%	\$ 4,328,953.48	\$ (0.00)	0.000%
4	RET-9-2	12	4.30%	LD	\$ 861,482.54	\$ 4,760.00	10/31/2040	24.33	0.00%	\$ 861,482.54	\$ 0.00	0.000%
5	RET-9-3	12	3.06%	LD	\$ 844,854.57	\$ 4,100.00	10/31/2040	24.33	0.00%	\$ 844,854.57	\$ (0.00)	0.000%
6	RET-9-4	12	4.53%	LD	\$ 883,454.56	\$ 5,000.00	9/30/2040	24.23	0.00%	\$ 883,454.56	\$ 0.00	0.000%
7	RET-9-5	12	2.60%	LD	\$ 2,964,829.78	\$ 6,585.04	10/31/2040	24.33	0.00%	\$ 2,964,829.78	\$ 0.00	0.000%
8	RET-9-6	12	4.05%	LD	\$ 4,732,847.76	\$ 25,531.48	9/30/2040	24.23	0.00%	\$ 4,732,847.76	\$ (0.00)	0.000%
										\$ 15,691,827.18		

**FINANCIAL EXHIBITS FOR SHELBY ENERGY  
NOTES EXECUTED  
AS OF FEBRUARY 29, 2016**

Line No.	Loan #	Date of Issue	Principal Balance as of February 29, 2016	Date of Principal Maturity	Rate of Interest	Fixed = F Variable =	Payable in Favor of	Date of Interest Term Maturity (if not same as principal)	Interest Last Fiscal Year (2015)
1	9010001	6/23/1983	37,440.89	6/1/2018	6.40%	F	CFC		\$ 3,173.92
2	9011001	6/23/1983	185,216.14	9/1/2021	6.55%	F	CFC		13,426.93
3	9012001	6/23/1983	279,657.51	3/1/2025	6.55%	F	CFC		19,214.27
4	9013001	6/23/1983	453,409.62	6/1/2027	6.60%	F	CFC		30,855.20
5	9014001	6/23/1983	502,146.97	12/1/2029	6.65%	F	CFC		34,005.89
6	9015001	2/28/1986	729,337.63	2/28/2033	6.65%	F	CFC		48,875.65
7	9015002	1/28/1986	327,806.75	2/28/2033	3.20%	V	CFC	1/1/2017	10,465.03
8	9016	8/31/1988	2,034,087.87	8/31/2027	4.37%	F	CFC		96,460.79
9	H0010	9/1/1999	726,094.87	1/3/2034	4.51%	F	U. S. Government		34,409.83
10	H0015	9/1/1999	943,923.07	1/3/2034	4.51%	F	U. S. Government		44,732.77
11	H0020	9/1/1999	730,405.97	1/3/2034	4.48%	F	U. S. Government		34,318.69
12	H0025	9/1/1999	821,758.86	1/3/2034	5.30%	F	U. S. Government		45,465.38
13	H0030	5/1/2001	763,916.33	12/31/2035	4.41%	F	U. S. Government		35,287.41
14	H0035	5/1/2001	792,985.87	12/31/2035	5.32%	F	U. S. Government		43,882.70
15	H0040	5/1/2001	773,016.18	12/31/2035	4.63%	F	U. S. Government		37,438.27
16	H0045	5/1/2001	773,340.11	12/31/2035	4.55%	F	U. S. Government		36,861.45
17	H0050	5/1/2001	1,938,690.19	12/31/2035	4.79%	F	U. S. Government		96,960.86
18	H0055	5/1/2001	1,002,451.18	12/31/2035	4.39%	F	U. S. Government		46,144.21
19	H0060	5/1/2001	1,314,985.64	12/31/2035	4.47%	F	U. S. Government		61,618.27
20	H0065	5/1/2001	1,564,821.82	12/31/2035	4.21%	F	U. S. Government		69,109.40
21	H0070	5/1/2001	1,109,195.94	12/31/2035	4.46%	F	U. S. Government		51,852.22
22	H0075	1/3/2011	2,728,656.30	12/31/2046	0.214%	V	U. S. Government	6/30/2016	4,164.05
23	H0080	1/3/2011	4,582,881.74	12/31/2046	0.214%	V	U. S. Government	6/30/2016	6,993.70
24	H0085	1/3/2011	1,905,184.23	12/31/2046	0.214%	V	U. S. Government	6/30/2016	2,907.40
25	F0090	9/2/2014	1,300,000.00	8/31/2049	0.214%	V	U. S. Government	6/30/2016	1,830.45
26	F0095	9/2/2014	5,300,000.00	8/31/2049	0.061%	V	U. S. Government	6/30/2016	2,349.72
27	1B310 (RET-7-1)	5/8/1995	586,122.25	12/31/2029	6.00%	F	U. S. Government		36,303.62
28	1B315 (RET-7-2)	5/8/1995	503,992.11	12/31/2029	0.625%	V	U. S. Government	5/31/2017	3,303.67
29	1B320	6/15/1998	1,081,284.64	6/15/2033	2.12%	V	U. S. Government	6/30/2017	23,755.08
30	1B325	6/15/1998	666,890.70	6/15/2033	4.12%	V	U. S. Government	1/31/2019	28,277.03
31	1B326	6/15/1998	452,845.24	6/15/2033	4.50%	F	U. S. Government		20,924.46
32	1B327	6/15/1998	53,860.77	6/15/2033	4.50%	F	U. S. Government		2,488.72
33	1B330 (RET-9-1)	3/24/2006	4,355,667.56	11/1/2040	4.75%	F	U. S. Government		209,939.51
34	1B331 (RET-9-2)	3/24/2006	867,034.58	11/1/2040	4.30%	F	U. S. Government		37,867.57
35	1B332 (RET-9-3)	3/24/2006	851,058.75	11/1/2040	3.06%	F	U. S. Government		26,531.73
36	1B333 (RET-9-4)	3/24/2006	889,026.42	11/1/2040	4.53%	F	U. S. Government		40,885.08
37	1B334 (RET-9-5)	3/24/2006	2,978,971.09	11/1/2040	0.28%	V	U. S. Government	6/30/2016	34,555.39
38	1B335 (RET-9-6)	3/24/2006	4,764,272.69	11/1/2040	4.05%	F	U. S. Government		196,108.35
TOTAL			51,672,438.48						\$ 1,573,744.67



**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](http://www.nrucfc.coop)

February 25, 2016

Ms. Debra J. Martin  
President & CEO  
Shelby Energy Cooperative, Inc.  
620 Old Finchville Road  
Shelbyville, KY 40065

Dear Ms. Martin:

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 Shelby Energy Cooperative, Inc. has been approved to receive CFC funding to refinance its RUS debt.

We have determined that your system may refinance approximately \$16,000,000 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 from one or more lenders. This letter may be used for that purpose. Financing will be available to Shelby Energy Cooperative Inc. 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 Shelby Energy Cooperative Inc. 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 Elaine MacDonald in our Dulles office at (800) 424-2954, extension 1883 for more information concerning the refinance of your RUS debt.

Sincerely,

John T. Evans  
Chief Operating Officer



### Shelby Energy Co-op

CFC Loan Scenario

RUS Refi - Cash Flow Neutral

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?	Loans w/ Volume	Loans w/ Performance	Loans w/ Collateral	Loans w/ Equity	
1	F	2.600%	LD	6/25/2016	9/1/2016	1	6	0		11/30/2016	\$271,435.32	No	\$0	N	N	N	
2	F	2.700%	LD	6/25/2016	12/1/2016	2	18	3		11/30/2017	\$506,193.93	No	\$0	N	N	N	
3	F	2.750%	LD	6/25/2016	12/1/2017	3	30	15		11/30/2018	\$521,127.85	No	\$0	N	N	N	
4	F	2.900%	LD	6/25/2016	12/1/2018	4	42	27		11/30/2019	\$535,221.61	No	\$0	N	N	N	
5	F	3.200%	LD	6/25/2016	12/1/2019	5	54	39		11/30/2020	\$549,386.93	No	\$0	N	N	N	
6	F	3.300%	LD	6/25/2016	12/1/2020	6	66	51		11/30/2021	\$567,959.46	No	\$0	N	N	N	
7	F	3.400%	LD	6/25/2016	12/1/2021	7	78	63		11/30/2022	\$586,254.55	No	\$0	N	N	N	
8	F	3.450%	LD	6/25/2016	12/1/2022	8	90	75		11/30/2023	\$605,596.63	No	\$0	N	N	N	
9	F	3.550%	LD	6/25/2016	12/1/2023	9	102	87		11/30/2024	\$624,807.27	No	\$0	N	N	N	
10	F	3.600%	LD	6/25/2016	12/1/2024	10	114	99		11/30/2025	\$647,507.16	No	\$0	N	N	N	
11	F	3.650%	LD	6/25/2016	12/1/2025	11	126	111		11/30/2026	\$670,123.30	No	\$0	N	N	N	
12	F	3.700%	LD	6/25/2016	12/1/2026	12	138	123		11/30/2027	\$693,852.08	No	\$0	N	N	N	
13	F	3.750%	LD	6/25/2016	12/1/2027	13	150	135		11/30/2028	\$717,856.35	No	\$0	N	N	N	
14	F	3.800%	LD	6/25/2016	12/1/2028	14	162	147		11/30/2029	\$738,073.55	No	\$0	N	N	N	
15	F	3.850%	LD	6/25/2016	12/1/2029	15	174	159		11/30/2030	\$665,482.38	No	\$0	N	N	N	
16	F	3.900%	LD	6/25/2016	12/1/2030	16	186	171		11/30/2031	\$690,285.68	No	\$0	N	N	N	
17	F	3.900%	LD	6/25/2016	12/1/2031	17	198	183		11/30/2032	\$715,641.43	No	\$0	N	N	N	
18	F	3.950%	LD	6/25/2016	12/1/2032	18	210	195		11/30/2033	\$743,272.23	No	\$0	N	N	N	
19	F	3.950%	LD	6/25/2016	12/1/2033	19	222	207		11/30/2034	\$771,562.48	No	\$0	N	N	N	
20	F	4.000%	LD	6/25/2016	12/1/2034	20	234	219		11/30/2035	\$801,063.06	No	\$0	N	N	N	
21	F	4.000%	LD	6/25/2016	12/1/2035	21	246	231		11/30/2036	\$831,668.48	No	\$0	N	N	N	
22	F	4.000%	LD	6/25/2016	12/1/2036	22	258	243		11/30/2037	\$863,941.13	No	\$0	N	N	N	
23	F	4.000%	LD	6/25/2016	12/1/2037	23	270	255		11/30/2038	\$897,191.42	No	\$0	N	N	N	
24	F	4.000%	LD	6/25/2016	12/1/2038	24	282	267		11/30/2039	\$476,322.87	No	\$0	N	N	N	
											\$15,691,827.15						



Co-op Name: Shelby Energy Co-op  
 Co-op ID: KY030  
 Date Prepared: 5/3/2016  
 Interest Rates as of: 2/25/2016  
 Advance Date: 6/25/2016  
 Scenario Name: RUS Ref - Cash Flow Neutral  
 \$15,691,827.15

Interest Rate Comparison\*

	CFC	RUS
Interest Rate	3.82%	3.98%
Discounts & Fees	0.00%	0.00%
Int Rate Prior to Pat Cap	3.82%	3.98%
Patronage **	-0.25%	0.00%
Effective Int Rate	3.58%	3.98%



ANNUAL CASH FLOW SUMMARY

30-Nov	CFC				RUS				Interest Expense Difference	Patronage Capital Retirement	Total Cash Flow Difference	Net Present Value	
	Ending Balance	Principal Payments	Interest Expense	Cash Patronage	Cash Flows	Ending Balance	Principal Payments	Interest Expense					Section 9 Interest
	(15,691,827.15)	(7,648,316.20)	717,974.12	(22,622,169.23)	(15,691,827.15)	(8,528,625.50)	0.00	(24,220,452.65)	880,309.30	717,974.12	1,598,283.42	1,477,702.87	
2015	15,691,827.15	0.00	0.00	0.00	0.00	0	0	0	0.00	0.00	0.00	0.00	
2016	15,420,391.83	(271,435.32)	(249,791.99)	0.00	(521,227.31)	15,479,933.08	(211,894.09)	(309,358.74)	0.00	(521,252.83)	59,566.75	0.00	25.52
2017	14,914,197.90	(506,193.93)	(561,257.00)	25,007.00	(1,042,443.93)	15,043,476.69	(436,456.41)	(606,049.23)	0.00	(1,042,505.64)	44,792.23	25,007.00	61.71
2018	14,393,070.05	(521,127.85)	(547,342.80)	26,034.10	(1,042,436.55)	14,589,924.29	(453,552.37)	(588,953.27)	0.00	(1,042,505.64)	41,610.47	26,034.10	69.09
2019	13,857,848.44	(535,221.61)	(532,569.73)	25,363.59	(1,042,427.75)	14,118,399.37	(471,524.93)	(570,980.71)	0.00	(1,042,505.64)	38,410.98	25,363.59	77.89
2020	13,308,461.51	(549,386.93)	(517,669.20)	24,639.40	(1,042,416.73)	13,628,303.95	(490,095.41)	(552,410.23)	0.00	(1,042,505.64)	34,741.03	24,639.40	88.91
2021	12,740,502.05	(567,959.46)	(498,273.05)	23,828.88	(1,042,403.63)	13,118,372.11	(509,931.84)	(532,573.81)	0.00	(1,042,505.65)	34,300.76	23,828.88	102.02
2022	12,154,247.50	(586,254.55)	(479,088.74)	22,955.66	(1,042,387.63)	12,588,183.38	(530,188.72)	(512,316.93)	0.00	(1,042,505.65)	33,228.19	22,955.66	118.02
2023	11,548,650.87	(605,596.63)	(458,799.28)	22,027.47	(1,042,368.44)	12,036,735.20	(551,448.19)	(491,057.45)	0.00	(1,042,505.64)	32,258.17	22,027.47	137.20
2024	10,923,843.60	(624,807.27)	(438,588.82)	21,051.17	(1,042,344.92)	11,463,260.41	(573,474.77)	(469,030.87)	0.00	(1,042,505.64)	30,442.05	21,051.17	160.72
2025	10,276,336.44	(647,507.16)	(414,828.29)	20,017.81	(1,042,317.64)	10,866,395.80	(596,864.62)	(445,641.02)	0.00	(1,042,505.64)	30,812.73	20,017.81	188.00
2026	9,606,213.14	(670,123.30)	(391,091.23)	18,929.92	(1,042,284.61)	10,245,497.68	(620,898.12)	(421,607.52)	0.00	(1,042,505.64)	30,516.29	18,929.92	211.03
2027	8,912,361.06	(693,852.08)	(366,181.28)	17,788.03	(1,042,245.33)	9,599,411.34	(646,086.36)	(396,419.29)	0.00	(1,042,505.65)	30,238.01	17,788.03	260.32
2028	8,194,504.71	(717,856.35)	(340,931.05)	16,589.67	(1,042,197.73)	8,927,166.14	(672,245.19)	(370,260.45)	0.00	(1,042,505.64)	29,329.40	16,589.67	307.91
2029	7,456,431.16	(738,073.55)	(312,707.80)	15,333.40	(1,035,447.95)	8,233,983.14	(693,182.99)	(342,627.04)	0.00	(1,035,810.03)	29,919.24	15,333.40	362.08
2030	6,790,948.78	(665,482.38)	(285,564.47)	14,033.41	(937,013.44)	7,613,181.27	(620,801.87)	(316,638.35)	0.00	(937,440.22)	31,073.88	14,033.41	426.78
2031	6,100,663.10	(690,285.68)	(259,460.81)	12,804.92	(936,941.57)	6,967,372.84	(645,808.42)	(291,635.64)	0.00	(937,444.06)	32,174.83	12,804.92	502.49
2032	5,385,021.67	(715,641.43)	(232,759.89)	11,549.44	(936,851.88)	6,295,610.34	(671,762.50)	(265,681.56)	0.00	(937,444.06)	32,921.67	11,549.44	592.18
2033	4,641,749.44	(743,272.23)	(203,723.89)	10,243.40	(936,752.72)	5,596,547.62	(699,062.73)	(238,381.33)	0.00	(937,444.06)	34,657.44	10,243.40	691.34
2034	3,870,186.96	(771,562.48)	(173,949.01)	8,874.39	(936,637.10)	4,869,255.04	(727,292.58)	(210,151.49)	0.00	(937,444.07)	36,202.48	8,874.39	806.97
2035	3,069,123.90	(801,063.06)	(142,891.17)	7,448.63	(936,505.60)	4,112,483.27	(756,771.77)	(180,672.30)	0.00	(937,444.07)	37,781.13	7,448.63	938.47
2036	2,237,455.42	(831,668.48)	(110,638.56)	5,954.35	(936,352.69)	3,325,058.62	(787,423.64)	(150,020.43)	0.00	(937,444.07)	39,381.87	5,954.35	1,091.38
2037	1,373,514.29	(863,941.13)	(76,646.55)	4,399.29	(936,188.39)	2,505,517.57	(819,542.06)	(117,902.00)	0.00	(937,444.06)	41,255.45	4,399.29	1,255.67
2038	476,322.87	(897,191.42)	(41,594.28)	2,784.10	(936,001.60)	1,652,633.91	(852,883.66)	(84,560.40)	0.00	(937,444.06)	42,966.12	2,784.10	1,442.46
2039	0.00	(476,322.87)	(11,967.31)	1,159.32	(487,130.86)	764,965.77	(887,668.14)	(49,775.92)	0.00	(937,444.06)	37,808.61	1,159.32	450,313.20
2040	0.00	0.00	0.00	169.71	169.71	0	(764,965.77)	(13,919.52)	0.00	(778,885.29)	13,919.52	169.71	779,055.00
2041	0	0	0	0	0.00	0	0	0	0	0	0.00	0.00	0.00
2042	0	0	0	25,007.00	25,007.00	0	0	0	0	0	0.00	25,007.00	23,120.38
2043	0	0	0	26,034.10	26,034.10	0	0	0	0	0	0.00	26,034.10	24,069.99
2044	0	0	0	25,363.59	25,363.59	0	0	0	0	0	0.00	25,363.59	23,450.06
2045	0	0	0	24,639.40	24,639.40	0	0	0	0	0	0.00	24,639.40	22,780.51
2046	0	0	0	23,829	23,828.88	0	0	0	0	0	0.00	23,828.88	22,031.14
2047	0	0	0	22,956	22,955.66	0	0	0	0	0	0.00	22,955.66	21,223.80
2048	0	0	0	22,027	22,027.47	0	0	0	0	0	0.00	22,027.47	20,365.63
2049	0	0	0	21,051	21,051.17	0	0	0	0	0	0.00	21,051.17	19,462.99
2050	0	0	0	20,018	20,017.81	0	0	0	0	0	0.00	20,017.81	18,507.59
2051	0	0	0	18,930	18,929.92	0	0	0	0	0	0.00	18,929.92	17,501.78
2052	0	0	0	17,788	17,788.03	0	0	0	0	0	0.00	17,788.03	16,446.03
2053	0	0	0	16,590	16,589.67	0	0	0	0	0	0.00	16,589.67	15,338.08
2054	0	0	0	15,333	15,333.40	0	0	0	0	0	0.00	15,333.40	14,176.59
2055	0	0	0	14,033	14,033.41	0	0	0	0	0	0.00	14,033.41	12,974.68
2056	0	0	0	12,805	12,804.92	0	0	0	0	0	0.00	12,804.92	11,838.87
2057	0	0	0	11,549	11,549.44	0	0	0	0	0	0.00	11,549.44	10,678.11
2058	0	0	0	10,243	10,243.40	0	0	0	0	0	0.00	10,243.40	9,470.60
2059	0	0	0	8,874	8,874.39	0	0	0	0	0	0.00	8,874.39	8,204.87
2060	0	0	0	7,449	7,448.63	0	0	0	0	0	0.00	7,448.63	6,886.68
2061	0	0	0	5,954	5,954.35	0	0	0	0	0	0.00	5,954.35	5,505.13
2062	0	0	0	4,399	4,399.29	0	0	0	0	0	0.00	4,399.29	4,067.39
2063	0	0	0	2,784	2,784.10	0	0	0	0	0	0.00	2,784.10	2,574.06
2064	0	0	0	1,159	1,159.32	0	0	0	0	0	0.00	1,159.32	1,071.86
2065	0	0	0	170	169.71	0	0	0	0	0	0.00	169.71	156.91
2066	0	0	0	0	0.00	0	0	0	0	0	0	0	0
2067	0	0	0	0	0.00	0	0	0	0	0	0	0	0
2068	0	0	0	0	0.00	0	0	0	0	0	0	0	0
2069	0	0	0	0	0.00	0	0	0	0	0	0	0	0
2070	0	0	0	0	0.00	0	0	0	0	0	0	0	0
2071	0	0	0	0	0	0	0	0	0	0	0	0	0

\* Interest rates are calculated as a monthly internal rate of return.


\*\* 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.

Created & Owned by America's Electric Cooperative Network



# Shelby Energy Cooperative

® A Touchstone Energy Cooperative 

Statement of Operations - Part A		TWELVE MONTHS
ITEM		FEBRUARY 29, 2016
1.	Operating Revenue and Patronage Capital	\$ 42,985,695.02
2.	Power Production Expense	\$ -
3.	Cost of Purchased Power	\$ 32,833,934.00
4.	Transmission Expense	\$ -
5.	Regional Market Operations Expense	\$ -
6.	Distribution Expense - Operation	\$ 1,544,731.78
7.	Distribution Expense - Maintenance	\$ 2,861,177.19
8.	Consumer Accounts Expense	\$ 451,170.92
9.	Customer Service and Informational Expense	\$ 461,307.72
10.	Sales Expense	\$ (54,362.74)
11.	Administrative and General Expense	\$ 1,039,399.98
12.	Total Operation & Maintenance Expense (2 thru 11)	\$ 6,303,424.85
13.	Depreciation and Amortization Expense	\$ 2,513,772.50
14.	Tax Expense - Property & Gross Receipts	\$ -
15.	Tax Expense - Other	\$ 53,569.38
16.	Interest on Long-Term Debt	\$ 1,568,689.65
17.	Interest Charged to Construction - Credit	\$ -
18.	Interest Expense - Other	\$ 29,277.81
19.	Other Deductions	\$ 4,307.65
20.	Total Cost of Electric Service (12 thru 19)	\$ 43,306,975.84
21.	Patronage Capital & Operating Margins (1 minus 20)	\$ (321,280.82)
22.	Non Operating Margins - Interest	\$ 36,465.05
23.	Allowance for Funds Used During Construction	\$ -
24.	Income (Loss) from Equity Investments	\$ 35,101.41
25.	Non Operating Margins - Other	\$ (2,435.99)
26.	Generation and Transmission Capital Credits	\$ 1,972,964.25
27.	Other Capital Credits and Patronage Dividends	\$ 56,818.38
28.	Extraordinary Items	\$ -
29.	Patronage Capital or Margins (21 thru 28)	\$ 1,777,632.28

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

620 Old Finchville Road · Shelbyville, Kentucky 40065-1714

1-800-292-6585 · Shelby Co. (502)633-4420 · Trimble Co. (502)255-3001

Shelby Energy is an equal opportunity provider and employer.



# Shelby Energy Cooperative

A Touchstone Energy Cooperative

FINANCIAL AND STATISTICAL REPORT		BORROWER DESIGNATION	
		SHELBY ENERGY	
		PERIOD ENDED	
		FEBRUARY 29, 2016	
Part C. Balance Sheet			
ASSETS AND OTHER DEBITS		LIABILITIES AND OTHER CREDITS	
1. Total Utility Plant in Service	86,541,227	30. Memberships	0
2. Construction Work in Progress	1,207,703	31. Patronage Capital	37,117,530
3. Total Utility Plant (1+2)	87,748,930	32. Operating Margins - Prior Years	790,544
4. Accum. Provision for Depreciation and Amort.	18,147,166	33. Operating Margins - Current Years	328,512
5. Net Utility Plant (3-4)	69,601,764	34. Non-Operating Margins	563,708
6. Non-Utility Property (Net)	0	35. Other Margins and Equities	2,020,376
7. Investments in Subsidiary Companies	1,660,573	36. Total Margins & Equities (30 thru 35)	40,820,671
8. Invest. In Assoc. Org. - Patronage Capital	20,668,547	37. Long-Term Debt - RUS (NET)	18,051,027
9. Invest. In Assoc. Org. - Other - General Funds	0	(Payments - Unapplied)	0
10. Invest. In Assoc. Org. - Non General Funds	676,773	38. Long-Term Debt - FFB - RUS Guaranteed	29,072,308
11. Investments in Economic Development Projects	236,290	39. Long-Term Debt - Other - RUS Guaranteed	0
12. Other Investments	119,949	40. Long-Term Debt Other (Net)	4,549,103
13. Special Funds	0	41. Long-Term Debt - RUS - Econ. Devel. (Net)	0
14. Total Other Property & Investments (6 thru 13)	23,362,132	42. Payments - Unapplied	0
15. Cash - General Funds	1,944,764	43. Total Long-Term Debt (37 thru 40)	51,672,438
16. Cash - Construction Funds - Trustee	0	44. Obligations Under Capital Leases - Noncurrent	0
17. Special Deposits	425	45. Accumulated Operating Provisions	1,988,541
18. Temporary Investments	917,587	46. Total Other Noncurrent Liabilities (44+45)	1,988,541
19. Notes Receivable (Net)	0	47. Notes Payable	0
20. Accounts Receivable - Sales of Energy (Net)	3,995,267	48. Accounts Payable	3,485,487
21. Accounts Receivable - Other (Net)	75,166	49. Consumers Deposits	1,534,354
22. Renewable Energy Credits	0	50. Current Maturities Long-Term Debt	0
23. Materials and Supplies - Electric & Other	525,312	51. Current Maturities Long-Term Debt-Economic Development	0
24. Prepayments	207,403	52. Current Maturities Capital Leases	0
25. Other Current and Accrued Assets	11,809	53. Other Current and Accrued Liabilities	658,549
26. Total Current and Accrued Assets (15 thru 25)	7,677,733	54. Total Current & Accrued Liabilities (47 thru 53)	5,678,389
27. Regulatory Assets	0	55. Regulatory Liabilities	0
28. Other Deferred Debits	0	56. Other Deferred Credits	481,589
29. Total Assets and Other Debits (5+14+26+ thru 28)	100,641,629	57. Total Liabilities and Other Credits (36+43+46+54 thru 56)	100,641,629

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