

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	}	

RESPONSES TO COMMISSION STAFF’S FIRST REQUEST FOR INFORMATION AND PRODUCTION OF DOCUMENTS TO SHELBY ENERGY COOPERATIVE, INC.

Comes Shelby Energy Cooperative, Inc. (“Shelby Energy”), by counsel, and respectfully submits the following Responses to the Commission Staff’s Initial Request for Information and Production of Documents to Shelby Energy Cooperative, Inc.


Respectfully submitted,

MATHIS, RIGGS, PRATHER & RATLIFF, P.S.C.

By: 

Donald T. Prather
500 Main Street, Suite 5
Shelbyville, Kentucky 40065
Phone: (502) 633-5220
Fax: (502) 633-0667

I, the undersigned Denise Hume, being the Manager of Accounting & Finance at Shelby Energy, certify that the Responses contained herein are true and accurate to the best of my knowledge, information and belief formed after a reasonable inquiry.


Denise Hume, Manager, Accounting & Finance

Date: 5/12/16

1. Refer to the Application, page 1, where it states Shelby Energy is seeking expedited approval by May 23, 2016 in order to close by June 17. Confirm that May 23, 2016 is the latest date Shelby Energy can receive approval of its proposed financing in order to close by June 17.

Response: RUS instructions are that the Executed Prepayment Agreement and Evidence of Authorization thereof should be received by RUS at least 15 business days prior to the closing date, and Memorial Day falls within this time frame. A copy of the entered Commission's order along with all signed documents must be delivered to Federal Express before 5:00 p.m. on May 25 to be received by RUS on its deadline date. May 23 gives two additional days to obtain the order and deal with possible unforeseen complications. The RUS closing cannot be delayed because Shelby Energy's rate lock with CFC expires a few days after June 17.

Responsible Witness:

Denise Hume

2. Refer to the Application, Exhibit 2, page 4 of 4.

a. Confirm the information contained in this Exhibit is for the CFC loan.

Response 2a: Correct.

b. Confirm this information consists of one loan, Loan #9017.

Response 2b: Correct, one loan facility with multiple advances/tranches thereunder.

All will fund at closing. (Tranches are a specific part of a larger transaction such as a loan installment.)

Responsible Witness:

Denise Hume

3. Refer to the Application, Exhibit 4.

a. Confirm there are eight RUS loans being refinanced.

Response 3a: Correct.

b. Provide the as of date of the loan balances.

Response 3b: Balances are as of June 25, 2016, but should still be accurate as of June 17. Any excess would be refunded by RUS.

c. Refer to the interest rate for loan RET-7-2 of 2.03 percent. In Exhibit 5, the rate of interest for loan RET-7-2 is 0.625 percent with a Date of Interest Term Maturity of May 31, 2017. Explain why the interest rate from loan RET-7-2 is 2.03 percent if the date of the interest rate reprice is not until May 31, 2017.

Response 3c: Interest rates are expected to rise; however, in order to be conservative, the projected savings calculations were performed as if all RUS loans with either a variable rate or with a repricing date were fixed to maturity at current rates for a similar long-term RUS loan. It is likely that rates may be higher than current market conditions on the repricing date. The variable interest rate loan RET-7-2 associated with the 1997-2000 work plan loan cannot be omitted from the refinancing because RUS guidelines do not allow partial refinancing of work plan loans.

d. Refer to the interest rate from loan RET-9-5 of 2.6%. In Exhibit 5, the rate of interest for loan RET-9-5 is 0.28 percent with a Date of Interest Term Maturity of June 30, 2017.

Explain why the interest rate for loan RET-9-5 is 2.6 percent if the date of the interest rate reprice is not until June 30, 2017.

Response 3d: Interest rates are expected to rise; therefore, a comparison was performed as if all RUS loans at either a variable rate or with a repricing date were fixed to maturity at current rates for a similar long-term RUS loan. It is likely that rates may be higher than current market conditions on the repricing date. The variable interest rate loan RET-9-5 associated with the 2010-2014 work plan loan cannot be omitted from the refinancing because RUS guidelines do not allow partial refinancing of work plan loans.

e. Confirm the current interest rate on the eight RUS loans.

Response 3ef: Confirmed, except where the two variable rates were assumed, for purposes of projected savings, to be fixed rates as mentioned in the answers to Questions 3c and 3d.

Responsible Witness:

Denise Hume

4. Refer to the Application, Exhibit 5.

a. Explain why RUS note RET-9-3 has been included for refinancing given that its current interest rate of 3.06 percent is lower than the refinancing rate of 3.82 percent.

Response 4a: The lower fixed interest rate loan RET-9-3 associated with the 2010-2014 work plan cannot be omitted from the refinancing because RUS guidelines do not permit partial refinancing of work plan loans.

b. Are all of the RUS loans related to a single Construction Work Plan? If not, explain.

Response 4b: No, RET-7-1 and RET-7-2 are all of the loans for the work plan covering 1997-2000 (Loan AP60) and RET-9-1 through RET-9-6 are all of the loans for the work plan covering 2010-2014 (Loan AT44).

Responsible Witness:

Denise Hume

5. Refer to the Application, Exhibit 6, page 3 of 3.

a. State whether the legal fees of \$3,000 mentioned in paragraph 14 of the Application are included in the calculation of NPV.

Response 5a: No, the legal fees were not included in the calculation of NPV.

b. Provide the calculation of NPV in Excel spreadsheet format with formulas intact and unprotected and all rows and columns fully accessible.

Response 5b: Shelby Energy cannot provide this as the information was provided through a software program owned by CFC. A pdf of the NPV calculated using a 3.82% interest rate and including the \$3,000 legal fees is attached as page 2. A pdf of the NPV calculated using a 3.82% interest rate and without the \$3,000 legal fees is attached as page 3. A pdf of the Excel spreadsheet provided by CFC which contains the NPV formula showing how these were calculated is attached as page 4.

Responsible Witness:

Jared Routh

Co-op Name: Shelby Energy Co-op
 Co-op ID: KY030
 Date Prepared: 5/11/2016
 Interest Rates as of: 2/25/2016
 Advance Date: 6/25/2016
 Scenario Name: RUS Refi - Cash Flow Neutral
 \$15,694,827.15

	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				
	(15,694,827)	(7,648,350)	717,977	(22,625,200)	(15,691,827)	(8,528,626)	0	(24,220,453)	880,275	717,977	1,595,253	590,304
2015	15,694,827	0	0	0	15,691,827	0	0	0	0	0	0	0
2016	15,420,392	(274,435)	(249,826)	0	15,479,933	(211,894)	(309,359)	0	(521,253)	59,533	0	(3,009)
2017	14,914,198	(506,194)	(561,257)	25,009	15,043,477	(436,456)	(606,049)	0	(1,042,506)	44,792	25,009	63
2018	14,393,070	(521,128)	(547,343)	26,034	14,589,924	(453,552)	(588,953)	0	(1,042,506)	41,610	26,034	69
2019	13,857,848	(535,222)	(532,570)	25,364	14,118,399	(471,525)	(570,981)	0	(1,042,506)	38,411	25,364	78
2020	13,308,462	(549,387)	(517,669)	24,639	13,628,304	(490,095)	(552,410)	0	(1,042,506)	34,741	24,639	89
2021	12,740,502	(567,959)	(498,273)	23,829	13,118,372	(509,932)	(532,574)	0	(1,042,506)	34,301	23,829	102
2022	12,154,248	(586,255)	(479,089)	22,956	12,588,183	(530,189)	(512,317)	0	(1,042,506)	33,228	22,956	118
2023	11,548,651	(605,597)	(458,799)	22,027	12,036,735	(551,448)	(491,057)	0	(1,042,506)	32,258	22,027	137
2024	10,923,848	(624,807)	(438,589)	21,051	11,463,260	(573,475)	(469,031)	0	(1,042,506)	30,442	21,051	161
2025	10,276,336	(647,507)	(414,828)	20,018	10,866,396	(596,865)	(445,641)	0	(1,042,506)	30,813	20,018	188
2026	9,606,213	(670,123)	(391,091)	18,930	10,245,498	(620,898)	(421,608)	0	(1,042,506)	30,516	18,930	221
2027	8,912,361	(693,852)	(366,181)	17,788	9,599,411	(646,086)	(396,419)	0	(1,042,506)	30,238	17,788	260
2028	8,194,505	(717,856)	(340,931)	16,590	8,927,166	(672,245)	(370,260)	0	(1,042,506)	29,329	16,590	308
2029	7,456,431	(738,074)	(312,708)	15,333	8,233,983	(693,183)	(342,627)	0	(1,035,810)	29,919	15,333	362
2030	6,790,949	(665,482)	(285,564)	14,033	7,613,181	(620,802)	(316,638)	0	(937,440)	31,074	14,033	427
2031	6,100,663	(690,286)	(259,461)	12,805	6,967,373	(645,808)	(291,636)	0	(937,444)	32,175	12,805	502
2032	5,385,022	(715,641)	(232,760)	11,549	6,295,610	(671,763)	(265,682)	0	(937,444)	32,922	11,549	592
2033	4,641,749	(743,272)	(203,724)	10,243	5,596,548	(699,063)	(238,381)	0	(937,444)	34,657	10,243	691
2034	3,870,187	(771,562)	(173,949)	8,874	4,869,255	(727,293)	(210,151)	0	(937,444)	36,202	8,874	807
2035	3,069,124	(801,053)	(142,891)	7,449	4,112,483	(756,772)	(180,672)	0	(937,444)	37,781	7,449	938
2036	2,237,455	(831,668)	(110,639)	5,954	3,325,060	(787,424)	(150,020)	0	(937,444)	39,382	5,954	1,091
2037	1,373,514	(863,941)	(76,647)	4,399	2,505,518	(819,542)	(117,902)	0	(937,444)	41,255	4,399	1,256
2038	476,323	(897,191)	(41,594)	2,784	1,652,634	(852,884)	(84,560)	0	(937,444)	42,966	2,784	1,442
2039	0	(476,323)	(11,967)	1,159	764,966	(887,668)	(49,776)	0	(937,444)	37,809	1,159	450,313
2040	0	0	0	170	0	(764,966)	(13,920)	0	(778,885)	13,920	170	779,055
2041	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	25,009	0	0	0	0	0	0	25,009	25,009
2043	0	0	0	26,034	0	0	0	0	0	0	26,034	26,034
2044	0	0	0	25,364	0	0	0	0	0	0	25,364	25,364
2045	0	0	0	24,639	0	0	0	0	0	0	24,639	24,639
2046	0	0	0	23,829	0	0	0	0	0	0	23,829	23,829
2047	0	0	0	22,956	0	0	0	0	0	0	22,956	22,956
2048	0	0	0	22,027	0	0	0	0	0	0	22,027	22,027
2049	0	0	0	21,051	0	0	0	0	0	0	21,051	21,051
2050	0	0	0	20,018	0	0	0	0	0	0	20,018	20,018
2051	0	0	0	18,930	0	0	0	0	0	0	18,930	18,930
2052	0	0	0	17,788	0	0	0	0	0	0	17,788	17,788
2053	0	0	0	16,590	0	0	0	0	0	0	16,590	16,590
2054	0	0	0	15,333	0	0	0	0	0	0	15,333	15,333
2055	0	0	0	14,033	0	0	0	0	0	0	14,033	14,033
2056	0	0	0	12,805	0	0	0	0	0	0	12,805	12,805
2057	0	0	0	11,549	0	0	0	0	0	0	11,549	11,549
2058	0	0	0	10,243	0	0	0	0	0	0	10,243	10,243
2059	0	0	0	8,874	0	0	0	0	0	0	8,874	8,874
2060	0	0	0	7,449	0	0	0	0	0	0	7,449	7,449
2061	0	0	0	5,954	0	0	0	0	0	0	5,954	5,954
2062	0	0	0	4,399	0	0	0	0	0	0	4,399	4,399
2063	0	0	0	2,784	0	0	0	0	0	0	2,784	2,784
2064	0	0	0	1,159	0	0	0	0	0	0	1,159	1,159
2065	0	0	0	170	0	0	0	0	0	0	170	170
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
2069	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
2071	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

Co-op Name: Shelby Energy Co-op
 Co-op ID: KY030
 Date Prepared: 5/11/2016
 Interest Rates as of: 2/25/2016
 Advance Date: 6/25/2016
 Scenario Name: RUS Refi - 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)	(7,648,316)	717,974	(22,622,169)		(15,691,827)	(8,528,626)	0	(24,220,453)	880,309	717,974	1,598,283	593,225
2015	15,691,827	0	0	0	0	15,691,827	0	0	0	0	0	0	0
2016	15,420,392	(271,435)	(249,792)	0	(521,227)	15,479,933	(211,894)	(309,359)	0	(521,253)	59,567	0	26
2017	14,914,198	(506,194)	(561,257)	25,007	(1,042,444)	15,043,477	(436,456)	(606,049)	0	(1,042,506)	44,792	25,007	62
2018	14,393,070	(521,128)	(547,343)	26,034	(1,042,437)	14,589,924	(453,552)	(588,953)	0	(1,042,506)	41,610	26,034	69
2019	13,857,848	(535,222)	(532,570)	25,364	(1,042,428)	14,118,399	(471,525)	(570,981)	0	(1,042,506)	38,411	25,364	78
2020	13,308,462	(549,387)	(517,669)	24,639	(1,042,417)	13,628,304	(490,095)	(552,410)	0	(1,042,506)	34,741	24,639	89
2021	12,740,502	(567,959)	(498,273)	23,829	(1,042,404)	13,118,372	(508,932)	(532,574)	0	(1,042,506)	34,301	23,829	102
2022	12,154,248	(586,255)	(479,089)	22,956	(1,042,388)	12,588,183	(530,189)	(512,317)	0	(1,042,506)	33,228	22,956	118
2023	11,548,651	(605,597)	(458,799)	22,027	(1,042,368)	12,036,735	(551,448)	(491,057)	0	(1,042,506)	32,258	22,027	137
2024	10,923,844	(624,807)	(438,589)	21,051	(1,042,345)	11,463,260	(573,475)	(469,031)	0	(1,042,506)	30,442	21,051	161
2025	10,276,336	(647,507)	(414,828)	20,018	(1,042,318)	10,866,396	(596,865)	(445,641)	0	(1,042,506)	30,813	20,018	188
2026	9,606,213	(670,123)	(391,091)	18,930	(1,042,285)	10,245,498	(620,898)	(421,608)	0	(1,042,506)	30,516	18,930	221
2027	8,912,361	(693,852)	(366,181)	17,788	(1,042,245)	9,599,411	(646,086)	(396,419)	0	(1,042,506)	30,238	17,788	260
2028	8,194,505	(717,856)	(340,931)	16,590	(1,042,198)	8,927,166	(672,245)	(370,260)	0	(1,042,506)	29,329	16,590	308
2029	7,456,431	(738,074)	(312,708)	15,333	(1,035,448)	8,233,983	(693,183)	(342,627)	0	(1,035,810)	29,919	15,333	362
2030	6,790,949	(665,482)	(285,564)	14,033	(937,013)	7,613,181	(620,802)	(316,638)	0	(937,440)	31,074	14,033	427
2031	6,100,663	(690,286)	(259,461)	12,805	(936,942)	6,967,373	(645,808)	(291,696)	0	(937,444)	32,175	12,805	502
2032	5,385,022	(715,641)	(232,760)	11,549	(936,852)	6,295,610	(671,763)	(265,682)	0	(937,444)	32,922	11,549	592
2033	4,641,749	(743,272)	(203,724)	10,243	(936,753)	5,596,548	(699,063)	(238,381)	0	(937,444)	34,657	10,243	691
2034	3,870,187	(771,562)	(173,949)	8,874	(936,637)	4,869,255	(727,293)	(210,151)	0	(937,444)	36,202	8,874	807
2035	3,065,124	(801,063)	(142,891)	7,449	(936,506)	4,112,483	(756,772)	(180,672)	0	(937,444)	37,781	7,449	938
2036	2,237,455	(831,668)	(110,639)	5,954	(936,353)	3,325,060	(787,424)	(150,020)	0	(937,444)	39,382	5,954	1,091
2037	1,373,514	(863,941)	(76,647)	4,399	(936,188)	2,505,518	(819,542)	(117,902)	0	(937,444)	41,255	4,399	1,256
2038	476,323	(897,191)	(41,594)	2,784	(936,002)	1,652,634	(852,884)	(84,560)	0	(937,444)	42,966	2,784	1,442
2039	0	(476,323)	(11,967)	1,159	(487,131)	764,966	(887,668)	(49,776)	0	(937,444)	37,809	1,159	450,313
2040	0	0	0	170	170	0	(764,966)	(13,920)	0	(778,885)	13,920	170	779,055
2041	0	0	0	0	0	0	0	0	0	0	0	0	0
2042	0	0	0	25,007	25,007	0	0	0	0	0	0	25,007	25,007
2043	0	0	0	26,034	26,034	0	0	0	0	0	0	26,034	26,034
2044	0	0	0	25,364	25,364	0	0	0	0	0	0	25,364	25,364
2045	0	0	0	24,639	24,639	0	0	0	0	0	0	24,639	24,639
2046	0	0	0	23,829	23,829	0	0	0	0	0	0	23,829	23,829
2047	0	0	0	22,956	22,956	0	0	0	0	0	0	22,956	22,956
2048	0	0	0	22,027	22,027	0	0	0	0	0	0	22,027	22,027
2049	0	0	0	21,051	21,051	0	0	0	0	0	0	21,051	21,051
2050	0	0	0	20,018	20,018	0	0	0	0	0	0	20,018	20,018
2051	0	0	0	18,930	18,930	0	0	0	0	0	0	18,930	18,930
2052	0	0	0	17,788	17,788	0	0	0	0	0	0	17,788	17,788
2053	0	0	0	16,590	16,590	0	0	0	0	0	0	16,590	16,590
2054	0	0	0	15,333	15,333	0	0	0	0	0	0	15,333	15,333
2055	0	0	0	14,033	14,033	0	0	0	0	0	0	14,033	14,033
2056	0	0	0	12,805	12,805	0	0	0	0	0	0	12,805	12,805
2057	0	0	0	11,549	11,549	0	0	0	0	0	0	11,549	11,549
2058	0	0	0	10,243	10,243	0	0	0	0	0	0	10,243	10,243
2059	0	0	0	8,874	8,874	0	0	0	0	0	0	8,874	8,874
2060	0	0	0	7,449	7,449	0	0	0	0	0	0	7,449	7,449
2061	0	0	0	5,954	5,954	0	0	0	0	0	0	5,954	5,954
2062	0	0	0	4,399	4,399	0	0	0	0	0	0	4,399	4,399
2063	0	0	0	2,784	2,784	0	0	0	0	0	0	2,784	2,784
2064	0	0	0	1,159	1,159	0	0	0	0	0	0	1,159	1,159
2065	0	0	0	170	170	0	0	0	0	0	0	170	170
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

* 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

Co-op Name: Shelby Energy Co-op
 Co-op ID: KY030
 Data Prepared: 5/11/2016
 Interest Rates as of: 7/25/2016
 Advance Date: 6/25/2016
 Scenario Name: RUS Ref - Cash Flow Neutral

Interest Rate Comparison*		
	CFC	RUS
Interest Rate	3.87%	3.98%
Discounts & Fees	0.00%	0.00%
Int Rate Prior to Pat Cap	3.87%	3.98%
Patronage **	-0.25%	0.00%
Effective Int Rate	3.58%	3.98%



ANNUAL CASH FLOW SUMMARY

Year	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	Section 9 Interest					Cash Flows	
	[15,694,827]	[7,648,150]	717,977	0	0	[22,615,200]	[15,691,827]	[8,528,628]	0	0	[24,220,453]	880,275	717,977	1,595,253	590,304	
2015	15,604,827	0	0	0	0	0	15,691,827	0	0	0	0	0	0	0	0	0
2016	15,420,392	[274,435]	[249,826]	0	0	[524,261]	15,479,933	[211,894]	[309,859]	0	[521,253]	59,533	0	[3,009]	[2,898]	
2017	14,914,198	[506,194]	[561,257]	25,009	0	[1,042,442]	15,043,477	[416,456]	[606,049]	0	[1,042,506]	44,792	25,009	63	59	
2018	14,393,070	[521,128]	[547,343]	26,034	0	[1,042,437]	14,589,924	[453,552]	[588,353]	0	[1,042,506]	41,610	26,034	69	62	
2019	13,857,848	[535,222]	[532,570]	25,354	0	[1,042,428]	14,118,399	[471,525]	[570,981]	0	[1,042,506]	38,411	25,354	78	67	
2020	13,308,462	[549,357]	[517,668]	24,639	0	[1,042,417]	13,628,304	[490,095]	[552,410]	0	[1,042,506]	34,741	24,639	89	74	
2021	12,740,502	[567,959]	[498,273]	23,829	0	[1,042,404]	13,118,372	[509,932]	[532,574]	0	[1,042,506]	34,301	23,829	102	81	
2022	12,154,248	[586,255]	[479,089]	22,956	0	[1,042,388]	12,588,183	[530,188]	[512,317]	0	[1,042,506]	33,228	22,956	118	91	
2023	11,548,651	[605,997]	[458,799]	22,027	0	[1,042,368]	12,038,735	[551,448]	[491,057]	0	[1,042,506]	32,258	22,027	137	102	
2024	10,923,844	[624,807]	[438,599]	21,051	0	[1,042,345]	11,463,240	[573,475]	[469,031]	0	[1,042,506]	30,442	21,051	161	115	
2025	10,276,336	[647,507]	[414,828]	20,018	0	[1,042,318]	10,866,398	[596,885]	[445,641]	0	[1,042,506]	30,813	20,018	188	129	
2026	9,606,213	[670,123]	[391,091]	18,930	0	[1,042,285]	10,245,498	[620,898]	[421,608]	0	[1,042,506]	30,516	18,930	221	148	
2027	8,912,351	[693,852]	[366,181]	17,788	0	[1,042,245]	9,599,411	[646,066]	[398,419]	0	[1,042,506]	30,238	17,788	260	166	
2028	8,194,505	[717,859]	[340,931]	16,590	0	[1,042,198]	8,927,166	[672,245]	[370,260]	0	[1,042,506]	29,929	16,590	306	189	
2029	7,456,431	[738,074]	[312,703]	15,333	0	[1,035,448]	8,239,983	[693,183]	[342,617]	0	[1,035,810]	29,019	15,333	362	214	
2030	6,700,949	[665,482]	[285,564]	14,033	0	[937,013]	7,613,181	[670,602]	[316,638]	0	[937,440]	21,074	14,033	417	243	
2031	6,100,663	[690,286]	[259,461]	12,805	0	[916,942]	6,967,373	[645,808]	[291,636]	0	[937,444]	32,175	12,805	502	276	
2032	5,385,222	[715,641]	[232,760]	11,549	0	[916,852]	6,295,610	[671,763]	[265,687]	0	[937,444]	32,922	11,549	592	313	
2033	4,641,749	[743,772]	[203,724]	10,243	0	[916,753]	5,596,548	[699,063]	[238,381]	0	[937,444]	34,657	10,243	691	352	
2034	3,870,187	[773,592]	[173,949]	8,874	0	[916,637]	4,869,255	[727,933]	[210,151]	0	[937,444]	36,202	8,874	807	406	
2035	3,069,224	[801,065]	[142,891]	7,449	0	[916,506]	4,112,483	[756,772]	[180,672]	0	[937,444]	37,781	7,449	938	443	
2036	2,237,455	[831,688]	[110,639]	5,954	0	[916,353]	3,325,000	[787,424]	[150,020]	0	[937,444]	39,382	5,954	1,091	497	
2037	1,373,514	[863,941]	[76,642]	4,399	0	[916,188]	2,495,518	[819,542]	[117,902]	0	[937,444]	41,255	4,399	1,255	550	
2038	476,323	[897,191]	[41,594]	2,784	0	[916,002]	1,652,634	[852,884]	[84,596]	0	[937,444]	42,966	2,784	1,442	609	
2039	0	[476,323]	[11,967]	1,159	0	[487,131]	764,966	[887,658]	[49,775]	0	[937,444]	37,809	1,159	450,315	183,134	
2040	0	0	0	170	0	170	0	[784,956]	[13,920]	0	[778,835]	13,920	170	779,255	305,170	
2041	0	0	0	0	0	0	0	0	0	0	0	0	0	0	0	
2042	0	0	0	25,009	0	25,009	0	0	0	0	0	25,009	25,009	3,089		
2043	0	0	0	26,034	0	26,034	0	0	0	0	0	26,034	26,034	9,113		
2044	0	0	0	25,364	0	25,364	0	0	0	0	0	25,364	25,364	8,552		
2045	0	0	0	24,639	0	24,639	0	0	0	0	0	24,639	24,639	8,032		
2046	0	0	0	23,829	0	23,829	0	0	0	0	0	23,829	23,829	7,454		
2047	0	0	0	22,956	0	22,956	0	0	0	0	0	22,956	22,956	6,917		
2048	0	0	0	22,027	0	22,027	0	0	0	0	0	22,027	22,027	6,393		
2049	0	0	0	21,051	0	21,051	0	0	0	0	0	21,051	21,051	5,885		
2050	0	0	0	20,018	0	20,018	0	0	0	0	0	20,018	20,018	5,400		
2051	0	0	0	18,930	0	18,930	0	0	0	0	0	18,930	18,930	4,908		
2052	0	0	0	17,788	0	17,788	0	0	0	0	0	17,788	17,788	4,444		
2053	0	0	0	16,590	0	16,590	0	0	0	0	0	16,590	16,590	3,992		
2054	0	0	0	15,333	0	15,333	0	0	0	0	0	15,333	15,333	3,554		
2055	0	0	0	14,033	0	14,033	0	0	0	0	0	14,033	14,033	3,133		
2056	0	0	0	12,805	0	12,805	0	0	0	0	0	12,805	12,805	2,733		
2057	0	0	0	11,549	0	11,549	0	0	0	0	0	11,549	11,549	2,392		
2058	0	0	0	10,243	0	10,243	0	0	0	0	0	10,243	10,243	2,043		
2059	0	0	0	8,874	0	8,874	0	0	0	0	0	8,874	8,874	1,705		
2060	0	0	0	7,449	0	7,449	0	0	0	0	0	7,449	7,449	1,379		
2061	0	0	0	5,954	0	5,954	0	0	0	0	0	5,954	5,954	1,061		
2062	0	0	0	4,399	0	4,399	0	0	0	0	0	4,399	4,399	755		
2063	0	0	0	2,784	0	2,784	0	0	0	0	0	2,784	2,784	460		
2064	0	0	0	1,159	0	1,159	0	0	0	0	0	1,159	1,159	185		
2065	0	0	0	170	0	170	0	0	0	0	0	170	170	163		
2066	0	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	0		
2068	0	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	0		
2070	0	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	0		

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

** The estimated impact of Pat. Exp. 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.

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6. Confirm the refinancing is permitted by RUS under Article II, Section 2.02 of Shelby Energy's RUS mortgage.

Response: Yes. Copies of the mortgage language and RUS approval letter are attached.

Responsible Witness:

Denise Hume

aggregate outstanding principal amount of all the existing Notes (if any) that are not related to the Electric System will not exceed 30% of the Mortgagor's Equity on a pro forma basis.

- (2) No Event of Default has occurred and is continuing hereunder, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing.
- (3) The Eligible Property Additions being constructed, acquired, procured or replaced are part of the Mortgagor's Utility System.
- (4) The Mortgagor's general manager or other duly authorized officer shall send to each of the Mortgagees a certificate in substantially the form attached hereto as Exhibit A on or before the date of the first advance of proceeds from such Additional Notes.

(b) For purposes of this section:

- (1) "Eligible Property Additions" shall mean Property Additions acquired or whose construction was completed not more than 5 years prior to the issuance of the Additional Notes and Property Additions acquired or whose construction is started and/or completed not more than 4 years after issuance of the Additional Notes, but shall exclude any Property Additions financed by any other debt secured under the Mortgage at the time additional Notes are issued;
- (2) Notes are considered to be "issued" on, and the date of "issuance" shall be, the date on which they are executed by the Mortgagor; and
- (3) For purposes of calculating the pro forma ratios in subparagraphs (a)(1)(ii) and (iii), the values for Total Long Term Debt and Total Assets before debt issuance and the values for Equity and Net Utility Plant shall be the most recently available end-of-month figures preceding the issuance of the Additional Notes, but in no case for a month ending more than 180 days preceding such issuance.

Section 2.02. Refunding or Refinancing Notes:

The Mortgagor shall also have the right without the consent of any Mortgagee or any Noteholder to issue Additional Notes for the purpose of refunding or refinancing any Notes so long as the total amount of outstanding indebtedness evidenced by such Additional Note or Notes is not greater than 105% of the then outstanding principal balance of the Note or Notes being refunded or refinanced. PROVIDED, HOWEVER, that the Mortgagor may not exercise its rights under this Section if an Event of Default has occurred and is continuing, or any event which with the giving of notice or lapse of time or both would become an Event of Default has occurred and is continuing. On or before the first advance of proceeds from Additional Notes issued under this section, the Mortgagor shall notify each Mortgagee of the refunding or refinancing. Additional Notes issued pursuant to this Section 2.02 will thereupon be secured equally and ratably with the Notes.



**United States Department of Agriculture
Rural Development**

APR 18 2016

Mr. Ashley Chilton
Board Chairman
Shelby Energy Cooperative, Inc.
1620 Old Finchville Road
Shelbyville, KY 40065

We are pleased to advise you that, pursuant to the provisions of Section 306B of the Rural Electrification Act of 1936 (the Act), as amended, and subject to the conditions set forth below, the Rural Utilities Service (RUS), as successor to the Rural Electrification Administration, has approved the request made by Shelby Energy Cooperative, Inc. (Shelby) to prepay the outstanding principal balance due on qualified notes evidencing indebtedness created by loans made to Shelby by RUS pursuant to the Act (the RUS Notes) at the Discounted Present Value of the RUS Notes.

Enclosed please find the Prepayment Agreement (the Agreement) which sets forth the terms and conditions relating to the prepayment of the RUS Notes by Shelby together with instructions regarding the execution of the agreement and closing requirements. In accordance with the instructions, a Closing Request, in the form enclosed, should be delivered to RUS by Shelby not less than 30 business days prior to the requested closing date.

A Pre-closing Notice confirming the closing date and the RUS Notes to be paid on the closing date will be delivered to Shelby by RUS not less than 10 business days prior to the closing date. Please note that failure to return documents relating to the prepayment to RUS within the times specified in the Agreement or the instructions may result in delays in the closing date.

If you have any questions regarding the Agreement or its execution, please contact Ms. Marina Chu at marina.chu@usda.gov or Mr. Victor T. Vu, Deputy Assistant Administrator, Office of Portfolio Management and Risk Assessment at 202-720-6436.

Sincerely,

A handwritten signature in black ink, appearing to read "Chris McLean". The signature is written in a cursive style and is positioned over a background of a faint, stylized illustration of a rural landscape with a water tower and a house.

Christopher A. McLean
Assistant Administrator
Electric Program
Rural Utilities Service

Enclosure

1400 Independence Ave, S.W. · Washington DC 20250-0700
Web: <http://www.rurdev.usda.gov>

Committed to the future of rural communities.

"USDA is an equal opportunity provider, employer and lender."
To file a complaint of discrimination, write USDA, Director, Office of Civil Rights,
1400 Independence Avenue, S.W., Washington, DC 20250-9410 or call (800) 795-3272 (Voice) or (202) 720-6382 (TDD).