

**Goss
Samford**

ATTORNEYS AT LAW | PLLC

Mark David Goss
mdgoss@gosssamfordlaw.com
(859) 368-7740

March 31, 2016

Via Hand-Delivery

Executive Director
Kentucky Public Service Commission
P.O. Box 615
211 Sower Boulevard
Frankfort, KY 40602

RECEIVED

MAR 31 2016

PUBLIC SERVICE
COMMISSION

Re: PSC Case No. 2016-00116 – EKPC Response to Staff’s First Data Request
In the Matter of: Application of East Kentucky Power Cooperative, Inc. for Approval of the Amendment and Extension or Refinancing of an Unsecured Revolving Credit Agreement in an Amount Up To \$800,000,000 of Which Up To \$100,000,000 May Be in the Form of an Unsecured Renewable Term Loan and \$200,000,000 of Which Will Be in the Form of a Future Increase Option

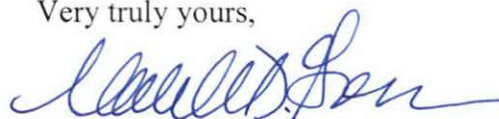
Dear Executive Director:

On behalf of East Kentucky Power Cooperative, Inc. (“EKPC”), please find enclosed for filing in the record of the above-referenced case one (1) redacted original and ten (10) redacted copies of EKPC’s Response to Commission Staff’s First Request for Information propounded March 23, 2016. Also enclosed in a separate sealed envelope marked confidential is one (1) copy of the Response with certain confidential information highlighted.

Please note that the confidential information contained in the Response is the same as or similar to the confidential information filed by EKPC on March 9, 2016, as part of its Application in this matter. Contemporaneously with its Application, EKPC filed a Motion for Confidential Treatment with respect to the relevant confidential information. EKPC adopts and incorporates said Motion in conjunction with the present filing and requests that the proprietary loan terms and conditions identified in its Response be afforded confidential treatment.

Please return a file-stamped copy of this filing to me, and please do not hesitate to contact me if you have any questions or concerns.

Very truly yours,



Mark David Goss

Enclosures

**COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION**

In the Matter of:

**AN APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR APPROVAL OF THE)
AMENDMENT AND EXTENSION OR REFINANCING)
OF AN UNSECURED REVOLVING CREDIT)
AGREEMENT IN AN AMOUNT UP TO \$800,000,000)
OF WHICH UP TO \$100,000,000 MAY BE IN THE)
FORM OF AN UNSECURED RENEWABLE TERM)
LOAN AND \$200,000,000 OF WHICH WILL BE IN THE)
FORM OF A FUTURE INCREASE OPTION)**

**Case No.
2016-00116**

**RESPONSES TO COMMISSION STAFF'S FIRST REQUEST FOR
INFORMATION TO EAST KENTUCKY POWER COOPERATIVE, INC.**

DATED MARCH 23, 2016

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

**AN APPLICATION OF EAST KENTUCKY POWER)
COOPERATIVE, INC. FOR APPROVAL OF THE)
AMENDMENT AND EXTENSION OR REFINANCING)
OF AN UNSECURED REVOLVING CREDIT)
AGREEMENT IN AN AMOUNT UP TO \$800,000,000)
OF WHICH UP TO \$100,000,000 MAY BE IN THE)
FORM OF AN UNSECURED RENEWABLE TERM)
LOAN AND \$200,000,000 OF WHICH WILL BE IN THE)
FORM OF A FUTURE INCREASE OPTION)**

Case No.
2016-00116

CERTIFICATE

**STATE OF KENTUCKY)
)
COUNTY OF CLARK)**

Tom Stachnik, being duly sworn, states that he has supervised the preparation of the responses of East Kentucky Power Cooperative, Inc. to the Public Service Commission Staff's First Request for Information in the above-referenced case dated March 23, and that the matters and things set forth therein are true and accurate to the best of his knowledge, information and belief, formed after reasonable inquiry.



Subscribed and sworn before me on this 31st day of March 2016.



Notary Public

GWYN M. WILLOUGHBY
Notary Public
State at Large
Kentucky
My Commission Expires Nov 30, 2017

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2016-00116
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/23/16
REQUEST 1

RESPONSIBLE PERSON: **Thomas J. Stachnik**

Request 1. Refer to the Application, Exhibit 1, page 1, where the current facility fee is discussed.

Request 1a. Provide the facility fee for the proposed amended and extended Credit Facility.

Response 1a. The facility is not yet negotiated, [REDACTED]
[REDACTED]

Request 1b. State whether the facility fee will apply to the total requested commitment of \$800 million if the Credit Facility is approved by the Commission.

Request 1c. If the response to b. above is negative, explain in detail how the facility fee will be administered with the proposed total commitment under the Credit Facility.

Response 1b-c. Initially, the facility fee will not apply to the total \$800 million. The facility fee will apply to the amount of the initial revolving credit facility (\$500 – 600 million).

It will not apply to any portion done as a term loan. It will not apply to the increase option unless and until that option is consummated.

EAST KENTUCKY POWER COOPERATIVE, INC.

PSC CASE NO. 2016-00116

FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/23/16

REQUEST 2

RESPONSIBLE PERSON: Thomas J. Stachnik

Request 2. Refer to the Application, Exhibit 1, page 1, regarding the total commitment in the Credit Facility.

Request 2a. Assuming a \$500 million commitment, provide an estimate of the total savings expected to be achieved over the five-year life of the proposed Credit Facility compared to the savings of \$1.5 million expected to be achieved under the \$500 million Credit Facility approved in Case No. 2013-00306.¹

Response 2a. [REDACTED]

[REDACTED]

[REDACTED] We are also currently realizing savings based on our improved credit ratings versus what we experienced in 2013. Shortly after we closed on the amendment and extension in 2013, we were upgraded to

¹ See Case No. 2013-00306, *East Kentucky Power Cooperative, Inc. Request for Approval of the Issuance of up to \$200,000,000 of Secured Private Placement Debt, for the Amendment and Extension of an Unsecured Revolving Credit Agreement in an Amount of \$500,000,000 and for the Use of Interest Rate Management Instruments* (Ky. PSC Aug. 29, 2013), EKPC's response to Commission Staffs Initial Request for Information, Item 4.d.

BBB+ by Fitch, which resulted in a [REDACTED] bps decrease in our facility fee and a [REDACTED] bps decrease in the LIBOR margin on our drawn debt. An upgrade by S&P in November 2014 to A- resulted in an additional decrease of [REDACTED] bps on our undrawn fee and a [REDACTED] bps decrease in the LIBOR margin on our drawn debt. Assuming \$300 million drawn balance, these savings equate to approximately [REDACTED] million annually.

Request 2b. Assuming the proposed total commitment of \$800 million, including the extension and accordion features, provide a schedule of all costs EKPC expects to incur through the end of the extension periods broken down by each type of cost involved in the \$500 million revolving credit agreement, the \$100 million term loan and the \$200 million accordion feature.

Response 2b.

	Commitment Fee	Facility Fee	Interest on Drawn Borrowings
\$500 million Revolver	[REDACTED]	[REDACTED]	[REDACTED]
\$200 million Increase Option	[REDACTED]	[REDACTED]	[REDACTED]
\$100 million Term Loan	[REDACTED]	[REDACTED]	[REDACTED]

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2016-00116
FIRST REQUEST FOR INFORMATION RESPONSE

COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/23/16
REQUEST 3

RESPONSIBLE PERSON: Thomas J. Stachnik

Request 3. The Application, Exhibit 1, page 1, indicates that the proposed term loan would be at a slightly favorable rate to debt under the revolving Credit Facility.

Request 3a. Provide the anticipated interest rate on the proposed term loan.

Request 3b. Provide the expected length of the proposed term loan.

Request 3c. Provide EKPC's plan for repayment of the proposed term loan.

Request 3d. Identify and describe the circumstances under which EKPC would prepay the proposed term loan.

Response 3(a-d) We are requesting authorization to include a term loan portion of this financing in order to be flexible in our negotiation with the banks and lower our total financing cost. For a term loan of 3 years, we would expect the all-in rate to be approximately ■ bps lower than the revolver. The term loan could be repaid by refinancing the term loan or by using cash on hand or availability under the revolving credit facility. EKPC would prepay the term loan if it determined that the additional liquidity it provided would not be needed for the remainder of the term.

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REQUEST 4

RESPONSIBLE PERSON: Thomas J. Stachnik

Request 4. Refer to the Application, Exhibit 1, page 2, where the favorable changes in some terms of the Credit Facility are discussed.

Request 4a. Refer to Item (1), Negotiation of covenants.

(1) Identify the financial covenants the banks may eliminate or change favorably due to EKPC's improved credit rating.

(2) Provide a comparison of EKPC's credit ratings from Fitch Ratings and standard and Poor's at the time it sought approval of the original financing in Case No. 2011-00204² to its current credit ratings.

Response 4a(1). [REDACTED]

² Case No. 2011-00204, *Application of East Kentucky Power Cooperative, Inc. for Approval of an Unsecured Revolving Credit Agreement for a Term of up to Five Years and in an Amount up to \$500,000,000* (Ky. PSC July 19, 2011).

Response 4a(2). At the time of our original financing In August 2011, we were not yet rated by S&P and Fitch. We received an initial rating of BBB with a stable outlook from S&P in October 2011 and BBB with a stable outlook from Fitch in November 2011. We are currently rated A- with a stable outlook by S&P and BBB+ with a positive outlook by Fitch.

Request 4b. Refer to the provision related to the two one-year extensions under Item (2), which are not guaranteed. Explain why such extensions are not guaranteed and identify the circumstance(s) that would have to exist for them to be executed.

Response 4b. To be executed the banks and EKPC would have to mutually agree to execute the extensions. We would provide a written request for such extension to the Administrative Agent, who would then notify the lenders. Individual banks could decline the extension (and thus retain the original maturity date), but we would then have the option to replace them with a lender who is willing to participate.

Request 4c. Refer to the accordion feature described in Item (3). Explain in detail how such a feature would be administered, including the timing of execution, facility fees, interest rates, fees, and any impacts to the other features contained in the proposed Credit Facility.

Response 4c. Like the extension option, individual banks and EKPC would have to mutually agree on the increase in commitments and provide written notice of such increase to the Administrative Agent. Additional lenders could be added if necessary. The facility fee would be

paid on the increased amount and administered by the Administrative Agent. Interest rates on drawn debt and other terms of the agreement would not change.

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2016-00116
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COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/23/16
REQUEST 5

RESPONSIBLE PERSON: Thomas J. Stachnik

Request 5. Refer to the Application, Exhibit 1, page 3. Identify the basis, and provide an explanation, for the statement that the amendment fees and expenses will not exceed a certain percentage of the Credit Facility commitment.

Response 5. Our statement is based on informal discussions with our current lead bank. They have shown us indications that this fee would be [REDACTED]

[REDACTED]

EAST KENTUCKY POWER COOPERATIVE, INC.
PSC CASE NO. 2016-00116
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COMMISSION STAFF'S FIRST REQUEST FOR INFORMATION DATED 03/23/16
REQUEST 6

RESPONSIBLE PERSON: Thomas J. Stachnik

Request 6. Refer to the Application, Exhibit 3, pages 9 and 10. Explain the difference between Interest 2015 of \$112,902,376.22 on page 9 and Interest expense on long-term debt of \$113,259 (\$000) on page 10.

Response 6. The debt schedule in Exhibit 3 only included debt outstanding as of 12/31/15. The difference between the two numbers is interest expense on notes that matured during 2015, which are detailed below.

Notes

<u>Type of Debt Issue</u>	<u>Date of Issue</u>	<u>Date of Maturity</u>	<u>Amount Outstanding 12/31/2015</u>	<u>Amount Issued</u>	<u>Coupon Interest Rate</u>	<u>Interest 2015</u>
Federal Financing Bank Notes						
HO-080	08-24-1978	12-31-2015	-	5,782,000.00	10.372%	37,955.27
HO-150	11-15-1979	12-31-2015	-	6,790,000.00	10.144%	43,545.54
HO-160	12-26-1979	12-31-2015	-	6,237,000.00	9.352%	33,929.44
HO-165	01-15-1980	12-31-2015	-	8,746,000.00	7.690%	33,764.84
HO-210	04-29-1981	12-31-2015	-	3,676,542.00	6.248%	11,073.77
HO-215	05-15-1981	12-31-2015	-	6,805,000.00	6.248%	20,489.40
HO-220	05-15-1981	12-31-2015	-	4,942,000.00	6.248%	14,880.03
HO-235	06-16-1981	12-31-2015	-	7,484,000.00	6.248%	22,615.68
HO-245	07-20-1981	12-31-2015	-	1,193,000.00	10.572%	8,234.67
HO-255	09-15-1981	12-31-2015	-	4,700,000.00	10.657%	32,915.52
HO-265	10-15-1981	12-31-2015	-	3,700,000.00	6.248%	11,276.44
HO-275	10-19-1981	12-31-2015	-	1,000,000.00	6.248%	3,046.47
HO-285	11-17-1981	12-31-2015	-	2,500,000.00	10.204%	16,203.92
HO-300	01-20-1982	12-31-2015	-	300,000.00	7.690%	1,158.19
HO-320	02-19-1982	12-31-2015	-	500,000.00	7.690%	1,930.22
HO-380	09-15-1982	12-31-2015	-	500,000.00	10.381%	3,177.31
HO-520	04-16-1985	12-31-2015	-	600,000.00	10.377%	3,943.26
HO-535	06-24-1985	12-31-2015	-	215,000.00	10.590%	1,489.02
HO-540	12-23-1985	12-31-2015	-	3,165,291.00	9.385%	17,696.77
HO-550	03-18-1986	12-31-2015	-	751,000.00	8.058%	3,221.60
HO-560	04-16-1986	12-31-2015	-	706,000.00	7.413%	2,630.95
						325,178.31
CFC						
NCSC Unsecured #9061005	12-30-2010	11-30-2015	-	1,565,448.00	3.65%	30,982.53
Total Interest of Debt paid 2015						356,160.84

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REQUEST 7

RESPONSIBLE PERSON: Thomas J. Stachnik

Request 7. Refer to the Application, Exhibit 3, page 9, Sick Leave Reserve \$312,775.55. Explain where the Sick Leave Reserve is reflected in the financial statements.

Response 7. Sick leave reserve is included under in the preliminary balance sheet on Exhibit 3, page 11 in "Asset retirement obligations and other liabilities"