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July 9, 2010

RECEIVED

JUL 12 2010

**PUBLIC SERVICE
COMMISSION**

Mr. Jeff DeRouen
Kentucky Public Service Commission
211 Sower Boulevard
P. O. Box 615
Frankfort, Kentucky 40601

RE: Case No. 2010-00201

Dear Mr. DeRouen:

The amount of the new CoBank loan is \$9,110,101, the same amount utilized in Exhibit 2 of the application. The loan closing occurred June 30, 2010 and three copies of the loan documents are enclosed.

Kenergy would like to express our appreciation to the Commission for the expedited handling of the application.

Sincerely,

A handwritten signature in cursive that reads "Steve Thompson".

Steve Thompson
Vice President - Finance

ST/bm
Enclosures

cc: Frank N. King, Jr.

PROMISSORY NOTE AND SUPPLEMENT
(RUS Refinance)

THIS PROMISSORY NOTE AND SUPPLEMENT (this "Promissory Note and Supplement") to the Amended and Restated Master Loan Agreement dated as of August 18, 2004 (as amended or restated, the "MLA") is entered into as of June 21, 2010, between **KENERGY CORP.**, a Kentucky cooperative corporation (the "Company"), and **CoBANK, ACB**, a federally chartered instrumentality of the United States ("CoBank").

SECTION 1. The Commitment. On the terms and conditions set forth in the MLA and this Promissory Note and Supplement, CoBank agrees to make a loan to the Company in an amount not to exceed \$9,110,101.44 (the "Commitment"). CoBank's obligation to make the loan shall expire at 12:00 Noon, Company's local time, on June 30, 2010, or on such later date as CoBank may, in its sole discretion, authorize in writing.

SECTION 2. Purpose. The purpose of the Commitment is to refinance the unpaid principal balance of the loan(s) made by the United States of America (the "Government"), to the Company and described on Exhibit A hereto (the "Existing Loan(s)").

SECTION 3. Availability. Notwithstanding Section 2 of the MLA and provided that each of the conditions precedent set forth herein and in the MLA have been satisfied, the loan will be made available to the Company: (A) on a date to be agreed upon by the parties (the "Closing Date"); (B) upon written request of an authorized officer of the Company in form and content prescribed by CoBank (the "Request for Loan"); (C) in a single advance; and (D) by CoBank remitting the proceeds of the loan directly to the Government by wire transfer.

SECTION 4. Interest. The Company agrees to pay interest on the unpaid principal balance of the loan at 4.41% per annum. Interest shall be calculated on the actual number of days the loan is outstanding on the basis of a year consisting of 360 days and shall be due and payable monthly in arrears on the 20th day of each month and on the final maturity date of the loan.

SECTION 5. Loan Origination Fee. (Waived by CoBank.)

SECTION 6. Promissory Note. The Company promises to repay the loan to CoBank or order in accordance with the payment schedule attached hereto as Exhibit B. In addition to the above, the Company promises to pay to CoBank or order interest on the unpaid principal balance of the loan at the times and in accordance with the provisions set forth above. If any date on which principal or interest is due is not a Business Day, then such payment shall be due and payable on the next Business Day and, in the case of principal, interest shall continue to accrue on the amount thereof.

SECTION 7. Prepayment. Subject to the Broken Funding Surcharge provision of the MLA, the Company may prepay the loan in whole or in part. All partial prepayments shall be applied to principal installments in the inverse order of their maturity.

SECTION 8. Security. The Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured as provided in the Security, Guarantee(s) and Title Insurance Section of the MLA. Without limiting the foregoing, the Company's obligations hereunder and, to the extent related hereto, the MLA, shall be secured by that certain Restated Mortgage and Security Agreement dated as of July 1, 2003, as same has been and may be amended, supplemented or restated from time to time (the "Mortgage")

SECTION 9. Additional Conditions Precedent. In addition to the conditions precedent set forth in the MLA, CoBank's obligation to make the loan is subject to the conditions precedent that CoBank shall have received each of the following (which, in the case of instruments and documents, must be in form and content acceptable to CoBank):

(A) **Request for Loan.** A duly completed and executed Request for Loan;

(B) **Payoff Letter.** A payoff letter or spreadsheet from the Government setting forth, as of the Closing Date, the unpaid principal balance of the Existing Loan(s), the interest accrued thereon, and any prepayment premiums, surcharges and other amounts owing to RUS for or on account of the Existing Loan(s);

(C) **Additional RUS Payment.** Immediately available funds in an amount sufficient to pay all interest accrued on the Existing Loan(s) through the Closing Date, together with all prepayment premiums, surcharges, and other amounts owing to the Government for or on account of the Existing Loans (the "Additional RUS Payment");

(D) **Supplemental Mortgage.** A duly executed supplemental mortgage and security agreement (the "Supplemental Mortgage") to the Mortgage;

(E) **Notice to the Government.** Such evidence as may be satisfactory to CoBank that the Company has notified the Government of the refinancing (as required by Section 2.02 of the Mortgage).

SECTION 10. Additional Affirmative Covenants. In addition to the Affirmative Covenants set forth in the MLA, the Company agrees that:

(A) **Discharge of Existing Loans.** If for any reason the funds remitted to the Government are insufficient to discharge all of the Company's obligations to the Government for or on account of the Existing Loan(s), the Company will promptly make such additional payments to Government as may be required to discharge such obligations in full; and

(B) **Post Closing Items.** Within 90 days of the date hereof, the Company will: (1) obtain the Government's signature on the Supplemental Mortgage; (2) record the Supplemental Mortgage in all places required by Law in order for the Mortgage to accord CoBank a duly perfected and recorded Lien on all real property and interests in real property subject to the Mortgage; and (3) furnish to CoBank (a) recorded, file-stamped copies of the Supplemental Mortgage showing that it has been recorded in each place required above; (b) such evidence as CoBank may reasonably require that there are no Liens on any property of the Company other than Liens permitted by the Mortgage; (c) such evidence as may be satisfactory to CoBank that all taxes and other governmental charges arising from the transactions contemplated hereby or the recording of any security instrument or documents, if any, have been paid; and (d) an opinion of its counsel (which opinion and counsel must be acceptable to CoBank).

IN WITNESS WHEREOF, the parties have caused this Promissory Note and Supplement to the MLA to be executed by their duly authorized officers as of the date shown above.

CoBANK, ACB

By:



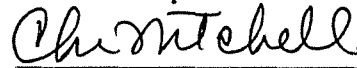
Title:

Assistant Corporate Secretary

Irene Matlin

KENERGY CORP.

By:



Title:

Chairman

DESCRIPTION OF RUS LOANS TO BE REFINANCED

The Existing Loan(s) are as follows:

Lender	RUS Loan No.
RUS	1B170
RUS	1B172
RUS	1B180
RUS	1B182
RUS	1B190
RUS	1B192
RUS	1B340
RUS	1B342
RUS	1B350
RUS	1B353

REPAYMENT SCHEDULE

PAYMENT DUE	
DATE	AMOUNT
7/20/2010	\$60,348.83
8/20/2010	\$60,573.62
9/20/2010	\$60,799.26
10/20/2010	\$61,025.74
11/20/2010	\$61,253.06
12/20/2010	\$61,481.23
1/20/2011	\$61,710.24
2/20/2011	\$61,940.12
3/20/2011	\$62,170.84
4/20/2011	\$62,402.43
5/20/2011	\$62,634.88
6/20/2011	\$62,868.19
7/20/2011	\$63,102.38
8/20/2011	\$63,337.43
9/20/2011	\$63,573.37
10/20/2011	\$63,810.18
11/20/2011	\$64,047.87
12/20/2011	\$64,286.45
1/20/2012	\$64,525.91
2/20/2012	\$64,766.27
3/20/2012	\$65,007.53
4/20/2012	\$65,249.68
5/20/2012	\$65,492.74
6/20/2012	\$65,736.70
7/20/2012	\$65,981.57
8/20/2012	\$66,227.35
9/20/2012	\$66,474.04
10/20/2012	\$66,721.66
11/20/2012	\$66,970.20
12/20/2012	\$67,219.66
1/20/2013	\$67,470.05
2/20/2013	\$67,721.38
3/20/2013	\$67,973.64
4/20/2013	\$68,226.84
5/20/2013	\$68,480.99
6/20/2013	\$68,736.08
7/20/2013	\$68,992.12
8/20/2013	\$69,249.12
9/20/2013	\$69,507.07
10/20/2013	\$69,765.99
11/20/2013	\$70,025.86
12/20/2013	\$70,286.71
1/20/2014	\$70,548.53
2/20/2014	\$70,811.32
3/20/2014	\$71,075.09
4/20/2014	\$71,339.85

5/20/2014	\$71,605.59
6/20/2014	\$71,872.32
7/20/2014	\$72,140.04
8/20/2014	\$72,408.77
9/20/2014	\$72,678.49
10/20/2014	\$72,949.22
11/20/2014	\$73,220.95
12/20/2014	\$73,493.70
1/20/2015	\$73,767.46
2/20/2015	\$74,042.25
3/20/2015	\$74,318.06
4/20/2015	\$74,594.89
5/20/2015	\$74,872.76
6/20/2015	\$75,151.66
7/20/2015	\$75,431.60
8/20/2015	\$75,712.58
9/20/2015	\$75,994.61
10/20/2015	\$76,277.69
11/20/2015	\$76,561.82
12/20/2015	\$76,847.02
1/20/2016	\$77,133.27
2/20/2016	\$77,420.59
3/20/2016	\$77,708.98
4/20/2016	\$77,998.45
5/20/2016	\$78,288.99
6/20/2016	\$78,580.62
7/20/2016	\$78,873.33
8/20/2016	\$79,167.14
9/20/2016	\$79,462.03
10/20/2016	\$79,758.03
11/20/2016	\$80,055.13
12/20/2016	\$80,353.33
1/20/2017	\$80,652.65
2/20/2017	\$80,953.08
3/20/2017	\$81,254.63
4/20/2017	\$81,557.31
5/20/2017	\$81,861.11
6/20/2017	\$82,166.04
7/20/2017	\$82,472.11
8/20/2017	\$82,779.32
9/20/2017	\$83,087.67
10/20/2017	\$83,397.17
11/20/2017	\$83,707.83
12/20/2017	\$84,019.64
1/20/2018	\$84,332.61
2/20/2018	\$84,646.75
3/20/2018	\$84,962.06
4/20/2018	\$85,278.54
5/20/2018	\$85,596.20
6/20/2018	\$85,915.05

7/20/2018	\$86,235.08
8/20/2018	\$86,556.31
9/20/2018	\$86,878.73
10/20/2018	\$87,202.36
11/20/2018	\$87,527.18
12/20/2018	\$87,853.22
1/20/2019	\$88,180.48
2/20/2019	\$88,508.95
3/20/2019	\$88,838.64
4/20/2019	\$89,169.57
5/20/2019	\$89,501.72
6/20/2019	\$89,835.12
7/20/2019	\$90,169.75
8/20/2019	\$90,505.64
9/20/2019	\$90,842.77
10/20/2019	\$91,181.16
11/20/2019	\$91,520.81
12/20/2019	\$91,861.72
1/20/2020	\$92,203.91
2/20/2020	\$92,547.37
3/20/2020	\$92,892.11
4/20/2020	\$93,238.13
5/20/2020	\$93,585.44
6/20/2020	\$93,934.05
TOTAL	\$9,110,101.44