




A Touchstone Energy Cooperative 

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**PUBLIC SERVICE
COMMISSION**

July 7, 2015

Mr. Jeff Derouen
Executive Director
Kentucky Public Service Commission
P. O. Box 615
Frankfort, KY 40602

RE: Case No. 2015-00013

Dear Mr. Derouen:

Fleming-Mason finalized the refinancing transaction with CoBank as approved in the above referenced case on June 18, 2015. Per the following request in the Commission's final order dated April 30, 2015:

"3) Within ten days of finalizing the refinancing transaction, Fleming-Mason should notify the Commission in writing of the exact amount of the new CoBank loan. Fleming-Mason should include with the notice an updated version of the Application, Exhibit 3, Attachment B, reflecting the savings based on the actual amount of the new CoBank loan."

the final exact amount of the loan was \$14,287,301 and a copy of the updated Exhibit 3 is attached.

Fleming-Mason will forward a copy of the final loan documents as soon as they are available.

Please contact the office if you need further information.

Sincerely,

A handwritten signature in cursive script that reads "Joni K Hazelrigg".

Joni K. Hazelrigg
President & CEO

Enclosure

Fleming-Mason Energy Cooperative

**RUS Refinancing Term Loan
\$14,309,162 Revised to \$14,287,301**

January 29, 2015- Revised July 3, 2015

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Executive Summary

Fleming-Mason Energy Cooperative (Fleming-Mason) currently holds seven notes totaling approximately \$14.3 million in RUS debt at interest rates that range from 1.62% to 5.18% (blended interest rate of 4.42%) which would qualify for CoBank refinancing at a life time fixed rate currently of 3.26%. At such a rate, CoBank's patronage refunds would result in an effective rate of approximately 2.39%, an effective savings of 87 basis points. The total projected savings amounts to \$6,336,246 with a present value of \$1,970,271. CoBank requests Fleming-Mason's consideration as lender for these loans. Such refinancing of mortgage debt is permitted by RUS under the regulations outlined in 7 CFR Part 1786.

We have enclosed for your review a profile of existing eligible notes including a comparison of savings opportunity (Tab 1), a side by side comparison of the RUS loans' interest cost versus CoBank's loan interest cost and patronage payments (Tab 2), an analysis of CoBank's Patronage Refunds, Capital Plan and Effective Cost of Borrowing (Tab 3).

We propose to consolidate the seven RUS notes into a single note with a principal repayment tenor of 15 years versus the RUS consolidated notes' remaining life of 24 years. Shortening the life of these notes to fifteen years would not dramatically increase your total debt service and will provide for a greater lifetime interest expense savings.

CoBank is pleased to have this opportunity to present this information as part of its effort to find innovative ways for Fleming-Mason to enhance its success. This booklet is not a commitment to lend or an offer to make a loan. A commitment shall be in the form of a loan agreement upon receipt of an acceptable application, resolution, and other documentation as required by CoBank. Thank you for your consideration.

TAB 1

RUS notes proposed for refinancing:

Loan Balances as of 5/31/2015

Note ID	Principal Balance	Final Payment Date	Years Remaining	Weighted Average Life
18370	1,718,117.00	07/31/2039	24.18	14.13
18371	3,451,559.00	08/31/2039	24.27	14.27
18372	2,606,347.00	07/31/2039	24.18	14.30
18373	1,740,743.00	08/31/2039	24.27	14.33
18374	1,763,415.00	07/31/2039	24.18	14.44
18375	1,684,083.00	08/31/2039	24.27	12.69
18376	1,344,898.00	08/31/2039	24.27	13.97
Totals	14,309,162.00		24.27	14.07

Interest Savings (over life of notes):

<u>Total Interest</u> <u>RUS @ 4.42% Blended Rate</u>	<u>Total Interest</u> <u>CoBank @ 3.26%</u>	<u>Total Savings</u>
\$9,007,466	\$3,830,088	\$5,177,378
CoBank Cash Patronage Refund:		\$869,151
CoBank Stock Patronage Refund:		<u>\$289,717</u>
Total Life Time Benefit:		<u>\$6,336,246</u>
Present Value of Benefit (discounted @ 4.42%)		<u>\$1,970,271</u>

There are no prepayment penalties arising from prepayment of RUS debt.

TAB 2

Fleming-Mason Energy
Summary of RUS Buyout

January 29, 2015: Forward Fix Rate Lock Date with a Forward Fix Expiration Date of June 30, 2015

CoBank **15 Year Loan (Only RUS Notes Refinanced)**

RUS: (Estimated Loan Balances as of May 31, 2015)								CoBank: Revised to Reflect Final Payoff Amount Received From RUS										
Existing Rate	Remaining Years	Weighted Average Life (in Years)	Principal Balance	Total Monthly Payment	Total Annual Payment	Total Lifetime Interest		Loan Amount	CoBank Loan Years	CoBank Rate	CoBank Net Effective Rate	CoBank Total Monthly Payment	CoBank Total Annual Payment	CoBank Lifetime Interest	CoBank Cash Patronage	CoBank Equity Patronage	CoBank Net Lifetime Interest	
RUS Notes:																		
B370 - B376 (7 Notes)	1.62% to 5.18%	24.27	14.07	\$14,309,162	\$ 80,447	\$ 965,364	\$ 9,007,466	\$ 14,287,301	15	3.26%	2.39%	\$ 101,226	\$ 1,214,712	\$ 3,830,088	\$ 869,151	\$ 289,717	\$ 2,671,220	
Blended Rate	4.42%																	
Total RUS Notes				\$14,309,162	\$ 80,447	\$ 965,364	\$ 9,007,466	\$ 14,287,301				\$ 101,226	\$ 1,214,712	\$ 3,830,088	\$ 869,151	\$ 289,717	\$ 2,671,220	
FFB Notes:																		
				\$ -	\$ -	\$ -	\$ -	\$ -				\$ -	\$ -	\$ -	\$ -	\$ -	\$ -	
Total RUS & FFB				\$14,309,162	\$ 80,447	\$ 965,364	\$ 9,007,466	\$ 14,287,301	(See Note Below)			\$ 101,226	\$ 1,214,712	\$ 3,830,088	\$ 869,151	\$ 289,717	\$ 2,671,220	

Cash Flow Impact With CoBank Loans:

Additional Monthly/Annual Debt Service (Savings):	\$ 20,779	\$ 249,348
Additional Lifetime Interest Expense (Savings) with CoBank Patronage:		\$ (6,336,246)
Additional Lifetime Interest Expense (Savings) Excluding CoBank Patronage:		\$ (5,177,378)

Note: The CoBank loan amount reflects the final amount owed to RUS after applying RUS discount on closing date.

TAB 3



Projection of Cash Flows and Effective Interest Rate

The projection of cash flows is based on loan amounts, dates and interest rates shown below along with the present capital plan and expected retirement of bank equities.

The capital plan, patronage rate and equity retirements may be changed at the discretion of the bank's board of directors. The following projections are intended for illustrative purposes only, are not intended to represent a commitment to a specific interest rate, and will not become part of any loan documentation.

The effective interest rate shown is the discount rate applied on a monthly basis at which the net present value of all the cash flows equal to zero (commonly called the internal rate of return).

Borrower Name	Fleming-Mason Energy
Schedule	RUS Note Buyout 15 Year Loan Tenor
Account Officer	LaDuca
Prepared by:	LaDuca
Quote Date	January 29, 2015
Origination Date	June 30, 2015
Amortization Start Date	July 31, 2015
Loan Amount	\$14,287,301
Years to Maturity	15
Nominal Interest Rate	3.26%
Origination Fee (\$)	0
Payments/Year	12
Amort Method	Level Payment
Days per Year	360
Payment Amount	\$101,226

Nominal Interest Rate	3.26%
Net Effective Interest Rate	2.39%
Reduction of Interest Rate	0.87%
Patronage Rate	1.00%
% Cash Patronage	75.00%
Initial Capital Purchase Amount	\$0
Target Equity	8.00%
Prior Year End Capital Balance	0
Avg Loan Balance - 1 year ago	0
Avg Loan Balance - 2 years ago	0
Avg Loan Balance - 3 years ago	0
Avg Loan Balance - 4 years ago	0
Avg Loan Balance - 5 years ago	0
Avg Loan Balance - 6 years ago	0
Avg Loan Balance - 7 years ago	0
Avg Loan Balance - 8 years ago	0

Borrower:		Fleming-Mason Energy											
Quote Date	January 29, 2015	Schedule:	RUS Note Buyout 15 Year Loan Tenor										
Origination Date	June 30, 2015	Effective Interest Rate:	2.39%										
Year	Principal Advance	Principal Payments	Interest Payments	Capital Purchases	Cash Patronage	Capital Retired in Cash	Net Cash Flow	Patronage Paid as Capital	Capital Balance	End of Period Loan Balance	1 Year Avg Loan Balance	10 Year Avg Loan Balance	Target Equity
	A	B	C	D	E	F	G	H	I	J	K	L	M
2015	14,287,301	373,042	234,317	0	0	0	13,679,943	17,811	17,811	13,914,260	7,124,589	712,459	71,246
2016	0	766,352	448,364	0	53,434	0	-1,161,282	33,911	51,722	13,147,907	13,564,237	2,068,883	186,199
2017	0	792,070	422,647	0	101,732	0	-1,112,985	31,963	83,685	12,355,837	12,785,326	3,347,415	267,793
2018	0	818,650	396,067	0	95,890	0	-1,118,827	29,953	113,638	11,537,187	11,981,088	4,545,524	363,642
2019	0	846,122	368,594	0	89,858	0	-1,124,859	27,875	141,513	10,691,065	11,149,862	5,660,510	452,841
2020	0	874,517	340,200	0	83,624	0	-1,131,093	25,729	167,242	9,816,548	10,291,640	6,689,674	535,174
2021	0	903,864	310,853	0	77,187	0	-1,137,530	23,507	190,749	8,912,684	9,402,791	7,629,953	610,396
2022	0	934,196	280,521	0	70,521	0	-1,144,196	21,213	211,961	7,978,488	8,485,042	8,478,458	678,277
2023	0	965,546	249,171	0	63,638	0	-1,151,079	18,841	230,803	7,012,942	7,536,496	9,232,107	738,569
2024	0	997,948	216,769	0	56,524	0	-1,158,193	16,393	247,196	6,014,995	6,557,142	9,887,821	791,026
2025	0	1,031,437	183,280	0	49,179	0	-1,165,538	13,857	261,053	4,983,558	5,542,839	9,729,646	778,372
2026	0	1,066,050	148,667	0	41,571	0	-1,173,146	11,239	272,292	3,917,508	4,495,558	8,822,778	705,822
2027	0	1,101,825	112,892	0	33,717	0	-1,181,000	8,533	280,824	2,815,683	3,413,131	7,885,559	630,845
2028	0	1,138,800	75,917	0	25,598	0	-1,189,118	5,739	286,563	1,676,883	2,295,550	6,917,005	553,360
2029	0	1,177,016	37,701	0	17,217	0	-1,197,500	2,845	289,408	499,867	1,138,087	5,915,828	473,266
2030	0	499,867	4,126	0	8,536	0	-495,458	309	289,717	0	123,400	4,899,004	391,920
2031	0	0	0	0	926	0	926	0	289,717	0	0	3,958,725	316,698
2032	0	0	0	0	0	0	0	0	289,717	0	0	3,110,220	248,818
2033	0	0	0	0	0	40,899	40,899	0	248,818	0	0	2,356,571	188,526
2034	0	0	0	0	0	60,292	60,292	0	188,526	0	0	1,700,857	136,069
2035	0	0	0	0	0	52,457	52,457	0	136,069	0	0	1,146,573	91,726
2036	0	0	0	0	0	44,343	44,343	0	91,726	0	0	697,017	55,761
2037	0	0	0	0	0	35,964	35,964	0	55,761	0	0	355,704	28,456
2038	0	0	0	0	0	27,305	27,305	0	28,456	0	0	126,149	10,092
2039	0	0	0	0	0	18,364	18,364	0	10,092	0	0	12,340	987
2040	0	0	0	0	0	9,105	9,105	0	987	0	0	0	0
2041	0	0	0	0	0	987	987	0	0	0	0	0	0
TOTAL	\$14,287,301	\$14,287,301	\$3,830,088	\$0	\$869,151	\$289,717	(\$2,671,220)	\$289,717					