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ORIGINAL



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John LeSueur

From: John Wallace [jwallace@gcseca.coop]
Sent: Thursday, February 10, 2011 10:08 AM
To: John LeSueur
Subject: FW: SSVEC's Refinancing at the ACC.

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2011 FEB 11 P 4: 25

John,

Below is additional information on the SSVEC financing and the reasons for expediting the application. Thank you for all of your assistance on this matter.

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Arizona Corporation Commission
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From: Kirby Chapman [mailto:kchapman@ssvec.com]
Sent: Wednesday, February 02, 2011 12:04 PM
To: John Wallace
Cc: Creden W. Huber; Jack Blair
Subject: SSVEC's Refinancing at the ACC.

John –some of the main points on our financing that are critical now is that to take advantage of our loan structure where we get bids from CFC and CoBank I need to put loans that are up for repricing into CFC's long term variable (LTV) to avoid some significant CFC conversion costs. We currently have \$10.1 million in CFC's (LTV) and this will jump to \$50.1 million on April 1. CFC's LTV rate is 4.95%. What we compare this to is somewhat arbitrary because we can select different repricing periods which have different rates. CoBank's current 1 year fixed rate is 1.71% - we would probably finance longer term than this but this is to have two short term rates compared. So for my purposes I'll use a difference of 3.24% if we were able to get off CFC LTV. Using this we are over paying interest by \$327,240/yr (\$27,270/mo) based on our current \$10.1 million of LTV. This overpayment jumps to \$1,649 160 annually (\$137,430 monthly). As I mentioned the interest rate we compare to is arbitrary but even if you cut the 3.24% difference rate in half the overpayment would be far more than we would ever want to spend.

One final thing we can't forget that \$50.9 million in variable is very risky and could get us in trouble if the interest rates take a sharp rise. We're going to feel real uneasy if we go to far past April 1.

I appreciate your help – please let me know if you need anything

Kirby

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