



DEPARTMENT OF AGRICULTURE

Rural Utilities Service

Announcement of Loan Refinancing Procedures, and Deadlines for the Refinancing of Federal Financing Bank Loans Pilot Program (Refinancing Program)

AGENCY: Rural Development, Rural Utilities Service (RUS), USDA.

ACTION: Notice of Solicitation for Letters of Intent.

SUMMARY: The Rural Utilities Service (RUS), an agency of the United States Department of Agriculture (USDA), is soliciting Letters of Intent and opening a window for a pilot program to refinance a loan, or any part thereof, consisting of one or more whole but not partial advance(s), made under a loan by the Federal Financing Bank (FFB) and guaranteed by RUS. RUS is announcing the process for the Refinancing of Federal Financing Bank Loans Pilot Program (Refinancing Program) made to RUS Electric Program borrowers operating as an electric utility (Eligible entity). This notice describes the eligibility requirements, the process and deadlines, and the criteria that will be used by RUS to assess refinancing requests from Eligible entities with outstanding FFB debt. The Refinancing Program will refinance a higher interest rate loan or a portion thereof i.e., one or more advance under a FFB loan at the interest rate available as of the date of the advance of the new FFB loan used to refinance the outstanding FFB loan. A new FFB loan will be advanced to prepay the FFB loan. A maximum amount for refinancing per Eligible entity is also being announced. The new FFB loan will be made for the amount identified solely by FFB and RUS to prepay the outstanding FFB loan together with the required prepayment premium, if applicable. In order to maximize the Refinancing Program and the benefits to electric consumers, the Eligible entity will have the option of paying the prepayment

premium or rolling the amount into the new FFB loan. The Refinancing Program is made available under Section 749 of the Public Law 115-31, Consolidated Appropriations, Act 2017 (section 749).

DATES: To be considered for this program, borrowers must submit their documentation no later than the dates set forth herein. Failure to comply with the following deadlines will prevent RUS from considering the borrower for the Refinancing Program.

Step 1: To be considered for the Refinancing Program an Eligible entity must submit a Letter of Intent (LOI), as provided herein, in an electronic Portable Document Format (PDF) by electronic mail (email) to REFINANCE-EP@RD.usda.gov no later than 11:59 p.m. (EST) on [INSERT DATE 30 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER]. Late or incomplete Letters of Intent will not be considered by RUS for this Refunding Program. No exceptions will be made.

Step 2: RUS will evaluate all LOI's received by the deadline identified above. If the dollar amount for all eligible requests is less than the total dollar amount authorized by Congress for this pilot program requests will be processed in the order in which they were received. If the amount requested exceeds the total amount authorized by Congress, RUS will prioritize all requests, in the manner stated below.

Step 3: An Eligible entity will be notified of its acceptance by means of an Invitation to proceed. Only, after a borrower is notified of its acceptance for the Refinancing Program, will an estimate of the amount due, including the prepayment premium, if any, be provided. An Eligible entity will have seven (7) business days to notify RUS of its intent to proceed to refinance and whether the prepayment premium, if any, will be paid, in full, or rolled into the new FFB loan. If RUS has not been notified of such intent to proceed, within the time limit, the

request will be denied. See below for the additional steps necessary to document and complete the refinancing.

ADDRESSES: Copies of this NOSA and other information on the Refinancing Program may be obtained by:

- (1) Contacting Jonathan Claffey at (202) 692-0093, to request a copy of this Notice.
- (2) Sending an electronic mail (email) to jon.claffey@wdc.usda.gov . The email must be identified as Refinancing Program Notice of Solicitation for Applications in the subject field.
- (3) The Letter of intent must be submitted by the Eligible entity in an electronic PDF (PDF) not to exceed 10 Megabytes (10 MB) by electronic mail (email) to REFINANCE-EP@RD.usda.gov before the deadline set forth herein. No paper letters of intent will be accepted.
- (4) RUS may request additional information from an Eligible entity, if necessary.

FOR FURTHER INFORMATION CONTACT: Jonathan Claffey, Office of the Assistant Administrator, Rural Utilities Service, Rural Development, United States Department of Agriculture, 1400 Independence Avenue, SW, STOP 1560 Room 5165-S, Washington DC 20250; Telephone: (202) 720-9545; Email: jon.claffey@wdc.usda.gov .

SUPPLEMENTARY INFORMATION:

Overview

Federal Agency: Rural Utilities Service (RUS), USDA.

Funding Opportunity Title: Refinancing Pilot Program (Refinancing Program).

Announcement Type: Requests for Letter of intent.

Catalog of Federal Domestic Assistance (CFDA) Number: Not applicable.

Dates: Submit the Letter of intent on or before [INSERT DATE 30 DAYS AFTER DATE OF PUBLICATION IN THE FEDERAL REGISTER].

Administrative Procedure Act Statement

This Notice of Solicitation for Letters of Intent (NOSA) is being issued without advance rulemaking or public comment. The Administrative Procedure Act of 1946, as amended (5 U.S.C. 553)(APA), has several exemptions to rulemaking requirements. Among them is an exception for a matter relating to “loans, grants, benefits, or contracts.” Furthermore, the 30 day effective date policy is accepted for “good cause.”

USDA has determined, consistent with the APA that making these funds available under this NOSA for the Refinancing Program is in the public interest since the Consolidated Appropriations Act 2017, (Public Law No. 115-31) appropriated a budget authority of \$600,000,000 on the condition that refinancing involved will benefit the ratepayers of the Eligible entity. As such, the timely submission and processing of all requests and documents is necessary in order to maximize the savings and benefit rural ratepayers. Delays in processing requests would most likely have the effect of decreasing the potential savings resulting from such refinancing of outstanding debt. In order to do this, the Agency decided to move forward with developing procedures for the Refinancing Program within a NOSA instead of rulemaking in order to meet the statutory mandate to implement this new program. The Agency intends to test this new program this year with available funds under this NOSA and will revisit it if permanent authority for the program is granted

Information Collection and Recordkeeping Requirements

There are no new information collection or recordkeeping requirements. All information collection and recordkeeping requirements are contained in previously approved paperwork packages covering various Electric Program regulations.

Definitions

For the purpose of the Refinancing Program, the following terms have the following meanings:

Administrator means the Administrator of the Rural Utilities Service, an agency under the Rural Development mission area of the United States Department of Agriculture.

Advance means amounts advanced by FFB from time to time pursuant to a Future Advance Promissory Note payable to FFB and guaranteed by RUS made under a FFB loan.

Conditional commitment letter means the notification issued by the Administrator to an Eligible entity advising it of the estimated terms, conditions and amount of the new FFB loan.

Eligible entity means a RUS Electric Program borrower operating as an electric utility with an unpaid and outstanding FFB loan.

FFB means the Federal Financing Bank.

FFB loan means all or one or more, whole Advance made under a loan or loans made by FFB and guaranteed by RUS.

Invitation to proceed means the written notification issued by RUS to the Eligible entity that the Letter of Intent was reviewed and accepted and inviting the Eligible entity to advance to the next steps in the process in the Refinancing Program.

Letter of Intent means a signed letter issued by an Eligible entity notifying RUS of its intent to refinance a FFB loan containing the information required by RUS.

Additional Items in Supplementary Information

- A. Program Description
- B. Federal Award Information
- C. Eligibility Information
- D. Submission Information
- E. Agency Review of Letter of intent and Process for Proceeding
- F. Federal Awarding Agency Contact
- G. Other Information

A. Program Description

This is a pilot program authorized under section 749 of the Public Law 115-31, Consolidated Appropriations Act 2017 (section 749). Pursuant to section 749, RUS announces this pilot program which authorizes no more than \$600 million in funds from loans made by the Federal Financing Bank (FFB) that are guaranteed under section 306 of the Rural Electrification Act of 1936 (the Act) to be used for refinancing debt pursuant to section 306C of the Act, including any associated prepayment penalties and prepayment or refinance premium.

Eligible entities must demonstrate that the refinancing of the FFB loan will benefit its rate payers. No waiver of any prepayment premium will be granted; however, an Eligible entity may include the prepayment premium in the new FFB loan amount used for refinancing (the remaining principal balance outstanding plus interest and any prepayment premium). The amount of the new FFB loan will be the estimated amount necessary for such purpose. Any amount not required to pay in full to refinance the unpaid and outstanding FFB loan will be rescinded by RUS and not available for Advance without any further action required by the Eligible entity. As such, time is of the essence in documenting and advancing the new FFB loan.

Refinancing of a FFB loan under the Refinancing Program is not subject to section (c)(4) of section 306C of the Act (7 U.S.C. 936C(c)(4), which prohibits refinancing a FFB loan with a maturity date that exceeds the years remaining on the FFB loan before refinancing. Under the Refinancing Program, an Eligible entity will be allowed to select a maturity (not to exceed the final maturity date) for the Advance made under the new FFB note and select a new final maturity date not to exceed thirty-five (35) years. This additional flexibility and new final maturity date will further financially benefit the Eligible entity and its ratepayers. RUS will evaluate the requested FFB loan final maturity date to ensure that RUS continues to be adequately secured and that the new FFB loan will be repaid in the time agreed upon. In order to maximize the Refinancing Program, an Eligible entity will have the option of paying the prepayment premium, if any, on the due date or rolling the prepayment premium into the amount of the new FFB loan.

B. Federal Award Information

Type of Award: Loan

Fiscal Year 2017 Funds: Not more than \$600 million.

Authority: The Refinancing Program is a pilot program to be carried out by the Rural Utilities Service pursuant to Section 749 of the Consolidated Appropriations Act 2017, Public Law 115-31, May 5, 2017.

C. Eligibility Information

Eligible entity, as defined above.

D. Submission Information

1. Letter of Intent

Interested parties must send an email to the contact listed in “For Further Information Contact” section of this Notice to obtain an electronic sample of the Letter of intent. The sample Letter of intent can also be found online using the following web address:

<http://www.rd.usda.gov/Refinancing/>

2. Content of Letter of Intent

An Eligible entity must submit the required information in its Letter of Intent (LOI). FFB loan refinancing will be processed in a multi-step process as described herein. An Eligible entity must submit all the information identified in the Letter of Intent “Request for Refinancing of FFB Loan” available online at the following web address: <http://www.rd.usda.gov/Refinancing/>

a. Letter of Intent. The following information (information is available on borrower’s quarterly Statement of Account and Transactions (bill)) must be included in the LOI (as noted above incomplete LOI’s will not be considered) so please review for completeness of information:

i. FFB loan identification of each Future Advance Promissory Note payable to FFB (for example, “R8”) and the Note Designation (ex 00000000423, 00000000000425), including the following:

(A) Identify the FFB Advance identifier (account number ex. H0015, H0045) of each

Advance that will be refinanced;

(B) Specify whether one or more Advance will be refinanced (partial advances will not be considered);

(C) Identify the date of each Advance that will be refinanced;

(D) Identify the interest rate of each Advance;

(E) Specify the amount outstanding for each Advance that will be refinanced on latest quarterly bill;

(F) List all Advances in order of their refinancing priority (due to cap identified below) (all FFB loans intended to be refinanced should be prioritized and listed in case additional funds are available for this Refinancing Program); and

(G) A contact name, number and email.

ii. Short narrative demonstrating how the refinancing of the FFB loan will benefit its rate payers including, but not limited, to estimated savings to ratepayers, increased investment in energy efficiency or plant modernization, other factors resulting from savings associated with the refinancing, etc.

iii. Requested final maturity date for the new FFB loan. The requested final maturity date must be for a period not to exceed thirty-five years. An Eligible entity must submit a certification stating that the remaining useful life of its electric system is equal to or exceeds the new requested final maturity date and, that the requested final maturity date does not exceed the term of its wholesale power contract with its members or with its generation and transmission supplier. If the remaining useful life of its electric system or the wholesale power contract term is less than the final maturity date requested, the final maturity date will be modified for a shorter period.

b. After evaluating the request and the information specified below, RUS will send an Invitation to proceed identifying the FFB loan that will be refinanced and describing the next steps in the process. Additionally, RUS together with FFB will provide an estimate of the maximum principal amount of the new FFB loan needed to refinance the selected FFB loan and

the estimated amount of the prepayment premium, if any. An Eligible entity will make its regularly scheduled quarterly payment on the FFB loan. The initial estimate will be for the first business day after the end of the quarter. However, an Eligible entity may select another date in the quarter that is not the last day of the quarter to refinance its FFB loan. If a day other than the first day is chosen, all accrued interest, applicable fees and premium are due and payable on or before the refinancing day. RUS and FFB retain the right to move the refinancing date to another business day in the quarter if there are too many to process on any one day.

c. An Eligible entity will have seven business days to confirm, in writing, (including email) its intent to proceed with the refinancing, whether it will pay the prepayment premium, in full, on the refinancing date or roll the amount into the new FFB loan and a final prioritization of only the previously RUS accepted and identified FFB loan, up to the cap amount.

d. Upon receipt of the confirmation of the intent to proceed, an Eligible entity will receive a Conditional commitment letter that must be executed and the terms, conditions, if any, and the amount of the FFB loan accepted by the Eligible entity. The Eligible entity will then receive an FFB note and RUS Reimbursement note to execute. If necessary, authentication by its indenture trustee will be required. A supplemental indenture or other security instrument and related documents may be required to secure the FFB note and RUS Reimbursement note.

e. An Eligible entity must return the executed FFB note and RUS Reimbursement note together with its Advance Request, attached as Annex A to the FFB note, and any other required loan documents in a timely manner, as set forth in Section E. 3. d. The Advance Request, specifying the chosen options, should be marked "REFINANCING."

3. Compliance with other federal statutes

No additional compliance verification is necessary.

4. Funding Restriction

See below.

5. Submission Requirements

The refinancing process consists of several steps.

a. To be considered for the Refinancing Program for this fiscal year, a Borrower must submit its mandatory Letter of intent, that complies with the requirements in section D (2) of this Notice, in a PDF file, not to exceed 10 MB in size, by electronic mail (email) to REFINANCE-EP@RD.usda.gov no later than 11:59 p.m. (EST) on [INSERT DATE 30 DAYS FROM DATE OF PUBLICATION IN THE FEDERAL REGISTER].

b. By submitting the Letter of intent, the Eligible entity indicates to RUS that it intends to participate in the Refinancing Program, as described above and as identified in the LOI. RUS by extending an Invitation to proceed to an Eligible entity in the queue, a LOI does not obligate the Eligible entity to proceed. However, Eligible entities will only have seven business days to notify RUS whether it will proceed, as described above.

c. The borrower must execute and return new FFB note and any other required documents.

E. Agency Review of Letter of intent and Process for Proceeding

1. Letter of Intent.

RUS will consider complete Letters of Intent as they are received. Letters of intent will be reviewed by RUS for completeness.

2. Processing of Requests, Prioritization, and Maximum Refinancing Amount.

(a) Processing Requests and Prioritization. RUS will evaluate all LOI's received by the deadline identified above. If the dollar amount for all eligible requests is less than the total

dollar amount authorized by Congress for this Refinancing Program, requests will be processed in the order in which they were received. If the amount requested exceeds the total amount authorized by Congress, RUS will prioritize all requests based on the following criteria:

- (i) First, by the highest cumulative weighted average interest rate on the FFB loan to be refinanced; and
- (ii) Second, by the order in which the request was received.

(b) Maximum amount to any one Eligible entity. An Eligible entity may request any dollar amount and number of FFB loans for refinancing and are encouraged to do so. However, in order to ensure the widest practical use of the appropriated funds and that the greatest number of ratepayers are benefited, each Eligible entity will be limited to \$100 million of refinancing. As such, an Eligible entity in its LOI should additionally list, in order, its priority for the requested refinancing. RUS, in its sole discretion, reserves the right to reduce an Eligible entity's maximum amount to \$75 million if the total amount requested by all Eligible entities exceeds the authorized amount by 50 percent or more to maximize the use of the funds and benefit more Eligible entities and electric consumers/ratepayers. Due to the nature of potential changes in interest rates, time is of the essence in processing and documenting requests under the Refinancing Program, including returning to RUS the new FFB note, Reimbursement note and all other required documents.

If, after considering all eligible requests Refinancing Program funds remain available or otherwise become available, RUS will consider requests greater than \$100 million based on the order in which the LOI was received up to an additional \$100 million for each Eligible entity.

If additional funds are authorized for the Refinancing Program or for refinancing of FFB debt pursuant to section 306C of the Act, RUS reserves the right, in its sole discretion, to consider the requests received pursuant to this NOSA or to issue a new notice.

3. Process.

a. After evaluating the request and the information specified below, RUS will send an Invitation to proceed identifying the Advance accepted for refinancing and describing the next steps in the process. Additionally, RUS together with FFB will provide an initial estimate of the amount of the new FFB loan needed to refinance the selected Advance and the estimated amount of the prepayment premium, if any. An Eligible entity will make its regularly scheduled quarterly payment in the full amount. The estimate will be for the first business day after the end of the quarter. However, an Eligible entity may select another date in the quarter that is not the last day of the quarter to refinance its Advance. RUS and FFB retain the right to move the refinancing date to another business day in the quarter if RUS and FFB determine that there are too many to process on any one day.

b. An Eligible entity will have seven business days to confirm, in writing, (including email) its intent to proceed with the refinancing, whether it will pay the prepayment premium, in full, on the refinancing date or roll the amount into the new FFB loan, and a final prioritization of an Advance after reviewing the prepayment premium, if any, up to the cap amount. An Eligible entity will not be allowed to add or substitute an Advance based on the estimate. However, an Advance can be deleted from the final refinancing prior to receipt by the Eligible entity of the new FFB note. The final total amount necessary to refinance the FFB loan will be provided by RUS two business days before the scheduled refinancing date.

c. Upon receipt of the confirmation of the intent to proceed, an Eligible entity will receive a Conditional commitment letter that must be executed and accepted. After that, a new FFB note and RUS Reimbursement note will be sent for execution. If necessary, both notes will need to be authenticated by the Eligible Entity's indenture trustee. A supplemental indenture or other security instrument any related documents may be required to secure the FFB note and RUS Reimbursement note. If the prepayment premiums will be financed, the maximum principal amount of the FFB note will be rounded up two percent to be sufficient to prepay the amount in full. RUS reserves the right to change the rounding amount from two percent, if it determines that two percent is insufficient to accomplish the refinancing due to interest rate volatility. If the maximum principal amount of the executed FFB note is insufficient to cover all amounts due, according to the final amount provided two days in advance of the refinancing date, the Eligible entity is required to pay the deficient amount in full on or before the refinancing date.

d. An Eligible entity must return the executed FFB note and RUS Reimbursement note together with its Advance Request and any other required documents in a timely manner. FFB will require five days to purchase the FFB note after RUS has reviewed and processed the FFB note. The Advance Request, specifying the options chosen, by the Eligible entity, should be marked "REFINANCING." An Eligible entity will have the option of submitting no more than two Advance Requests (for ex. one for a short term maturity and one long term maturity or one for a long term maturity date not to exceed the final maturity date). If two are submitted they must be submitted simultaneously, dated the same date, same Advance request date, and together the amount cannot exceed the maximum principal amount of the FFB note. No funds will be advanced directly to the Eligible entity but will be advanced to prepay the FFB loan, as agreed

upon. As such, if all documents have not been returned to RUS by the 15th day of the third month of the quarter, the refinancing date will be moved to the first day of the next quarter.

F. FEDERAL AWARDING AGENCY CONTACT

Jonathan Claffey, Office of the Administrator, Rural Utilities Service, Rural Development, United States Department of Agriculture, 1400 Independence Avenue, SW, STOP 1510, Room 5136-S, Washington DC 20250-1510; Telephone: (202) 720-0736; Email: jon.claffey@wdc.usda.gov .

G. OTHER INFORMATION

USDA Non-Discrimination Statement

In accordance with Federal civil rights law and U.S. Department of Agriculture (USDA) civil rights regulations and policies, the USDA, its Agencies, offices, and employees, and institutions participating in or administering USDA programs are prohibited from discriminating based on race, color, national origin, religion, sex, gender identity (including gender expression), sexual orientation, disability, age, marital status, family/parental status, income derived from a public assistance program, political beliefs, or reprisal or retaliation for prior civil rights activity, in any program or activity conducted or funded by USDA (not all bases apply to all programs). Remedies and complaint filing deadlines vary by program or incident.

Persons with disabilities who require alternative means of communication for program information (e.g., Braille, large print, audiotape, American Sign Language, etc.) should contact the responsible Agency or USDA's TARGET Center at (202) 720-2600 (voice and TTY) or

contact USDA through the Federal Relay Service at (800) 877-8339. Additionally, program information may be made available in languages other than English.

To file a program discrimination complaint, complete the USDA Program Discrimination Complaint Form, AD-3027, found online at http://www.ascr.usda.gov/complaint_filing_cust.html and at any USDA office or write a letter addressed to USDA and provide in the letter all of the information requested in the form.

To request a copy of the complaint form, call (866) 632-9992. Submit your completed form or letter to USDA by:

- a. mail: U.S. Department of Agriculture
Office of the Assistant Secretary for Civil Rights
1400 Independence Avenue, SW
Washington, DC 20250-9410;
- b. facsimile: (202) 690-7442; or
- c. Email: program.intake@usda.gov.
- d. USDA is an equal opportunity provider, employer, and lender.

Dated: October 12, 2017.

Christopher A. McLean
Acting Administrator
Rural Utilities Service
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