

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE)
SHELBY RURAL ELECTRIC CO-)
OPERATIVE CORPORATION FOR)
THE AUTHORIZATION TO CON-)
CURRENTLY BORROW FIVE)
HUNDRED FORTY THOUSAND)
(\$540,000) DOLLARS FROM THE)
UNITED STATES OF AMERICA,)
AND TWO HUNDRED FORTY-FOUR) CASE NO. 8827
THOUSAND (\$244,000.00))
DOLLARS FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION, AND)
FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY)
AUTHORIZING EXTENSIONS AND)
IMPROVEMENTS OF ITS EXIST-)
ING LINES AND ADDITIONS)
TO ITS SYSTEM)

O R D E R

Shelby Rural Electric Cooperative Corporation ("Shelby") filed its application on May 9, 1983, for a certificate of public convenience and necessity to construct certain improvements and additions to its existing plant. These improvements and additions as more specifically described in the application and record are estimated to cost \$1,059,000 and will be financed by a loan of \$540,000 from the Rural Electrification Administration ("REA"), a loan of \$244,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") and \$287,200 from internal funds. The Commission requested additional information on May 18 and

June 10, 1983, from Shelby, which was received on May 27 and June 15, 1983.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Shelby is seeking to borrow funds from the REA. On November 12, 1982, the Franklin Circuit Court issued its opinion in West Kentucky RECC v. Energy Regulatory Commission. Therein, the Court held that the Commission had no authority to approve or disapprove borrowings from the REA since the REA is an agency of the federal government and KRS 278.300(10) exempts such borrowing from Commission regulation. Accordingly, the Commission takes no action on the REA portion of Shelby's proposed borrowing.

2. Public convenience and necessity require the construction by Shelby of the improvements and additions to its existing plant as described in the application and record, and that a certificate be granted.

3. The proposed borrowing from CFC is for lawful objects within the corporate purposes of Shelby, is necessary and appropriate for and consistent with the proper performance by Shelby of its service to the public, and will not impair its ability to perform that service.

IT IS THEREFORE ORDERED that Shelby be and it hereby is granted a certificate of convenience and necessity to proceed with the construction as set forth in the application and record.

IT IS FURTHER ORDERED that Shelby be and it hereby is authorized to borrow \$244,000 from CFC for a 35-year period, at an initial interest rate of 12 1/4 percent per annum for the first 7 years of the loan and to be subject to adjustment thereafter.

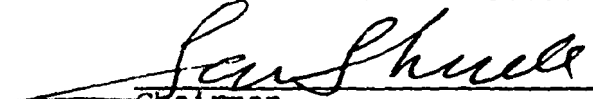
IT IS FURTHER ORDERED that Shelby be and it hereby is authorized to execute its notes as security for the loan herein authorized.

IT IS FURTHER ORDERED that the proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 22nd day of June, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary