

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LICKING)
VALLEY RECC FOR THE AUTHORIZA-)
TION TO BORROW FOUR HUNDRED,)
FORTY SIX THOUSAND (\$446,000))
DOLLARS FROM NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE) CASE NO. 8833
CORPORATION, AND TO EXECUTE)
A NOTE FOR SAID SUM, AND FOR)
A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO)
MAKE CERTAIN EXTENSIONS AND)
IMPROVEMENTS TO ITS SYSTEM)

O R D E R

Licking Valley Rural Electric Cooperative Corporation ("Licking Valley") filed its application on May 16, 1983, for authorization to borrow funds and 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 \$1,942,350 and will be financed by a loan of \$988,000 from the Rural Electrification Administration ("REA"), a loan of \$446,000 from the National Rural Utilities Cooperative Finance Corporation ("NCRUC") and \$530,650 from internal funds. The Commission requested additional information from Licking Valley on May 20 and June 9, 1983, which was received on May 26 and June 13, 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. Licking Valley 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 Licking Valley's proposed borrowing.

2. Public convenience and necessity require the construction by Licking Valley 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 Licking Valley, is necessary and appropriate for and consistent with the proper performance by Licking Valley of its service to the public, and will not impair its ability to perform that service.

IT IS THEREFORE ORDERED that Licking Valley 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 Licking Valley be and it hereby is authorized to borrow \$446,000 from CFC for a 35-year period, at an initial interest rate of 11 3/4 percent per annum for the first 7 years of the loan and to be subject to adjustment thereafter.

IT IS FURTHER ORDERED that Licking Valley 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 17th day of June, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary