

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF CUMBERLAND VALLEY RURAL)
ELECTRIC COOPERATIVE CORPORATION, GRAY,)
KENTUCKY, FOR AN ORDER AUTHORIZING IT TO)
BORROW \$1,575,000 FROM THE UNITED STATES OF)
AMERICA, AND \$695,876 FROM NATIONAL RURAL) CASE NO. 9450
UTILITIES COOPERATIVE FINANCE CORPORATION,)
TO EVIDENCE SAME BY NOTES AND SECURE THE)
NOTES, AND FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY.)

O R D E R

Cumberland Valley Rural Electric Corporation ("Cumberland Valley") filed its application on October 29, 1985, for authorization to borrow funds and to request a certificate of 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 \$2,697,850 and will be financed by a loan of \$1,575,000 from the Rural Electrification Administration ("REA") and a loan of \$695,876 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

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

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

3. Cumberland 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 PSC 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 PSC regulation. Accordingly, the Commission takes no action on the REA portion of Cumberland Valley's proposed borrowing.

IT IS THEREFORE ORDERED that Cumberland 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 Cumberland Valley be and it hereby is authorized to borrow \$695,876 from CFC for a 35-year period at an initial interest rate of 10 1/2 percent per annum for a period of 7 years and the rate to be subject to change thereafter.

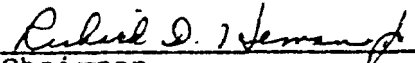
IT IS FURTHER ORDERED that Cumberland Valley be and it hereby is authorized to execute its notes as security for the loan herein authorized.

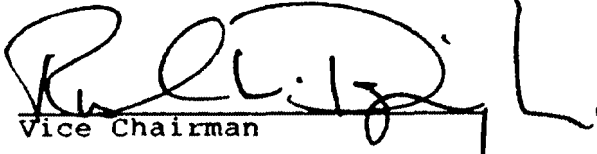
IT IS FURTHER ORDERED that the proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

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 8th day of January, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Acting Secretary