

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HENDERSON-UNION RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR)
AUTHORIZATION TO BORROW \$1,229,897.00)
FROM NATIONAL RURAL UTILITIES COOPERATIVE) CASE NO.
FINANCE CORPORATION AND TO ISSUE ITS) 10487
EVIDENCES OF INDEBTEDNESS THEREFORE AND)
FOR CERTIFICATE OF CONVENIENCE AND)
NECESSITY)

INTERIM ORDER

Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") filed its application on December 5, 1988 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, and for approval to borrow \$1,229,897 from the National Rural Utilities Cooperative Finance Corporation ("CFC") and to issue its evidences of indebtedness to secure such loan.

In support of its application, Henderson-Union filed its 1989-1990 Work Plan, which describes in detail the improvements and additions to plant that are required over the next 2 years to serve its load. These improvements and additions are estimated to cost \$3,976,725 and will be financed by loans of \$2,784,000 from the Rural Electrification Administration ("REA") and of \$1,229,897 from CFC.

Henderson-Union seeks authorization to construct extensions and additions to its plant as follows:

1. Conversion, Tie Lines and Line Changes	\$ 968,500
2. Line Reinsulation	386,750
3. Sectionalizing Devices	90,000
4. New Construction	1,246,675
5. Increased Service Capacity	146,700
6. Clearance Poles	125,000
7. Security Lights	122,500
8. Ordinary Pole Replacements	560,000
9. Capacitors	21,600
10. Autotransformers	27,000
11. Substation Facilities	<u>282,000</u>
TOTAL	\$3,976,725

The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to provide adequate and dependable electric service to existing and expected customers.

In its response to the Commission's informational request of December 22, 1988, Henderson-Union stated that neither REA nor CFC had approved the loans. The Commission believes that final action on Henderson-Union's application for authority to borrow funds would be premature until such time as the appropriate approvals from REA and CFC have been acquired. Therefore, the Commission will defer the approval of the proposed borrowing from CFC. Henderson-Union shall notify the Commission when it has received the requisite loan approvals from REA and CFC and its request for authorization to borrow from CFC will be considered at that time. To expedite the request, Henderson-Union, at the time of notice, should file documentation of the REA and CFC loan approvals,

appropriate updates of its original application, an explanation of the CFC loan program it anticipates selecting, the current interest rates for all CFC loan programs, and explain if it will be able to meet the increased debt service requirements with the revenues derived from existing rates.

FINDINGS AND ORDERS

Based on the evidence of record, and being advised, the Commission is of the opinion and finds that:

1. Public convenience and necessity require the construction by Henderson-Union of the improvements and additions to its existing plant as described in its 1989-1990 Work Plan, and that a certificate should be granted.

2. As its loans have yet to be approved by REA and CFC, good cause exists to continue, beyond the 60-day period prescribed in KRS 278.300(2), Henderson-Union's application for authority to borrow funds.

IT IS THEREFORE ORDERED that:

1. Henderson-Union be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the construction and additions as set forth in its 1989-1990 Work Plan.

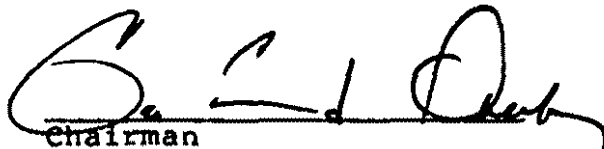
2. Henderson-Union's application for authority to borrow funds from REA and CFC be and it hereby is continued until such time as REA and CFC have approved its loan applications.

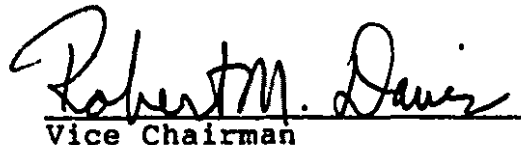
3. Henderson-Union shall promptly notify this Commission in writing of REA's and CFC's approval of its loan applications. With such written notice, it shall provide documentary evidence of

REA and CFC approval, an explanation of the CFC program which it expects to select, and the current interest rates for all CFC loan programs. Henderson-Union shall also update its original application, where appropriate, and explain if its increased debt service requirements can be met with the revenues derived from existing rates.

Done at Frankfort, Kentucky, this 2nd day of February, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director