

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG SANDY RURAL)
ELECTRIC COOPERATIVE CORPORATION)
FOR AUTHORITY TO EXECUTE ITS NOTE)
TO THE NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION IN)
THE AMOUNT OF \$719,588 AND FOR)
AUTHORITY TO EXECUTE A LOAN) CASE NO. 89-025
AGREEMENT BETWEEN BIG SANDY RURAL)
ELECTRIC COOPERATIVE CORPORATION)
AND NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION FOR)
A CERTIFICATE OF CONVENIENCE AND)
NECESSITY)

O R D E R

Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") filed its application on February 3, 1989 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, and for approval to borrow funds and to execute its notes to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$2,326,750 and are to be financed by a loan of \$1,629,000 from the Rural Electrification Administration ("REA") and a loan of \$719,588 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

On April 11, 1989, the Commission issued an Interim Order granting Big Sandy a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA or CFC had yet agreed to make

them. On May 26, 1989, Big Sandy filed copies of correspondence received from REA and CFC approving its loans.

FINDINGS AND ORDERS

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

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

2. Big Sandy is capable of executing its notes as security for the loan as stated herein.

3. Big Sandy should select the interest rate program resulting in the net lowest cost of money to it over the term of the financing.

4. Big Sandy should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in Big Sandy's application.

6. Big Sandy should include in its monthly financial report to the Commission the current interest rate on its variable rate loans outstanding.

7. As the REA is an agency of the federal government, Commission approval of Big Sandy's proposed loan with REA is not required pursuant to KRS 278.300(10).

IT IS THEREFORE ORDERED that:

1. Big Sandy be and it hereby is authorized to borrow \$719,588 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Big Sandy, at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

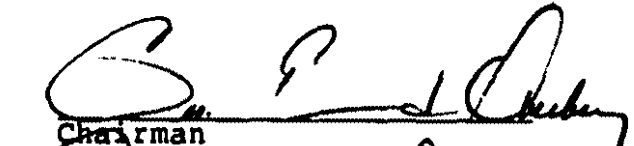
2. Big Sandy be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Big Sandy shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

Nothing contained herein 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 June, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director