

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE BLUE GRASS RURAL )  
ELECTRIC COOPERATIVE CORPORATION FOR )  
CERTIFICATE OF PUBLIC CONVENIENCE AND )  
NECESSITY TO EXECUTE ITS NOTE TO THE )  
UNITED STATES OF AMERICA IN THE AMOUNT ) CASE NO. 89-031  
OF \$3,857,000 AND TO EXECUTE ITS NOTE )  
TO NATIONAL RURAL UTILITIES COOPERATIVE )  
FINANCE CORPORATION IN THE AMOUNT OF )  
\$1,740,000 AND EXECUTION OF A RESTATED )  
MORTGAGE AND SECURITY )

O R D E R

Blue Grass Rural Electric Cooperative Corporation ("Blue Grass RECC") filed its application on February 9, 1989 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant and for an approval to borrow funds and to execute its note to secure such loan.

In support of its application, Blue Grass RECC filed its 1988-1989 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 \$5,542,080 and will be financed by loans of \$3,857,000 from the Rural Electrification Administration ("REA") and of \$1,740,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

Blue Grass RECC seeks authorization to construct extensions and additions to its plant as follows:

1. New Construction	\$1,941,500
2. Line Conversions	2,217,130
3. Misc. Distribution Equipment	1,340,900
4. Security Lights	<u>42,550</u>
TOTAL	\$5,542,080

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.

#### FINDINGS AND ORDERS

The 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 Blue Grass RECC of the improvements and additions to its existing plant as described in its 1988-1989 Work Plan and that a certificate should be granted.

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

3. Blue Grass RECC is capable of executing its notes as security for the loan as stated herein.

4. Blue Grass RECC should utilize the interest rate program which will result in the net lowest cost of money to Blue Grass RECC over the term of the financing.

5. Blue Grass RECC should notify the Commission of the interest rate option selected for financing approved herein along with a statement as to the basis for the decision.

6. The proceeds from the proposed loans should be used only for the lawful purposes set out in Blue Grass RECC's application and record.

7. Blue Grass RECC should file, along with its monthly financial report to the Commission, the current interest rate on its outstanding variable rate loans.

8. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Blue Grass RECC's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Blue Grass RECC 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 1988-1989 Work Plan.

2. Blue Grass RECC be and it hereby is authorized to borrow \$1,740,000 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Blue Grass RECC, 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.


3. Blue Grass RECC be and it hereby is authorized to execute its notes as security for the loan herein authorized.

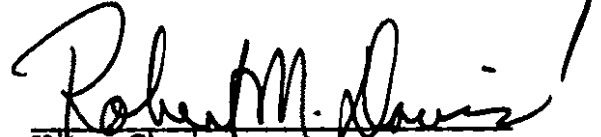
4. Blue Grass RECC shall comply with all matters set out in Findings 4 through 7 as if they were individually so Ordered.

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 29th day of March, 1989.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director