

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SHELBY RECC FOR THE)	
AUTHORIZATION TO BORROW FIVE HUNDRED)	
EIGHTY THOUSAND, FOUR HUNDRED TWELVE)	
(\$580,412.00) DOLLARS FROM NATIONAL)	
RURAL UTILITIES COOPERATIVE FINANCE)	CASE NO. 90-022
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

Shelby Rural Electric Cooperative Corporation ("Shelby RECC") filed its application on January 30, 1990 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 notes to secure such loans.

In support of its application, Shelby RECC 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 \$1,877,002 and will be financed by loans of \$1,314,000 from the Rural Electrification Administration ("REA") and of \$580,412¹ from the National Rural Utilities Cooperative Finance Corporation ("CFC").

¹ The borrowing from CFC includes the purchase of capital term certificates, in an amount equal to 3 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates.

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

1. Conversions, Tie Lines and Line Changes	\$ 323,900
2. Sectionalizing Devices	23,400
3. New Member Extensions	1,000,000
4. Increased Service Capacity	141,100
5. Security Lights	32,000
6. Voltage Regulating Devices	36,000
7. Pole Replacements	180,000
8. Conductor Replacements	81,166
9. Poles Added for Clearance	<u>59,436</u>
TOTAL	\$1,877,002

The system improvements recommended in this Work Plan will not duplicate existing facilities and they are part of the long-range program which will maintain Shelby RECC's system so that it can supply the growing demands of its members which, at present, number approximately 7,818. The average monthly electric consumption of these members has grown steadily, and engineering studies indicate that it will continue to grow for several years. The system improvements are necessary to provide for increase load growth, maintain quality voltage and good service reliability.

FINDINGS AND ORDERS

The Commission, after consideration of the application and all evidence of record and being advised, finds that:

1. Public convenience and necessity require the construction by Shelby RECC 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. The proposed loan from CFC is for lawful objects within the corporate purposes of Shelby RECC, is necessary and appropriate for and consistent with the proper performance by Shelby RECC of its service to the public, and will not impair its ability to perform that service.

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

4. Shelby RECC should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

5. Shelby RECC should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

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

7. Shelby RECC should include in its monthly 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 Shelby RECC's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Shelby 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 1989-1990 Work Plan.

2. Shelby RECC be and it hereby is authorized to borrow \$580,412 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Shelby 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. Shelby RECC be and it hereby is authorized to execute its notes as security for the loan herein authorized.

4. Shelby 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 10th day of April, 1990.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director