

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CLARK RURAL ELECTRIC)
 COOPERATIVE CORPORATION FOR AN ORDER)
 AUTHORIZING SAID CORPORATION TO BORROW)
 ONE MILLION ONE HUNDRED FORTY-FOUR)
 THOUSAND THREE HUNDRED THIRTY DOLLARS)
 (\$1,144,330) FROM NATIONAL RURAL)
 UTILITIES COOPERATIVE FINANCE CORPORA-)
 TION AND TO EXECUTE A NOTE FOR SAID SUM)
 TO NATIONAL RURAL UTILITIES COOPERATIVE)
 FINANCE CORPORATION, SAID NOTE TO BE)
 ISSUED UNDER AND SECURED BY A MORTGAGE)
 TO BE EXECUTED BY THE CORPORATION AND)
 DELIVERED TO NATIONAL RURAL UTILITIES)
 COOPERATIVE FINANCE CORPORATION, THE)
 PROCEEDS TO BE USED IN THE BUILDING AND)
 ERECTING OF FIFTY-THREE (53.00) MILES OF)
 DISTRIBUTION LINES IN BATH, BOURBON,)
 CLARK, ESTILL, FAYETTE, MADISON, MENIFEE,)
 MONTGOMERY, MORGAN, POWELL, ROWAN, AND)
 WOLF COUNTIES IN KENTUCKY.)

CASE NO. 90-274

O R D E R

IT IS ORDERED that Clark Rural Electric Cooperative Corporation ("Clark") shall file an original and six copies of the following information with this Commission, with a copy to all parties of record within 7 days from the date of this Order. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Concerning the response to Item 5 of the Commission's Order of October 24, 1990, provide the following information:

a. The results of any analysis performed by or for Clark concerning the expected changes in interest rates over the next 12 months.

b. Explain in detail why Clark believes that variable interest rates do not provide stable costs.

c. Under the terms of the loan proposed with the National Rural Utilities Cooperative Corporation ("CFC"), explain what interest rate conversion options are available to Clark after the loan is drawn down.

d. As of the date of the response, the fixed interest rate was 9.75 percent and the variable interest rate was 9.125 percent. Explain why it is beneficial to the ratepayers of Clark to select the fixed interest rate which is higher, and would generate higher interest expense, than the variable interest rate.

2. The response to Item 8 indicates that the CFC loan approval is included with the response. The referenced letter is only a notice that the loan processing is completed, and not an approval letter. Provide documentation which indicates that the CFC loan has been approved.

3. Concerning the response to Item 9, Clark indicates that \$888,962 will be financed by internally generated funds.

a. Explain why Clark is required to provide this level of funding, rather than including the amount in its loan request.

b. Explain how Clark is planning to raise the \$888,962.

c. Indicate whether Clark has already secured the additional \$888,962.

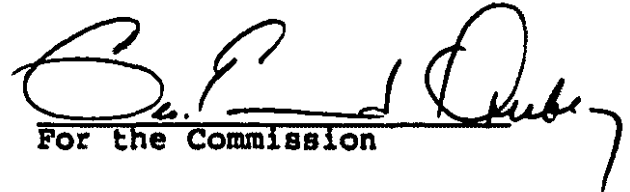
4. Clark filed this application on September 11, 1990. The total cost of the work plan is \$4,623,292. As of October 1, 1990, Clark has completed \$1,254,811 of the work plan. Explain why Clark did not seek a certificate of convenience and necessary before nearly one-fourth of the work plan was completed.

5. Clark chose to install regulators as a temporary measure to reduce voltage drop instead of implementing an alternative option that would result in a permanent solution. What other alternative options that would result in a permanent solution to reduce voltage drop were considered by Clark? Provide the cost of implementation for each alternative that was considered.

6. Provide a voltage drop study based on 1991 loads using proposed system circuitry.

Done at Frankfort, Kentucky, this 12th day of November, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director