

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION BY THE FOX CREEK RURAL)
ELECTRIC COOPERATIVE CORPORATION TO)
BORROW ADDITIONAL SUMS OF MONEY IN THE)
AMOUNT OF \$618,557.00, AT A VARIABLE)
INTEREST RATE, FROM NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE) CASE NO. 90-352
CORPORATION, TO EXECUTE A NOTE)
THEREFOR TO BE SECURED BY COMMON)
MORTGAGE HERETOFORE EXECUTED UNDER)
DATE OF DECEMBER 4, 1973, AND FOR A)
CERTIFICATE OF CONVENIENCE AND)
NECESSITY)

O R D E R

IT IS ORDERED that Fox Creek Rural Electric Cooperative Corporation ("Fox Creek") shall file an original and six copies of the following information with this Commission, with a copy to all parties of record within twenty 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. Provide a detailed description of any other financing options that were considered in securing the National Rural Utilities Cooperative Finance Corporation ("CFC") loan. This response should include the reason(s) that CFC financing was selected over other options, as well as the results of any studies conducted which support the use of CFC financing.

2. Provide the additional debt service requirements associated with the Rural Electrification Administration ("REA") loan and the CFC loan, using the REA interest rate of 5 percent and the current CFC variable and fixed interest rates.

3. Provide an amortization schedule of the proposed loan from CFC using the current rates for variable and fixed loans.

4. Provide an explanation of whether Fox Creek will be able to meet its increased debt service requirements with the revenues generated by its existing rates.

5. On page 2 of its application, Fox Creek indicated that its proposed loan with CFC would be using a variable interest rate. Provide the following information:

a. Explain why Fox Creek has already determined the interest rate option to be used for the proposed loan.

b. Explain why Fox Creek decided to use a variable interest rate rather than a fixed rate.

c. The interest rate option is selected at the time of the loan draw down. Indicate whether Fox Creek will re-evaluate its selection of loan interest rates at that time or if Fox Creek is committed to the variable interest rate regardless of what the interest rate situation is.

6. Provide documentation which indicates that the loans have been approved by REA and CFC.

7. Concerning the purchase of CFC Capital Term Certificate ("Certificate"), provide the following information:

a. The calculations which support the rate for and the amount of Certificate purchases for the proposed loan.

b. Indicate which option Fox Creek plans to use in the purchase of the required Certificate and explain the reason for the selection of this option.

8. Concerning the actual work performed under the 1990-91 Work Plan, provide the following information:

a. Indicate when Fox Creek began construction under the 1990-91 Work Plan.

b. Identify how much Fox Creek has spent on the 1990-91 Work Plan, as of the date of the response to this Order.

c. If construction under the 1990-91 Work Plan has already begun, explain in detail why Fox Creek did not seek a Certificate of Convenience and Necessity before the work began, as required under KRS 278.020.

9. Provide a voltage drop study based on December 1991 loads using existing system circuitry.

Done at Frankfort, Kentucky, this 14th day of December, 1990.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Lee M. MacCracken
Executive Director