

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION BY THE FOX CREEK)
RURAL ELECTRIC COOPERATIVE CORPOR-)
ATION TO BORROW ADDITIONAL SUMS OF)
MONEY IN THE AMOUNT OF \$618,557.00)
AT A VARIABLE INTEREST RATE, FROM)
NATIONAL RURAL UTILITIES COOPERATIVE) CASE NO. 90-352
FINANCE 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

Fox Creek Rural Electric Cooperative Corporation ("Fox Creek") filed its application on December 5, 1990 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow funds, and to execute notes to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$2,000,730 and will be financed by a \$1,401,000 loan from the Rural Electrification Administration ("REA") and a \$618,557¹ loan from

¹ The amount borrowed from CPC includes the purchase of capital term certificates, in an amount equal to 3 percent of the total CPC loan. CPC requires its borrowers to purchase these certificates. The purchases required of Fox Creek for this loan total \$18,557. The total amount of the REA and CPC loans equals \$2,001,000.

the National Rural Utilities Cooperative Finance Corporation ("CFC").

On February 1, 1991, the Commission issued an Interim Order granting Fox Creek a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA nor CFC had yet agreed to make them. On February 11, 1991, Fox Creek filed a copy of correspondence received from REA approving its loan. Notice of CFC approval was filed February 15, 1991.

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

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

2. Fox Creek is capable of executing its notes as security for the loan as stated herein.

3. Fox Creek should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Fox Creek 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 Fox Creek's application.

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

7. 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 Fox Creek's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Fox Creek be and it hereby is authorized to borrow \$618,557 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Fox Creek, 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.

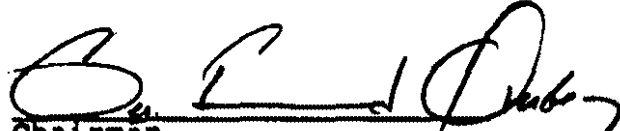
2. Fox Creek be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Fox Creek 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 12th day of March, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director