

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR AN ORDER)	
AUTHORIZING IT TO BORROW FROM AND EXECUTE)	
A NOTE TO THE NATIONAL RURAL UTILITIES)	
COOPERATIVE FINANCE CORPORATION IN THE)	CASE NO. 91-035
AMOUNT OF \$667,010 TO PROVIDE FUNDS FOR)	
THE CONSTRUCTION OF DISTRIBUTION AND)	
SERVICE LINES, MISCELLANEOUS CONSTRUCTION)	
INCLUDING TRANSFORMERS, SYSTEM IMPROVE-)	
MENTS, LABOR, MEMBER SERVICE MATERIAL AND)	
OTHER EXPENSES AND CONTINGENCIES)	

O R D E R

Grayson Rural Electric Cooperative Corporation ("Grayson") filed its application on February 20, 1991 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow \$667,010 from the National Rural Utilities Cooperative Finance Corporation ("CFC"), and to execute its notes to secure such loan.

In support of its application, Grayson filed its 1990-1992 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 \$2,157,730 and will be financed by loans of \$1,511,000 from

the Rural Electrification Administration ("REA") and the \$667,010¹ from CFC.

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

1. Converted and New Lines	\$ 437,450
2. Voltage Regulators & Reclosers	88,700
3. New Member Extension	1,071,000
4. Increased Service Capacity	114,000
5. Ordinary Replacements	401,280
6. Security Lights	16,800
7. Clearance Poles	<u>28,500</u>
TOTAL	\$2,157,730

The proposed construction will enable Grayson to continue to provide adequate and dependable service to 11,650 customers. The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, and provide for improved service reliability.

Based on the evidence of record and being otherwise sufficiently advised, the Commission hereby finds that:

1. Public convenience and necessity require the construction by Grayson of the improvements and additions to its existing

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. The purchases required of Grayson for this loan total \$20,010. The total amount of the REA and CFC loans equals \$2,178,010.

plant as described in its 1990-1992 Work Plan, and that a certificate should be granted.

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

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

4. Grayson 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. Grayson should notify the Commission in writing of the interest rate program selected and of the reasons for its selection within 10 days of the selection of the program.

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

7. Grayson 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 Grayson's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Grayson 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 1990-1992 Work Plan.

2. Grayson be and it hereby is authorized to borrow \$667,010 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Grayson, 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. Grayson be and it hereby is authorized to execute its notes as security for the loan herein authorized.

4. Grayson 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 19th day of April, 1991.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director