

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FLEMING-MASON RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER)
AUTHORIZING SAID CORPORATION TO BORROW ONE)
MILLION NINE HUNDRED AND SIXTY SIX)
(\$1,966,000.00) THOUSAND DOLLARS FROM THE)
UNITED STATES OF AMERICA, AND TO EXECUTE A NOTE)
FOR SAID SUM TO THE UNITED STATES OF AMERICA,)
AND TO BORROW FROM THE NATIONAL RURAL UTILITIES) CASE NO.
COOPERATIVE FINANCE CORPORATION, THE SUM OF) 91-081
EIGHT HUNDRED SIXTY THOUSAND TWO HUNDRED AND)
FOUR (\$860,204.00) DOLLARS, AND TO EXECUTE)
A NOTE FOR SAID SUM TO THE NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE CORPORATION)
TO PROVIDE FOR THE CONSTRUCTION AND OPERATION)
OF ADDITIONAL ELECTRIC DISTRIBUTION AND)
SERVICE LINES)

O R D E R

IT IS ORDERED that Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") shall file an original and six copies of the following information with this Commission, with a copy to all parties of record within 10 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 financing options other than National Rural Utilities Cooperative Finance Corporation ("CFC") that were considered in securing the supplemental financing requested herein. 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 CFC loan using the current rates for variable and fixed loans.

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

5. Provide a thorough discussion of Fleming-Mason's analysis of the various loan programs available through CFC. If the advance of funds from this proposed loan was to be made by the date of the response to this Order, explain which loan program Fleming-Mason would select and explain how Fleming-Mason determined that this was the best option. Include with this explanation the results of any economic studies or analysis used by Fleming-Mason in making the loan program selection.

6. Provide a copy of the board of director's resolution authorizing Fleming-Mason to borrow the funds.

7. Concerning the purchase of the 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 Fleming-Mason plans to use in the purchase of the required Certificate and explain the reason

for the selection of this option.

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

9. Concerning the actual work performed under the 1990-92 Work Plan, provide the following information:

a. Indicate when Fleming-Mason began construction under the 1990-92 Work Plan.

b. Identify how much Fleming-Mason has spent on the 1990-92 Work Plan, as of the date of its response to this Order.

c. If construction under the 1990-92 Work Plan has already begun, explain why Fleming-Mason believes a Certificate of Convenience and Necessity under KRS 278.020 was not required before the work began.

10. Section B of REA Form 740c is a summary of the amounts and sources of financing. Fleming-Mason has indicated that \$320,850 in funding will be available from loan funds and \$348,240 in funding will be available from general funds. Provide the following information:

a. Explain how it was determined that \$320,850 in loan funds would be available for the 1990-92 Work Plan. Identify the source of these loan funds and the conditions and terms of the loan. Include all supporting calculations and workpapers used in this determination.

b. Explain how it was determined that \$348,240 in general funds would be available for the 1990-92 Work Plan. Include all supporting calculations and workpapers used in this determination.

c. The total cost of the 1990-92 Work Plan is shown on REA Form 740c as \$3,478,090. Explain why Fleming-Mason is providing approximately 19 percent of the costs through its general funds and loan funds other than the requested REA and CFC loans, instead of borrowing the entire cost of the Work Plan.

11. The Commission is aware that changes are currently underway in the REA loan program. Fleming-Mason has indicated that it is requesting a loan from REA for \$1,966,000, which represents 70 percent of the total financing needs for the 1990-92 Work Plan. Provide the following information:

a. A discussion of the current status of the REA loan program and an explanation of the impact the changes in the REA loan program will have on the current loan application of Fleming-Mason. Include copies of any notices or correspondence received from REA concerning the changes in the loan program.

b. Describe any other financing options available to Fleming-Mason for the financing of the total 1990-92 Work Plan.

c. A copy of any correspondence received from REA which indicates that it will receive a loan approval for an amount different from the requested \$1,966,000.

12. Regarding the Voltage Drop Study filed in the two-year work plan, provide the following information:

a. Each page of the computer printout included in the study is entitled Inter-County RECC Voltage Drops. Is this study for Inter-County RECC?

b. Some corrections were made on the computer printout in handwriting. Is the program that was used in this Voltage Drop

Study not accurate? If the response is yes, explain why such a program was used.

c. As a result of the Voltage Drop Study, it was recommended that Fleming-Mason should take action to reduce voltage drops. Explain if Fleming-Mason installed any voltmeters on its system to compare actual voltage drops to that given by the study.

13. Provide a Voltage Drop Study based on December 1989 loads using the proposed system circuitry.

14. Page 15 of the two-year Work Plan is entitled Big Sandy Rural Electric Cooperative Corporation and is corrected with handwriting to read Fleming-Mason and on the second line Floyd was scratched out and Fleming was handwritten. Is the detailed construction program provided in this page for Big Sandy RECC or Fleming-Mason?

15. The names of two other utilities, Big Sandy RECC and Inter-County RECC, appear in Fleming-Mason's two-year Work Plan. Review the detailed construction program and Voltage Drop Study filed in this case and advise the Commission if any changes are needed to reflect Fleming-Mason's system.

Done at Frankfort, Kentucky, this 3rd day of May, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director