

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FARMERS RURAL ELECTRIC)
COOPERATIVE CORPORATION, OF GLASGOW,)
KENTUCKY, FOR A CERTIFICATE OF CONVEN-)
IENCE AND NECESSITY FOR CONSTRUCTION OF)
NEW EXTENSIONS AND SYSTEM IMPROVEMENTS OF) CASE NO. 91-092
ITS EXISTING FACILITIES, AND FOR THE)
NECESSARY APPROVAL TO BORROW \$990,722)
FROM THE NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION FOR THE)
AFORESAID PURPOSES)

O R D E R

IT IS ORDERED that Farmers Rural Electric Cooperative Corporation ("Farmers") 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, Farmers 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 Farmers will be able to meet its increased debt service requirements with the revenues generated by its existing rates.

5. Provide a thorough discussion of Farmers 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 Farmers would select and explain how Farmers determined that this was the best option. Include with this explanation the results of any economic studies or analysis used by Farmers in making the loan program selection.

6. 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 Farmers plans to use in the purchase of the required Certificate and explain the reason for the selection of this option.

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

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

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

b. Identify how much Farmers 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 Farmers believes a Certificate of Convenience and Necessity under KRS 278.020 was not required before the work began.

9. Section B of REA Form 740c is a summary of the amounts and sources of financing. Farmers has indicated that \$785,590 in funding will be available from general funds. Provide the following information:

a. Explain how it was determined that \$785,590 in general funds would be available for the 1990-92 Work Plan. Include all supporting calculations and workpapers used in this determination.

b. The total cost of the 1990-92 Work Plan is shown on REA Form 740c as \$3,990,590. Explain why Farmers is providing approximately 20 percent of the costs through its general funds instead of borrowing the entire cost of the Work Plan.

10. The Commission is aware that changes are currently underway in the REA loan program. Farmers has indicated that it is requesting a loan from REA for \$2,244,000, 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 explain the impact the changes in the REA loan program will have on the current loan application of Farmers. Include copies of any notices or correspondence received from REA concerning the changes the changes in the loan program.

b. Describe any other financing options available to Farmers 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 \$2,244,000.

11. Provide a copy of the board of directors' resolution authorizing Farmers to borrow the funds.

Done at Frankfort, Kentucky, this 17th day of May, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director