

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE JACKSON)
COUNTY RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AUTHORITY TO BORROW)
FROM THE NATIONAL RURAL UTILITIES)
COOPERATIVE FINANCE CORPORATION) CASE NO. 90-394
(CFC) AND TO EXECUTE ITS MORTGAGE)
NOTE OR A SERIES OF MORTGAGE NOTES)
TO SECURE THE SAME AND FOR A)
CERTIFICATE OF CONVENIENCE AND)
NECESSITY)

O R D E R

Jackson County Rural Electric Cooperative Corporation ("Jackson County") filed its application on January 7, 1991 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 \$11,565,880 and will be financed by a \$5,768,000 loan from the Rural Electrification Administration ("REA") and a \$2,548,454¹ loan from the National Rural Utilities Cooperative Finance Corporation

¹ The amount borrowed 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 Jackson County for this loan total \$76,454. The total amount of the REA and CFC loans equals \$8,240,000.

("CFC"). A total of \$3,325,880 will be financed by Jackson County with internally generated funds.

On March 6, 1991, the Commission issued an Interim Order granting Jackson County 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 18, 1992, Jackson County filed copies of correspondence received from REA and CFC approving the loans.

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 Jackson County, is necessary and appropriate for and consistent with the proper performance by Jackson County of its service to the public, and will not impair its ability to perform that service.

2. Jackson County is capable of executing its notes as security for the loan as stated herein.

3. Jackson County 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, Jackson County 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 Jackson County's application.

6. Jackson County 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 Jackson County's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Jackson County be and it hereby is authorized to borrow \$2,548,454 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Jackson County, 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.

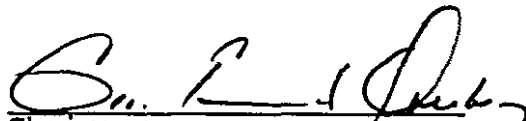
2. Jackson County be and it hereby is authorized to execute its notes as security for the loan herein authorized.

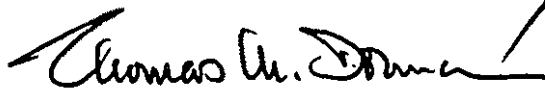
3. Jackson County shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.


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 27th day of February, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director