

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. 91-081
COOPERATIVE FINANCE CORPORATION,)	
THE SUM OF 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

Fleming-Mason Rural Electric Cooperative Corporation ("Fleming-Mason") filed its application on April 8, 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 \$3,478,090 and will be financed by a \$1,966,000 loan from the Rural Electrification Administration ("REA") and a \$860,204¹ loan from the National Rural

¹ The amount borrowed from CFC includes the purchase of capital term certificates, in an amount equal to 2 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates. The purchases required of Fleming-Mason for this loan total \$17,204. The total amount of the REA and CFC loans equals \$2,809,000.

Utilities Cooperative Finance Corporation ("CFC"). A total of \$669,090 will be financed by Fleming-Mason with internally generated funds.

On May 30, 1991, the Commission issued an Interim Order granting Fleming-Mason 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 June 22, 1992, Fleming-Mason filed a copy of correspondence received from CFC approving the loan. Fleming-Mason indicated that it had not received correspondence from REA approving that loan. Under KRS 278.300(10), since REA is an agency of the federal government, no action on Fleming-Mason's proposed loan from the REA is required.

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

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

2. Fleming-Mason is capable of executing its notes as security for the loan as stated herein.

3. Fleming-Mason 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, Fleming-Mason should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. Within 10 days of its receipt of REA loan approval, Fleming-Mason should notify the Commission in writing of the final loan approval received from REA.

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

7. Fleming-Mason should include in its monthly financial 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 does not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Fleming-Mason's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Fleming-Mason be and it hereby is authorized to borrow \$860,204 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Fleming-Mason, 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.

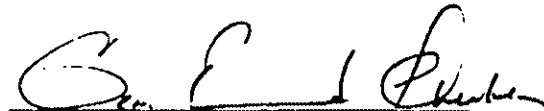
2. Fleming-Mason be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Fleming-Mason shall comply with all matters set out in Findings 3 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 7th day of July, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director, Acting