

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE NOLIN RURAL ELECTRIC )	
COOPERATIVE CORPORATION FOR AUTHORITY TO)	
BORROW THE SUM OF \$2,000,000.00 FROM )	
THE FEDERAL FINANCING BANK OF THE UNITED)	
STATES OF AMERICA, AND THE ADDITIONAL )	
SUM OF \$1,441,000.00 FROM THE RURAL )	CASE NO. 91-252
ELECTRIFICATION AUTHORITY, AND THE )	
ADDITIONAL SUM OF \$617,340.00 FROM THE )	
NATIONAL RURAL UTILITIES COOPERATIVE )	
FINANCE CORPORATION; AND TO EXECUTE )	
NOTES FOR SAID AMOUNTS )	

O R D E R

Nolin Rural Electric Cooperative Corporation ("Nolin") filed its application on August 29, 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 \$4,057,700. In its application, Nolin indicated that these improvements and additions would be financed by a \$2,000,000 loan from the Federal Financing Bank ("FFB"), \$1,441,000 from the Rural Electrification Administration ("REA"), and \$617,340<sup>1</sup> from the National Rural Utilities Cooperative Finance

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<sup>1</sup> 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 Nolin for this loan total \$12,347. The total amount of the FFB, REA, and CFC loans equals \$4,045,993.

Corporation ("CFC"). A total of \$4,448 of the construction cost was to be funded internally.

On December 6, 1991, the Commission issued an Interim Order granting Nolin a Certificate of Public Convenience and Necessity for the proposed construction and authorizing Nolin to borrow \$2,000,000 from FFB. The Commission deferred ruling on the proposed loans from REA and CFC because neither REA nor CFC had yet agreed to make them.

On July 30, 1992, Nolin filed an amendment to its original application concerning the amount of loan funds for which it was seeking approval. Under the amended application, Nolin requested authority to borrow \$2,360,000 from REA and \$1,031,633<sup>2</sup> from CFC. The amount of loan funds to be obtained from FFB had not changed. Nolin provided correspondence from REA and CFC indicating that the loans have been approved at the amended levels. Nolin indicated that it intended to use the additional loan funds to repay general funds previously used by it to finance the construction of the 1988-1989 Work Plan. The 1988-1989 Work Plan was funded using only Nolin general funds; no borrowings from REA nor a supplemental lender were involved. The Commission granted a Certificate of

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<sup>2</sup> The amended borrowing from CFC included the purchase of \$20,633 of capital term certificates, which equals 2 percent of the total CFC loan. The total amended amount of the FFB, REA, and CFC loans equals \$5,371,000.

Public Convenience and Necessity for the 1988-1989 Work Plan in Case No. 10372.<sup>3</sup>

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

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

2. Nolin is capable of executing its notes as security for the loan as amended herein.

3. Nolin 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, Nolin 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, as amended, should be used only for the lawful purposes set out in Nolin's application.

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<sup>3</sup> Case No. 10372, The Application of the Nolin Rural Electric Cooperative Corporation for Commission Approval of a Certificate of Public Convenience and Necessity to Construct Additional Plant Facilities According to the Cooperatives Work Plan, Order dated November 9, 1988.

6. Nolin 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 does not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Nolin's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Nolin be and it hereby is authorized to borrow \$1,031,633 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Nolin, 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.

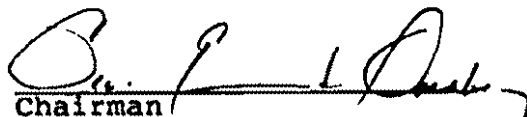
2. Nolin be and it hereby is authorized to execute its notes as security for the loan herein authorized.

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

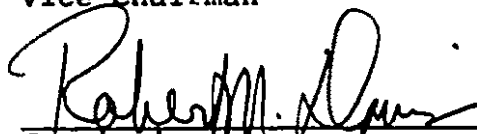
Nothing contained herein shall be deemed a warranty or a finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 20th day of August, 1992.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:



Executive Director