

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER RURAL ELECTRIC)
COOPERATIVE CORPORATION FOR AN ORDER AUTHORIZING)
SAID CORPORATION TO BORROW TWO MILLION THREE)
HUNDRED THOUSAND DOLLARS (\$2,300,000) FROM THE)
CO-BANK NATIONAL BANK FOR COOPERATIVES; AND TO)
EXECUTE A NOTE FOR SAID SUM TO THE CO-BANK)
NATIONAL BANK FOR COOPERATIVES, SAID NOTE TO BE)
EXECUTED BY THE CORPORATION AND DELIVERED TO THE)
CO-BANK NATIONAL BANK FOR COOPERATIVES, AND TO)
BORROW FIVE MILLION, THREE HUNDRED AND SIXTY-SIX)
THOUSAND DOLLARS (\$5,366,000) FROM UNITED STATES)
OF AMERICA, SAID NOTE TO BE ISSUED UNDER AND)
SECURED BY A MORTGAGE TO BE EXECUTED BY THE)
CORPORATION AND DELIVERED TO UNITED STATES OF)
AMERICA; THE PROCEEDS TO BE USED IN THE BUILDING)
AND ERECTING OF SIXTY-EIGHT AND FIFTY HUNDREDTHS)
(68.50) MILES OF DISTRIBUTION LINES AND UPGRADING)
THIRTY-SIX AND EIGHTY HUNDREDTHS (36.80) MILES OF)
DISTRIBUTION LINE IN BULLITT, MARION, NELSON,)
SPENCER, WASHINGTON, JEFFERSON, SHELBY, ANDERSON,)
MERCER AND LARUE COUNTIES IN KENTUCKY AND TO)
GRANT THE APPLICANT A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY THEREFORE)

CASE NO. 91-427

O R D E R

IT IS ORDERED that Salt River Rural Electric Cooperative Corporation ("Salt River") 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, Salt River 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 other financing options that were considered in securing the National Bank for Cooperatives ("CoBank") loan. This response should include the reason(s) that CoBank financing was selected over other options, as well as the results of any studies conducted which support the use of CoBank financing.

2. Provide the additional debt service requirements associated with the Rural Electrification Administration ("REA") loan and the CoBank loan, using the REA interest rate of 5 percent and the current CoBank variable and one year fixed interest rates.

3. Provide an amortization schedule of the proposed CoBank loan using the current rates for each of the variable rate options and the one year fixed rate option loans.

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

5. Indicate what consideration Salt River has given to the various loan programs available through CoBank. If the advance of funds from the proposed CoBank loan was to be made by the date of the response to this Order, explain which loan program Salt River would anticipate selecting and explain in detail, including a full explanation of the methodology used, how Salt River determined that this was the best option. Include with this explanation the results of any studies or analysis used by Salt River in making the loan program selection.

6. Provide a complete set of general guidelines for each of the loan options offered by CoBank.

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

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

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

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

c. Provide the amount of construction costs contained in Item (b) above that were approved in previous construction certifications issued by this Commission. Include the case number and date of Order authorizing the construction.

d. If construction under the 1990-92 Work Plan has already begun and was not previously approved, explain in detail why Salt River did not seek a Certificate of Convenience and Necessity before the work began, as required under KRS 278.020.

9. The Commission is aware that changes are currently underway in the REA loan program. Salt River has indicated that it is requesting a loan from REA for \$5,366,000, 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 Salt River. Include copies of any notices or correspondence received from REA concerning the changes in the loan program.

copies of any notices or correspondence received from REA concerning the changes in the loan program.

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

Done at Frankfort, Kentucky, this 19th day of February, 1992.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director