

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

Salt River Rural Electric Cooperative Corporation ("Salt River") filed its application on January 22, 1992 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 \$7,665,970 to be financed by loans of \$5,366,000 from the Rural Electrification Administration

("REA") and of \$2,300,000 from the Co-Bank National Bank for Cooperatives ("Co-Bank").

On March 23, 1992, the Commission issued an Interim Order granting Salt River a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA nor Co-Bank had yet agreed to make the loans. On October 15, 1992, the Commission received correspondence from Salt River indicating that it had received final loan approvals from both REA and Co-Bank. REA gave approval for \$4,666,000 and Co-Bank's approval was for \$1,999,000. These approvals are \$1,001,000 less than the amounts requested by Salt River. Salt River stated in the letter received by the Commission on October 15, 1992 that it plans to finance any of the projects it cannot delay and for which funding was denied through the use of general funds.

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

1. The proposed loan of \$1,999,000 from Co-Bank is for lawful objects within the corporate purposes of Salt River, is necessary and appropriate for and consistent with the proper performance by Salt River of its service to the public, and will not impair its ability to perform that service.

2. Salt River is capable of executing its notes as security for the loan as stated herein.

3. Salt River 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, Salt River 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 Salt River's application.

6. Salt River 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 Salt River's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Salt River be and it hereby is authorized to borrow \$1,999,000 from Co-Bank for a 35 year period and bearing either a fixed or variable interest rate, as chosen by Salt River, at the time the first monies are drawn from Co-Bank, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

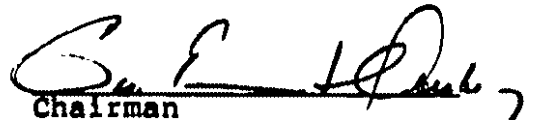
2. Salt River be and it hereby is authorized to execute its notes as security for the loan herein authorized.

3. Salt River 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 29th day of October, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director