

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HENDERSON-UNION)
RURAL ELECTRIC COOPERATIVE CORPORATION)
FOR AUTHORIZATION TO BORROW \$1,540,000)
(AMENDED TO \$1,090,000) FROM NATIONAL)
RURAL UTILITIES COOPERATIVE FINANCE) CASE NO. 91-334
CORPORATION AND TO ISSUE ITS)
EVIDENCES OF INDEBTEDNESS THEREFOR)
AND FOR A CERTIFICATE OF CONVENIENCE)
AND NECESSITY)

O R D E R

Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") filed its application on October 25, 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. Based on the filing of Henderson-Union, these improvements and additions are estimated to cost \$3,634,465 and will be financed by loans of \$2,544,000 from the Rural Electrification Administration ("REA") and \$1,123,711 from the National Rural Utilities Cooperative Finance Corporation ("CFC").¹

On April 13, 1992, the Commission issued an Interim Order granting Henderson-Union a Certificate of Public Convenience and Necessity for the proposed construction, but deferred ruling on the

¹ The borrowings from CFC include 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 Henderson-Union for this loan total \$33,711. The total amount of the REA and CFC loans, exclusive of the certificates, equals \$3,634,000.

proposed loans because neither the REA nor CFC had yet agreed to make them. On April 20, 1993, Henderson-Union advised the Commission that REA had approved the loan. On May 10, 1993, it advised the Commission of CFC's approval of the concurrent loan in the amount indicated for a period of 35 years.

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

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

3. Henderson-Union 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, Henderson-Union 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 Henderson-Union's application.

6. Henderson-Union 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 Henderson-Union's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Henderson-Union be and it hereby is authorized to borrow \$1,123,711 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Henderson-Union 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.

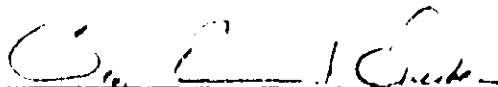
2. Henderson-Union be and it hereby is authorized to execute its notes as security for the loan herein authorized.

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

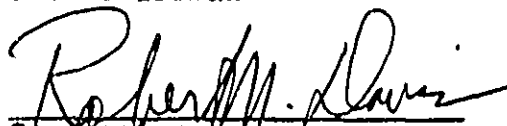
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 13th day of May, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director