

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG SANDY RURAL)	
ELECTRIC COOPERATIVE CORPORATION FOR)	
AUTHORITY TO EXECUTE ITS NOTE TO THE)	
NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION IN THE AMOUNT OF)	
\$812,371 AND FOR AUTHORITY TO EXECUTE)	CASE NO. 92-066
A LOAN AGREEMENT BETWEEN BIG SANDY)	
RURAL ELECTRIC COOPERATIVE CORPORATION)	
AND NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION AND FOR A CERTIFICATE)	
OF CONVENIENCE AND NECESSITY)	

O R D E R

Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") filed its application on March 13, 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. Based on the filing of Big Sandy, these improvements and additions are estimated to cost \$2,626,413 and will be financed by loans of \$1,838,000 from the Rural Electrification Administration ("REA") and \$812,371 from the National Rural Utilities Cooperative Finance Corporation ("CFC").¹

On September 11, 1992, the Commission issued an Interim Order granting Big Sandy a Certificate of Public Convenience and

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 Big Sandy for this loan total \$24,371. The total amount of the REA and CFC loans equals \$2,626,000.

Necessity for the proposed construction, but deferred ruling on the proposed loans because neither REA nor CFC had yet agreed to make them. On March 11, 1993, Big Sandy advised the Commission that CFC had approved the concurrent loan in the amount indicated for a period of 35 years contingent upon REA approval. On April 6, 1993, it advised the Commission of REA's approval.

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

2. Big Sandy is capable of executing its notes as security for the loan as stated herein.

3. Big Sandy 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, Big Sandy 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 Big Sandy's application.

6. Big Sandy 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 Big Sandy's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Big Sandy be and it hereby is authorized to borrow \$812,371 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Big Sandy 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. Big Sandy be and it hereby is authorized to execute its notes as security for the loan herein authorized.

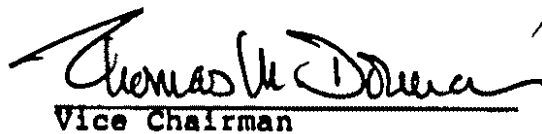
3. Big Sandy shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

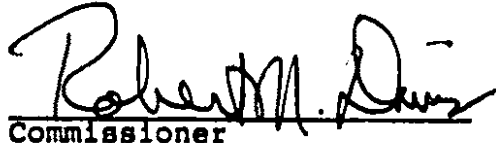
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 23rd day of April, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director