

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE NOLIN RURAL ELECTRIC)	
COOPERATIVE CORPORATION FOR AN ORDER)	
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)	
SECTION 11 AND RELATED SECTIONS AUTHORIZING)	CASE NO.
THE COOPERATIVE TO OBTAIN A FIVE YEAR LINE)	93-324
OF CREDIT IN THE AMOUNT OF \$3,000,000 FROM)	
THE NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION)	

O R D E R

IT IS ORDERED that Nolin Rural Electric Cooperative Corporation ("Nolin") shall file the original and eight copies of the following information with the 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, Nolin should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which the information will be furnished. Such motion will be considered by the Commission.

1. Exhibit 2 of the Application shows that as of June 30, 1993, the total of National Rural Utilities Cooperative Finance Corporation ("CFC") and Federal Financing Bank ("FFB") loans was \$5,197,842. Exhibit 4 of the Application shows that the total "Long-Term Debt Other" as of June 30, 1993, was \$5,138,250. Explain why there is a difference between these two exhibits and indicate which amount properly reflects the balance as of June 30, 1993.

2. The final Order in Case No. 91-252¹ noted that Nolin had amended its application to borrow \$2,360,000 from the Rural Electrification Administration ("REA") and \$1,031,633 from CFC. Exhibit 1 of the Application showed that Nolin borrowed \$1,180,000 from REA in January 1993. Exhibit 2 of the Application showed that Nolin borrowed \$2,000,000 from FFB in January 1993. Neither exhibit indicated the existence of any unadvanced funds from REA or CFC.

a. Explain why Nolin has not utilized approximately \$2.2 million in long-term debt currently available to it under previously authorized financing.

b. Indicate when Nolin plans to borrow the remaining \$1,180,000 from REA and the \$1,031,633 from CFC.

c. Explain in detail how Nolin intends to finance the reimbursement of general funds used to pay for construction included in its current two-year work plan. Indicate the status of any new loan applications prepared by Nolin to secure this financing.

3. Explain the amount of line of credit financing Nolin would need to maintain if the currently available REA and CFC long-term funds were obtained.

¹ Case No. 91-252, 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 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, final Order dated August 20, 1992.

4. Explain why Nolin should be authorized to obtain short-term financing through the proposed line of credit in lieu of obtaining the long-term loan funds available but unadvanced from REA and CFC.

a. Explain the impact the line of credit will have on the balance sheet and whether it will have a positive or negative effect on Nolin's debt/equity ratio.

b. Compare the annual capital cost to Nolin of line of credit financing versus the draw down of long-term financing. Explain which alternative is the most cost beneficial.

5. Explain why the deferral of purchased power bills would not be an alternative to securing the proposed line of credit. Include an analysis of the cost and benefits of each method of short-term financing.

Done at Frankfort, Kentucky, this 11th day of November, 1993.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director