

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF JACKSON COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION (1))
FOR AN ORDER PURSUANT TO KRS 278.300)
AND 807 KAR 5:001, SECTION 11 AND)
RELATED SECTIONS, AUTHORIZING THE)
CORPORATION TO BORROW AN AMOUNT NOT TO)
EXCEED \$5,162,500.00 FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE CORPORATION)
(CFC) AND (2) FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY PURSUANT TO)
KRS 278.020(1) AND 807 KAR 5:001,)
SECTION 9 AND RELATED SECTIONS,)
AUTHORIZING CERTAIN PROPOSED)
CONSTRUCTION AND ASSOCIATED CAPITAL)
OUTLAY)

CASE NO. 93-336

O R D E R

Jackson County Rural Electric Cooperative Corporation ("Jackson County") filed its application on September 13, 1993 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow \$5,162,500 from the National Rural Utilities Cooperative Corporation ("CFC"), and to execute its notes to secure such loan.

In support of its application, Jackson County filed its 1993-1994 Work Plan, which describes in detail the improvements and additions to plant that are required over the next 2 years to serve its load. These improvements and additions are estimated to cost \$16,521,250 and will be financed by loans of \$11,565,000 from the

Rural Electrification Administration ("REA") and of \$5,162,500 from CFC.¹

Jackson County seeks authorization to construct extensions and additions to its plant as follows:

1. Consumer line construction	\$4,620,000
2. Conversion and line changes	7,283,200
3. Distribution Equipment	4,253,050
4. Security lights	365,000

Total \$16,521,250

The proposed construction will enable Jackson County to continue to provide adequate and dependable service to 40,550 customers. The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to correct voltage problems, improve phase balance, and provide for improved service reliability.

On October 19, 1993, the Commission issued an Order requesting information from Jackson County regarding debt service requirements, loan approvals, work plan cost estimates, and the beginning date of construction for the 1993-1994 Work Plan. On October 29, 1993, Jackson County filed its responses to the October 19, 1993 Order, providing all the requested information. On

¹ The borrowing from CFC includes the purchase of capital term certificates in an amount equal to 4 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates. The purchases required of Jackson County for this loan total \$206,500. The total amount of the REA and CFC loans equals \$16,521,000.

September 13, 1993, Jackson County filed a copy of correspondence received from CFC approving its loan. Jackson County filed a copy of correspondence received from REA approving the loans on October 29, 1993.

Based on the evidence of record and being otherwise sufficiently advised, the Commission hereby finds that:

1. Public convenience and necessity require the construction by Jackson County of the improvements and additions to its existing plant as described in its 1993-1994 Work Plan, and that a certificate should be granted.

2. The proposed loan from CFC is for lawful objects within the corporate purposes of Jackson County, is necessary and appropriate for and consistent with the proper performance by Jackson County of its service to the public, and will not impair its ability to perform that service.

3. Jackson County is capable of executing its notes as security for the loan as stated herein.

4. Jackson County should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

5. Within 10 days of its selection of the interest rate program, Jackson County should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

6. The proceeds from the proposed loans should be used only for the lawful purposes set out in Jackson County's application.

7. Jackson County should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

8. 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 Jackson County's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Jackson County be and it hereby is granted a Certificate of Public Convenience and Necessity to proceed with the construction and additions as set forth in its 1993-1994 Work Plan.

2. Jackson County be and it hereby is authorized to borrow \$5,162,500 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Jackson County, 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.

3. Jackson County be and it hereby is authorized to execute its notes as security for the loan herein authorized.

4. Jackson County shall comply with all matters set out in Findings 4 through 7 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 9th day of December, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director