

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HARRISON COUNTY )  
RURAL ELECTRIC COOPERATIVE CORPORATION )  
FOR AN ORDER AUTHORIZING SAID )  
CORPORATION TO BORROW TWO MILLION ONE )  
HUNDRED TWENTY TWO THOUSAND DOLLARS )  
(\$2,122,000.00) FROM THE UNITED STATES )  
OF AMERICA, AND TO EXECUTE A NOTE FOR )  
SAID SUM TO THE UNITED STATES OF )  
AMERICA, AND TO BORROW FROM THE NATIONAL )  
RURAL UTILITIES COOPERATIVE FINANCE )  
CORPORATION, THE SUM OF NINE HUNDRED TEN )  
THOUSAND DOLLARS (\$910,000.00) AND TO )  
EXECUTE A NOTE FOR SAID CORPORATION TO )  
PROVIDE FOR THE CONSTRUCTION AND )  
OPERATION OF ADDITIONAL ELECTRIC )  
DISTRIBUTION AND SERVICE LINES )

CASE NO. 93-452

O R D E R

On December 2, 1993, Harrison County Rural Electric Cooperative Corporation ("Harrison County") filed its application for approval to borrow \$2,122,000 from the Rural Electrification Administration ("REA") and \$910,000<sup>1</sup> from the National Rural Utilities Cooperative Finance Corporation ("CFC"), to execute its notes to secure such loans, and for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant contained in its 1991-1992 Work Plan.

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<sup>1</sup> The borrowing from CFC will also 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 Harrison County for this loan total \$28,144. The total amount of the REA and CFC loans equals \$3,060,144.

Harrison County filed its 1991-1992 Work Plan which described in detail the improvements and additions to its plant that are required during that time frame to serve its load. Harrison County stated that the estimated construction cost is \$3,032,450 and most of the scheduled work has been completed. Beginning construction before the issuance of a Certificate of Public Convenience and Necessity appears to violate KRS 278.020(1) and will require further investigation. Therefore, the Commission will now address only the financing portion of the application.

Harrison County requested expedited processing of its application and approval of its loans prior to its next board of directors meeting on December 16, 1993. This will enable Harrison County to execute the loan documents and return them to REA by the December 31, 1993 deadline. Harrison County received notification of the REA and CFC loan approvals on September 7, 1993 and September 13, 1993, respectively, but did not file this application until December 2, 1993. Thus, Harrison County has requested that its application be processed within 14 calendar days although KRS 278.300(2) requires financing applications be processed within 60 days.

The Commission recognizes that extraordinary circumstances arise from time to time which necessitate a request for expedited treatment of an application. However, in this case Harrison County has failed to state any extraordinary circumstances that prevented it from submitting its application in a timely manner. We have processed the financing application within the time constraints

requested. However, in the future Harrison County should exercise all due diligence to file applications in a manner which allows adequate processing time.

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

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

2. Harrison County should be authorized to execute the note and loan agreement set forth in its application.

3. Harrison County should select the interest rate program resulting 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, Harrison County 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 Harrison County's application.

6. Harrison County 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 Harrison County's proposed loan from the REA is required.

IT IS THEREFORE ORDERED that:

1. Harrison County be and it hereby is authorized to borrow \$938,144 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Harrison 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.


2. Harrison County be and it hereby is authorized to execute the note and loan agreement evidencing the loan herein authorized.


3. Harrison County 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 15th day of December, 1993.


PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

ATTEST:

  
Executive Director

  
Commissioner