

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 CONVERT AN AMOUNT NOT TO) CASE NO. 95-521
EXCEED \$4,000,000.00 IN LONG TERM DEBT)
FROM THE NATIONAL RURAL UTILITIES)
COOPERATIVE CORPORATION (CFC) FOR THE)
PURPOSE OF RETIRING \$4,000,000.00 IN)
SHORT TERM DEBT)

O R D E R

Jackson County Rural Electric Cooperative Corporation ("Jackson County") filed its application on November 17, 1995 for authority to convert \$4,000,000 in line of credit loans to a \$4,000,000 15-year note. The line of credit is with the National Rural Utilities Cooperative Finance Corporation ("CFC") as will be the note. In data responses filed on December 21, 1995, Jackson County indicated that it now sought to issue a \$3,000,000 5-year note to CFC in lieu of the \$4,000,000 15-year note.

KRS 278.300(2) requires applications for authority to issue or assume securities or evidences of indebtedness to be ruled on within 60 days unless it is necessary for good cause to continue the application. Due to the change in proposed financing, additional information is needed and it will be necessary to extend the time for ruling on the application beyond the 60-day limit. Therefore, the Commission finds that good cause exists to continue

the financing application beyond the 60-day period specified in KRS 278.300(2). The Commission will continue with due diligence to complete its investigation and rule on the application as soon as possible.

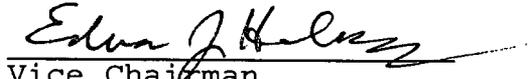
IT IS THEREFORE ORDERED that Jackson County's application for authorization to incur additional indebtedness is hereby continued beyond the 60-day period specified in KRS 278.300(2).

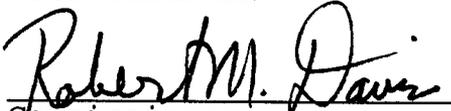
IT IS FURTHER ORDERED that Jackson County shall, by January 22, 1996, file with the Commission the original and eight copies of the following information set forth in Appendix A, attached hereto and incorporated herein by reference. Each copy should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item each sheet should be indexed appropriately, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible.

Done at Frankfort, Kentucky, this 12th day of January, 1996.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

APPENDIX A

AN APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 95-521 DATED 1/12/96

1. Indicate when Jackson County decided to rescind its request for a lien accommodation from the Rural Utilities Service ("RUS"). Include a copy of any applicable Jackson County board of directors' resolutions.

2. Are Jackson County's \$10,000,000 CFC line of credit loans for a 12-month or 60-month period?

3. Concerning the CFC Intermediate-Term Loan Program, when did Jackson County decide to utilize this loan option? Include a copy of the board of directors' resolution authorizing the action.

4. The response to Item 6 of the December 15, 1995 Order indicates that security is usually required and takes the form of a first lien on the property or project being financed.

a. Describe the utility property or projects affected by the CFC first lien. Include a schedule of the property or projects, showing the respective original cost.

b. If no security was required, provide copies of documentation from CFC waiving the requirement or explain the reason(s) for the waiver.

c. Will the existence of a CFC first lien on some of Jackson County's assets impact subsequent loan agreements with RUS? Explain.

5. The proposed \$3,000,000 Intermediate-Term Loan has a term of 5 years, with half of the amount amortized over the 5 years and the remaining amount due at the end of the period as a balloon

payment. The loan will carry a variable interest rate during the entire loan term.

a. Was this the only payment option available under the program?

b. If other payment options were available, what consideration did Jackson County give to the other options? What factors did Jackson County consider when deciding on this payment option?

c. Does Jackson County have the option to convert this loan to a fixed interest rate during the term? If yes, provide the terms and conditions which must be met to make a rate conversion.

6. Item 11(b) of the December 15, 1995 Order requested Jackson County to provide a listing of the \$4,000,000 in minor projects financed with internally generated funds, including a clear description of the work that was performed. The response only identified examples of what would be considered minor projects. Provide the originally requested information.

7. The response to Item 15 of the December 15, 1995 Order includes a schedule of CFC line of credit loans since 1990. The last column of the schedule is titled "Long Term Loans."

a. Do the "Long Term Loans" refer to the CFC borrowing Jackson County has usually sought to finance its 2-year work plans?

b. If no to part (a), explain what these loans represent. Include all terms and conditions of these loans, and indicate when Commission approval was sought and granted.