

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER 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 \$4,334,000.00 FROM THE NATIONAL BANK) CASE NO.
FOR COOPERATIVES AND (2) FOR A CERTIFICATE) 96-442
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)

O R D E R

On September 10, 1996, Salt River Rural Electric Cooperative Corporation ("Salt River") applied for authority to issue notes in the amount of \$4,334,000 to the National Bank for Cooperatives ("CoBank"). Salt River intends to use the proceeds of these notes to finance the projects contained in its 1996-1999 Work Plan, which the Commission has previously approved.¹ CoBank approved a loan in the amount of \$2,606,364 on June 20, 1997.

Salt River's proposed issuance of notes is part of a larger effort to finance its 1996-1999 Work Plan projects. In addition to funding from the CoBank, Salt River has applied for \$10,112,000 in loans from the Rural Utilities Service ("RUS"). On June 13, 1997, RUS

¹ The Work Plan was approved by Interim Order in this case on December 12, 1996.

approved an initial loan of \$6,081,516 to Salt River to finance the projects. RUS has only approved the first two years of the Work Plan and will review the remainder of the Work Plan at the end of the two years.

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

1. The loan from CoBank in the amount of \$2,606,364 is for lawful objects within the corporate purposes of Salt River, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary and appropriate for such purposes.

2. Salt River is capable of executing its notes as security for the loan as stated herein.

3. Salt River 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, Salt River 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 Salt River's application.

6. Salt River should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. When RUS reviews the second part of the Work Plan, Salt River should file with the Commission, for informational purposes, any correspondence between RUS and Salt River.

8. Salt River will need to file a new application for authority to execute any financing agreement with CoBank for the additional loans to finance the remainder of the 1996-1999 Work Plan.

9. 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 RUS is an agency of the federal government, no action on Salt River's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Salt River is authorized to borrow \$2,606,364 from CoBank for a 35-year period and bearing either a fixed or variable rate, as chosen by Salt River at the time the first monies are drawn from CoBank, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.


2. Salt River is authorized to execute its notes as security for the loan authorized herein.


3. Salt River shall comply with all matters set out in Findings 3 through 8 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 13th day of October, 1997.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director