

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY)	
POWER COOPERATIVE, INC. FOR THE)	
APPROVAL OF FINANCING IN THE)	CASE NO. 98-281
AMOUNT OF APPROXIMATELY \$5,251,000)	
FOR TRANSMISSION FACILITIES AND)	
SYSTEM IMPROVEMENTS)	

O R D E R

East Kentucky Power Cooperative, Inc. ("East Kentucky") filed its application on May 22, 1998 for approval to borrow funds from the National Rural Utilities Cooperative Finance Corporation ("CFC") and to execute its notes for such loan. The proceeds of this loan will partially finance system improvements and transmission facilities. The improvements and additions described in the application are estimated to cost \$24,795,822 and are financed by \$7,293,822 from a previously approved Rural Utilities Service ("RUS") loan, a \$12,251,000 loan from RUS, and the \$5,251,000 loan from CFC. East Kentucky included with its application copies of correspondence received from RUS and CFC approving the loans.

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

1. The proposed loan from CFC is for lawful objects within the corporate purposes of East Kentucky, 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 reasonably necessary and appropriate for such purposes.

2. East Kentucky is capable of executing its notes as security for the loan as stated herein.

3. East Kentucky 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, East Kentucky 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 East Kentucky's application.

6. East Kentucky 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 does not require Commission approval, KRS 278.300(10), and as the RUS is an agency of the federal government, no action on East Kentucky's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. East Kentucky be and it hereby is authorized to borrow \$5,251,000 from CFC for a 26-year period and bearing either a fixed or variable rate, as chosen by East Kentucky 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. East Kentucky be and it hereby is authorized to execute its notes as security for the loan herein authorized.


3. East Kentucky shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

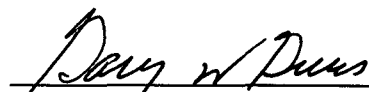
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 15th day of July, 1998.

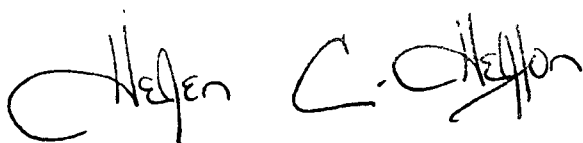
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director