

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF NOLIN RURAL )  
ELECTRIC COOPERATIVE CORPORATION )  
AUTHORIZING THE COOPERATIVE TO ) CASE NO. 2003-00079  
OBTAIN A LOAN IN THE AMOUNT OF )  
\$35,000,000 FROM THE NATIONAL )  
RURAL UTILITIES CORPORATION )  
FINANCE CORPORATION )

INITIAL DATA REQUEST OF COMMISSION STAFF  
TO NOLIN RURAL ELECTRIC COOPERATIVE CORPORATION

Nolin Rural Electric Cooperative Corporation ( Nolin ), pursuant to 807 KAR 5:001, is requested to file with the Commission the original and 8 copies of the following information, with a copy to all parties of record. The information requested herein is due within 10 days of the date of this request. Each copy of the data requested 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 appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the person 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. Where information herein has been previously provided, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Refer to page 6, section 21, of the application. Nolin states that a variable interest rate will be utilized.

a. Explain whether Nolin investigated the possibility of obtaining financing at a fixed interest rate. Include in this explanation any discussions Nolin may have conducted with Fort Knox concerning Fort Knox's reasons for providing for a variable interest rate in the Demand Side Management ( DSM ) contract.

b. Provide all correspondence and workpapers in Nolin's possession that pertain to interest expense comparisons based on fixed versus variable interest rates.

c. Provide the anticipated interest rate for a fixed rate and variable rate loan of \$19,000,000 if issued on March 1, 2003.

d. Identify all risk factors used to establish that a variable interest rate loan provides a greater financial benefit than a fixed interest rate loan.

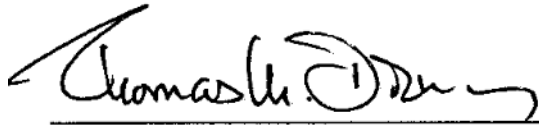
2. Refer to Exhibit 1, page 2 of 2, column (a) and (b), of the application. Indicate whether the interest rate shown for each note listed in column (a) is a fixed rate or a variable rate.

3. Refer to page 7, section 24, of the application. Provide the chart of accounts that Nolin has established in order to separately account for the income and expenses generated by the DSM contract.

4. Refer to Exhibit 1, pages 1 and 2 of 2, of the application. Explain whether any long- term loans have been secured from the Rural Utilities Service ( RUS ) since May 1997, or from the National Rural Utilities Cooperative Finance Corporation ("CFC") since September 1999.

5. Explain how separate plant accounting procedures will be established to avert the commingling of existing plant with its per-record-unit costs with the newly acquired Fort Knox plant records.

6. Explain how the existing Nolin territorial boundaries will need to be amended to accommodate this venture.



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Thomas M. Dorman  
Executive Director  
Public Service Commission  
P. O. Box 615  
Frankfort, Kentucky 40602

DATED March 21, 2003

cc: All Parties