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ROBERT M. SPRAGENS, SR.  
(1920-1998)

February 9, 2005

RECEIVED

FEB 11 2005

PUBLIC SERVICE  
COMMISSION

Elizabeth O'Donnell, Esq., Executive Director  
Public Service Commission  
211 Sower Boulevard  
P.O. Box 615  
Frankfort, KY 40602-0615

Case 2005-00076

Dear Ms. O'Donnell:

Re: Taylor County RECC  
Application for Loan Approval

Please find enclosed an original and ten executed copies of an application to be filed upon behalf of Taylor County Rural Electric Cooperative Corporation seeking the Commission's concurrence/approval of additional borrowing from RUS and CoBank in order to complete the applicant's work plan which was approved by the Commission in Case No. 98-119.

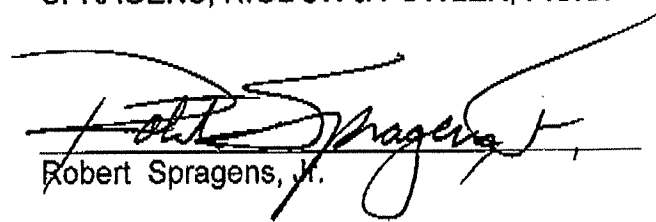
You will note that the financing of the referenced work plan was divided into two phases, the first of which was approved by the Commission in Case No. 99-268. The current application then presents the second phase of that financing package.

I will await your written confirmation of this filing together with any other instructions which may be deemed appropriate upon the staff's initial review.

With kind regards I remain,

Very truly yours,

SPRAGENS, HIGDON & FOWLER, P.S.C.

  
Robert Spragens, Jr.

RS,JR:js  
Enclosures

cc: Mr. Barry L. Myers, Manager  
Taylor County RECC

**COMMONWEALTH OF KENTUCKY**  
**BEFORE THE PUBLIC SERVICE COMMISSION**

IN THE MATTER OF:

**RECEIVED**

APPLICATION OF TAYLOR COUNTY RURAL ELECTRIC )  
COOPERATIVE CORPORATION TO BORROW AN )  
ADDITIONAL SUM OF \$1,541,000 FROM THE UNITED )  
STATES OF AMERICA AND TO EXECUTE A NOTE FOR )  
SAID AMOUNT AND TO CONCURRENTLY BORROW )  
FROM ITS SUPPLEMENTAL LENDER, COBANK, THE )  
ADDITIONAL SUM OF \$660,000 AND TO EXECUTE )  
ITS NOTE THEREFOR, SAID NOTES TO BE SECURED )  
BY AN EXISTING COMMON MORTGAGE HERETOFORE )  
EXECUTED, AS RESTATED. )

FEB 11 2005  
PUBLIC SERVICE  
COMMISSION

CASE NO. 05-00076

**APPLICATION**

Applicant, Taylor County Rural Electric Cooperative Corporation, acting pursuant to the provisions of Chapter 278 of the Kentucky Revised Statutes, and all other applicable statutory provisions and regulations promulgated thereunder, respectfully states:

1. That it is a corporation organized and existing under laws of the State of Kentucky, with power to contract and be contracted with, sue and be sued in its corporate name and as such empowered and authorized to acquire, own, construct and operate electric plants, to manufacture, purchase and sell electric current, to acquire franchises, certificates of convenience and necessity, to acquire, construct and maintain distribution systems for electric current and carry on a general electrical business and borrow money under

an Act of Congress known as the Rural Electrification Act of 1936, as amended; that it now operates and does business in the Counties of Adair, Casey, Green and Taylor; and the cost of Applicant's fixed assets being referred to in one of its attached financial Exhibits.

2. That the Post Office address of the Applicant is P.O. Box 100, West Main Street, Campbellsville, Kentucky 42719.
3. That the Applicant is legally entitled, through Application made to the Rural Utilities Service, to borrow funds from and through that agency of the United States of America; and the Applicant is further entitled, pursuant to the Farm Credit Act of 1971, to borrow funds from supplemental lenders, specifically, CoBank; all contingent upon the execution of requisite documentation and the furnishing of adequate security for the repayment of such indebtedness.
4. That it has been previously authorized by the Public Service Commission of Kentucky to Borrow from the United States of America \$179,000 of date September 20, 1938; \$151,000 of date February 10, 1939; \$64,000 of date June 30, 1939; \$50,000 of date June 5, 1945; \$300,000 of date March 15, 1946; \$410,000 of date January 22, 1947; \$560,000 of date November 26, 1947; \$640,000 of date February 5, 1949; \$320,000 of date December 21, 1950; \$182,559.06 of date April 30, 1953; \$385,000 of date December 28, 1954; \$625,000 of date June 7, 1957; \$673,446.01 of date June 16, 1959; \$773,553.99 of date June 18, 1962; \$1,743,000 of date August 3, 1979; \$1,323,000 of date October 30, 1981; \$1,750,000 of date December 1, 1983; \$1,349,000 of date July 30, 1986; \$2,150,000 of date January 12, 1990;

\$2,334,000 of date June 15, 1993; \$4,479,000 of date April 26, 1995; and \$3,549,000 of date June 1, 1999; and from CoBank (formerly Louisville Bank for Cooperatives and National Bank for Cooperatives) \$747,000 of date August 3, 1979; \$567,000 of date October 30, 1981; \$750,000 of date July 1, 1983; \$578,000 of date July 30, 1986; \$921,000 of date January 12, 1990; \$1,000,000 of date June 15, 1993; \$1,919,000 of date April 26, 1995; and \$1,522,000 of date June 1, 1999. It now desires to borrow an additional sum of \$1,541,000 from the United States of America and an additional sum of \$660,000 from CoBank as a concurrent loan and to execute its notes therefor which are to be secured by the Common Mortgage of date October 14, 1959, and the Supplemental Mortgage and Security Agreement dated October 14, 1959, those original documents of security and encumbrance having been reaffirmed, restated, and recorded as recently as June 1, 1999, and again on November 1, 2004, all of which sums will be used for the purpose of making improvements to its plant and extension in its existing system as set forth within that work plan approved by this Commission in Case No. 98-119. The Rural Utility Service has previously determined that the financing arrangements for that work plan approved in Case No. 98-119 will be handled on a two-part basis, with part one of such financing arrangements having been approved by the Commission as a part of Case No. 99-268. This application thus seeks approval of the second phase of that financing arrangement.

The current RUS loan with respect to which the Commission's concurrence is sought as described above is to be made for a term of 35 years and bears interest, from time to time, at the prevailing municipal rate. The municipal rate is adjusted quarterly, with a 7% cap. Applicant has the opportunity to lock in a fixed rate depending upon the date of maturity chosen and, at the present time, the prevailing rate upon indebtedness maturing in the year 2006 would equal 2%; while the prevailing rate for indebtedness maturing in the year 2026 or later is 4.5%.

The CoBank loan for which approval is sought as described hereinabove is for a terms of 35 years, with a variable rate of interest depending upon maturity elections. The current CoBank interest rate as of January 28, 2005 is 3.88%.

Specific applications of the loan proceeds are set forth in Exhibit F to the Application (RUS Form 741), that Exhibit F having likewise been appended to the application made in Case No. 99-268 in order to reflect the two-phase financing arrangements for the subject work plan.

5. That it is a cooperative membership corporation which has not and will not in the future offer, sell or solicit subscriptions for capital stock of any class. Accordingly, the Applicant has never, during the term of its existence, paid any dividends upon capital stock, and does not intend in the future to do so. Its Articles of Incorporation and amendments thereto have been filed before this Commission as recently as in Case No. 92-080; and this application for those extensions of credit for which approval is sought herein have been

approved and directed by the Applicant's Board of Directors, such approval including authorization for the further execution of documents, including mortgages and like encumbrances, which ultimately secure the additional borrowing by the Applicant as proposed herein.

6. Applicant's real properties upon which there are situated all of Applicant's facilities and operations include those tracts from which title has been derived by means of those separate deeds of conveyance set forth as an Exhibit filed in Case No. 93-292 before this Commission, that matter having been a prior application seeking approval of certain borrowing. As a part of that same proceeding, the Applicant filed as an Exhibit certain Mortgages made to the United States of America in which the exact legal descriptions of the Applicant's properties then owned is set forth; and it likewise referenced therein certain off-conveyances made with respect to properties originally acquired by this Applicant. Applicant thus incorporates by reference herein the Exhibits filed in Case No 93-292 as descriptive of its real estate holdings, and the existing mortgages encumbering same, except that, since that filing in Case No. 93-292, Applicant acquired on November 19, 1997, a small tract described in numerical paragraph 6 of its Application in Case No. 99-268, with which Application there was attached as an exhibit a copy of the Deed to that Green County, Kentucky acquisition. Applicant thus advises the Commission that its subject real properties would be utilized in order to secure additional advances in the event that the loan authority sought herein is granted.

7. Applicant, as a part of Case Nos. 93-292 and 99-268, has set forth its recorded costs of all of its subject real estate.
8. Applicant files herewith of the following financial Exhibits:
  - EXHIBIT A: Comparative Balance Sheet, 12-31-03 and 12-31-04;
  - EXHIBIT B: Statement of Operations, 12-31-04;
  - EXHIBIT C: Schedule of Long Term Debt as of 12-31-04.
  - EXHIBIT E: Original Cost of Plant.
9. Applicant has, on or about September 2, 2004, received from the Rural Utilities Service preliminary approval of those loan arrangements for which regulatory concurrence/approval is hereby sought, and a photocopy of such preliminary letter of approval being filed herewith as EXHIBIT D.

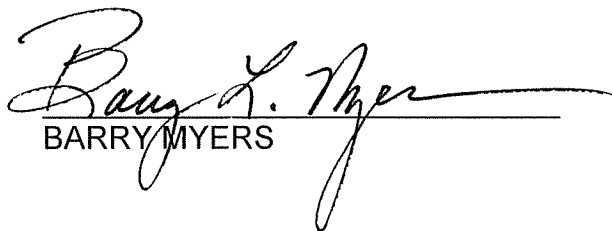
WHEREFORE, Applicant, Taylor County Rural Electric Cooperative Corporation, prays that, consistent with the Application made and approved in Case No. 98-199 by means of which this Applicant has been granted certification and approval of its work plan, and the Application made and approved in Case No. 99-268 by means of which the financing arrangements for completion of the first phase of that work plan has been approved, and further consistent with the information set forth in this application, the Commission concur in the extension of the indebtedness to the United States of America by an additional sum of \$1,541,000, and that the Commission specifically grant approval and authorization for Applicant to make additional borrowings from CoBank in the sum of \$660,000 as a concurrent loan; and that the Applicant be authorized to execute its notes for such additional sums as are to be secured by the Common

Mortgage and the Supplemental Mortgages which will again be restated and lodged for public record.

SPRAGENS, SMITH & HIGDON, P.S.C.  
Attorneys at Law  
15 Court Square - P. O. Box 681  
Lebanon, Kentucky 40033  
Telephone (502) 692-3141

By   
ROBERT SPRAGENS, JR., Attorney  
or Applicant, TAYLOR COUNTY  
RURAL ELECTRIC COOPERATIVE  
CORPORATION

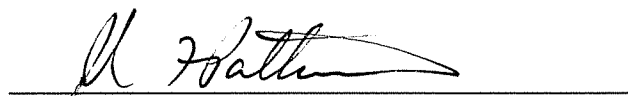
The affiant, BARRY MYERS, states that he is the Manager of Taylor County Rural Electric Cooperative Corporation and that the statements made in the above Application are true.

  
BARRY MYERS

STATE OF KENTUCKY  
COUNTY OF TAYLOR

The foregoing instrument was subscribed and sworn to before me by BARRY MYERS, Manager of the Taylor County Rural Electric Cooperative Corporation, this 9<sup>th</sup> day of February, 2005.

My Commission expires: 4/9/05

  
NOTARY PUBLIC, KY. STATE AT LARGE