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John W. Clay
Vice Chairman

Caroline Pitt Clark
Commissioner

May 16, 2008

CERTIFICATE OF SERVICE

RE: Case No. 2007-00490
Fleming-Mason Energy Cooperative

I, Stephanie Stumbo, Executive Director of the Public Service Commission, hereby certify that the enclosed attested copy of the Commission's Order in the above case was served upon the addressee by U.S. Mail on May 16, 2008.

A handwritten signature in cursive script that reads "Stephanie Stumbo".

Executive Director

SS/rs
Enclosure



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF FLEMING-MASON ENERGY)	
COOPERATIVE, INC. FOR AN ORDER)	
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)	
SECTION 11 AND RELATED SECTIONS)	CASE NO.
AUTHORIZING THE COOPERATIVE TO OBTAIN)	2007-00490
A PERPETUAL LINE OF CREDIT NOT TO EXCEED)	
\$10,000,000.00 AT ANY ONE TIME FROM THE)	
NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE CORPORATION)	

O R D E R

On November 26, 2007, Fleming-Mason Energy Cooperative, Inc. ("Fleming-Mason") submitted an application for Commission approval of an increase in its perpetual line of credit not to exceed \$10,000,000 at any one time from the National Rural Utilities Cooperative Finance Corporation ("CFC"). The advances from the line of credit will allow Fleming-Mason to obtain funds for temporary shortfalls of cash while requests for permanent financing are pending.¹ The application failed to meet certain filing requirements and was rejected for filing, pursuant to 807 KAR 5:001, Section 6(6), by letter dated December 4, 2007. In response to the rejection notice, Fleming-Mason submitted additional information on December 19, 2007. The additional information supplied by Fleming-Mason cured the deficiencies, and Fleming-Mason's application was considered filed as of December 19, 2007.

¹ Fleming-Mason stated in its application that it did not anticipate acquiring, constructing, improving, or extending any property or discharging or refunding any obligations with advances from the proposed perpetual line of credit.

Fleming-Mason currently has a CFC perpetual line of credit in the amount of \$7,000,000 that was established January 13, 2000. The current line of credit contains an annual pay down provision. The proposed CFC perpetual line of credit would replace the current CFC perpetual line of credit, and would automatically renew annually with no additional paperwork or labor requirements. Like the current CFC line of credit, Fleming-Mason will be required annually to pay to zero the outstanding amounts on the perpetual line of credit and maintain the zero balance for at least 5 consecutive business days. In addition, the proposed CFC perpetual line of credit includes limitations contained in the Unsecured Indebtedness provisions of the Rural Utilities Service ("RUS") Mortgage.² At no time under the perpetual line of credit can the total advances exceed \$10,000,000.³ The interest rate will be the standard CFC line of credit rate, which will not exceed the Prevailing Bank Prime Rate⁴ plus one percent per annum. CFC approved Fleming-Mason's application for the perpetual line of credit on October 24, 2007.⁵

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that the proposed perpetual line of credit from CFC is for

² Section 6.13(e) of the RUS Mortgage states that a borrower may incur unsecured indebtedness for borrowed money "except when the aggregate amount of such indebtedness exceeds 15% of Net Utility Plant and after giving effect to such unsecured indebtedness the Borrower's Equity is less than 30% of its Total Assets."

³ Application at 4.

⁴ The Prevailing Bank Prime Rate is the bank prime rate published in the "Money Rates" column of the eastern edition of *The Wall Street Journal* on the publication day immediately preceding the day on which an adjustment in the interest rate will become effective. See Application Exhibit 9, page 5 of 16.

⁵ Application Exhibit 6.

lawful objects within Fleming-Mason's corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved. The Commission also places Fleming-Mason on notice that no lines of credit advances are to be used to support Fleming-Mason's unregulated subsidiary, *Fleming-Mason Service Corporation*.

IT IS THEREFORE ORDERED that:

1. Fleming-Mason is authorized to borrow up to \$10,000,000 from CFC using a perpetual line of credit, subject to the terms and provisions of the perpetual line of credit agreement filed in the record.

2. Fleming-Mason is authorized to execute the perpetual line of credit herein authorized.

3. The advances from the transaction authorized herein shall be used only for the lawful purposes set out in Fleming-Mason's application. None of the advances of the proceeds authorized herein shall be used to finance the construction of any facilities that require a Certificate of Public Convenience and Necessity under KRS 278.020(1) until such a Certificate has been issued by the Commission.

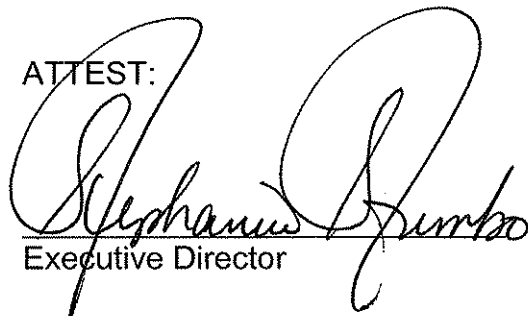
4. Fleming-Mason shall not utilize the funds available through the letter of credit to support *Fleming-Mason Service Corporation*.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 16th day of May, 2008.

By the Commission

ATTEST:



Stephanie Dumbo
Executive Director

Case No. 2007-00490