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Gray, KY 40734

October 24, 2006

CERTIFICATE OF SERVICE

RE: Case No. 2006-00424
Cumberland Valley Electric, Inc.

I, Beth O'Donnell, 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 October 24, 2006.

Executive Director

BOD/sh
Enclosure



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COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CUMBERLAND VALLEY)	
ELECTRIC, INC. FOR AN ORDER, PURSUANT TO)	
KRS 278.300 AND 807 KAR 5:001, SECTION 11)	
AND RELATED SECTIONS, AUTHORIZING THE)	CASE NO.
COOPERATIVE TO OBTAIN A PERPETUAL)	2006-00424
LINE OF CREDIT NOT TO EXCEED)	
\$5,000,000.00 AT ANY ONE TIME FROM THE)	
NATIONAL RURAL UTILITIES COOPERATIVE)	
FINANCE COOPERATION)	

O R D E R

On September 27, 2006, Cumberland Valley Electric, Inc. ("Cumberland Valley") submitted an application for Commission approval of a perpetual line of credit not to exceed \$5,000,000 at any one time from the National Rural Utilities Cooperative Finance Corporation ("CFC"). The advances from the line of credit will allow Cumberland Valley 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 October 2, 2006. In response to the rejection notice, Cumberland Valley submitted additional information on October 6, 2006. The additional information supplied by Cumberland Valley cured the deficiencies, and Cumberland Valley's application was considered filed as of October 6, 2006.

¹ Cumberland Valley 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.

Cumberland Valley currently has a CFC line of credit that was issued for a term of 23 months with an annual pay down provision. The current line of credit will expire on November 24, 2006. The proposed CFC perpetual line of credit would replace the current CFC line of credit, and would automatically renew annually with no additional paperwork or labor requirements.² Like the current CFC line of credit, Cumberland Valley 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. At no time under the perpetual line of credit can the total advances exceed \$5,000,000.³ 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 Cumberland Valley's application for the perpetual line of credit on August 17, 2006.⁵

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 lawful objects within Cumberland Valley'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.

² Application at 4.

³ Cumberland Valley stated that the \$5,000,000 level represents approximately 50 percent of the total cost of a four-year work plan. See 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 7, page 2 of 7.

⁵ Application Exhibit 4.

IT IS THEREFORE ORDERED that:

1. Cumberland Valley is authorized to borrow up to \$5,000,000 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. Cumberland Valley 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 Cumberland Valley'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.

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 24th day of October, 2006.

By the Commission

ATTEST:



Executive Director