

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE INTER-COUNTY ENERGY)
COOPERATIVE CORPORATION FOR AN ORDER)
PURSUANT TO KRS 278.300 AND 807 KAR 5:001,)
SECTION 11 AND RELATED SECTIONS) CASE NO. 2008-00311
AUTHORIZING THE COOPERATIVE TO OBTAIN)
A PERPETUAL LINE OF CREDIT NOT TO EXCEED)
\$5,000,000.00 AT ANY ONE TIME FROM THE)
NATIONAL RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

O R D E R

On August 1, 2008, Inter-County Energy Cooperative Corporation (“Inter-County”) 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 Inter-County to obtain funds for temporary shortfalls of cash while requests for permanent financing are pending. Inter-County 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.

The application failed to meet certain filing requirements and was rejected for filing by letter dated August 6, 2008. In response to the rejection notice, Inter-County submitted additional information on August 20, 2008. The additional information supplied by Inter-County cured the deficiencies, and Inter-County’s application was considered filed as of August 20, 2008.

Inter-County currently has a CFC line of credit that was approved by CFC on June 13, 2008 for a term of 23 months.¹ The current line of credit contains an annual pay-down provision which requires Inter-County to annually pay to zero the outstanding amounts on the line of credit and maintain the zero balance for at least five consecutive business days. The proposed CFC perpetual line of credit will replace the current CFC line of credit, and will automatically renew annually with no additional paperwork or labor requirements.² Like the current CFC line of credit, the perpetual line of credit contains an annual pay-down-to-zero provision. 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 Inter-County's application for the perpetual line of credit on June 13, 2008.⁵

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 Inter-County's corporate purposes, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair

¹ Inter-County response to Staff data request, Exhibit A.

² Application at 3.

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 5, page 5 of 15.

⁵ Inter-County's existing line of credit and the proposed perpetual line of credit received concurrent approval by CFC.

its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Inter-County 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. Inter-County is authorized to execute the perpetual CFC line of credit herein authorized, and that line of credit shall replace the existing 23-month line of credit.


3. The advances from the transaction authorized herein shall be used only for the lawful purposes set out in Inter-County'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 14th day of October, 2008.

By the Commission

ATTEST:


for Stephanie Stamba
Executive Director w/permission