



COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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(502) 564-3940

July 16, 1993

Mr. Don M. Combs
Acting Manager
Big Sandy Rural Electric
Cooperative Corporation
P.O. Box 1746
Paintsville, Kentucky 41240-5746

Re: CFC Line of Credit

Dear Mr. Combs:

The Commission Staff has reviewed your July 7, 1993 letter requesting an opinion as to whether Big Sandy RECC is required to obtain Commission approval prior to entering into a line of credit with the National Rural Utilities Cooperative Finance Corporation ("CFC"). You have enclosed with your letter a copy of the CFC standard form Revolving Line of Credit Application and Agreement. Although neither the dollar amount of the line of credit nor the term of the agreement are filled in on the standard form, your office manager, Rose Marie Ray, had previously informed Richard Raff of our legal staff that the term would be for 60 months.

Pursuant to Commission statute, KRS 278.300(1), no utility shall issue any securities or evidence of indebtedness until it has been authorized to do so by Order of the Commission. However, Subsection (8) exempts certain notes from this prior approval:

This section does not apply to notes issued by a utility, for proper purposes not in violation of law, that are payable at periods of not more than two years from the date thereof, or to like notes, payable at a period of not more than two years from the date thereof, that are issued to pay or refund in whole or in part any such notes, or to renewals of such notes from time to time, not exceeding in the aggregate six years from the date of the issue of the original notes so renewed or refunded.

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A review of the CFC agreement discloses that paragraph 9 will require Big Sandy to reduce the line of credit to zero for at least five consecutive business days within 360 days of the first loan advance, and to subsequently reduce the line of credit to zero in each subsequent 360 day periods.

Based on an analysis of the CFC agreement and the above-cited statute, it is the Legal Division's opinion that the CFC line of credit agreement for a maximum of 60 months falls within the above-cited exemption and, thus, does not require prior Commission approval.

This letter represents the Legal Division's interpretation of the law as applied to the facts present in your letter. This opinion is advisory in nature and not binding on the Commission should the issues herein be formally presented for Commission resolution. Should you have any questions concerning this opinion, please contact our staff attorney Richard Raff at (502) 564-3940.

Sincerely,

A handwritten signature in black ink that reads "Don Mills". The signature is written in a cursive style with a long horizontal stroke at the beginning.

Don Mills
Executive Director

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