



Richard

COMMONWEALTH OF KENTUCKY
PUBLIC SERVICE COMMISSION
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November 15, 1995

Hon. Howard Downing
109 South First Street
Nicholasville, Kentucky 40356

Re: Blue Grass RECC Credit Guarantee

Dear Mr. Downing:

The Commission Staff has reviewed your request for a legal opinion as to whether Blue Grass Rural Electric Cooperative Corporation is required to obtain Commission approval, pursuant to KRS 278.300, prior to executing a guarantee to CoBank, ACB for a line of credit extended to Kentucky Telecommunications, Inc.

As you know, KRS 278.300(1) provides as follows:

No utility shall issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person until it has been authorized so to do by order of the commission.

The only exceptions to this requirement for prior approval are set forth in KRS 278.300(8), relating to notes issued by a utility for not more than two years duration, and KRS 278.300(10), relating to evidences of indebtedness subject to the supervision or control of the federal government. Since nothing in the Limited Guarantee of Payment agreement, which was attached to your letter, limits the guarantee to not more than two years, and CoBank ACB is not a federal government agency, neither of the exemptions apply. Consequently, Commission approval of the guarantee agreement must be obtained prior to its execution by Blue Grass RECC.

This letter represents the Legal Division's interpretation of the law as applied to the facts presented in your letter. This opinion is advisory in nature and not binding on the Commission should these issues 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".

Don Mills
Executive Director