

COMMONWEALTH OF KENTUCKY
BEFORE THE ENERGY REGULATORY COMMISSION

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In the Matter of

THE APPLICATION OF JACKSON PURCHASE)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR AN ORDER AUTHORIZING THE CORPORATION)	
TO BORROW AN AMOUNT NOT TO EXCEED)	
\$1,343,000.00 FROM THE UNITED STATES)	
OF AMERICA (REA), AND \$575,000.00 FROM)	CASE NO. 7787
THE LOUISVILLE BANK FOR COOPERATIVES)	
FOR THE PURPOSE OF PURCHASING FACILITIES OF)	
KENTUCKY UTILITIES COMPANY IN ACCORDANCE)	
WITH AN EXPIRED WHOLESALE POWER SUPPLY)	
AGREEMENT WITH KENTUCKY UTILITIES COMPANY)	

O R D E R

On March 27, 1980, Jackson Purchase Electric Cooperative Corporation (Jackson Purchase) filed its Application with the Commission seeking authority to borrow \$1,918,000 from the United States of America (REA) and \$575,000 from the Louisville Bank for Cooperatives (LBC), and to execute the notes, loan agreements and other documents necessary to complete the transaction.

At the hearing on this matter on April 30, 1980, the Applicant testified that the proceeds from the proposed borrowings will be applied to the purchase from Kentucky Utilities Company (KU) of thirty-eight (38) miles of existing 69 KV transmission line, which was originally constructed by KU solely to serve Jackson Purchase, and to the purchase of rights-of-way acquired by KU to construct a tie line from New York to LaCenter to complete a 69 KV loop for Jackson Purchase's use. Said rights-of-way were to remain in full force and effect only if utilized within five (5) years from respective dates of acquisition.

The record also indicates that it is the responsibility of Big Rivers Electric Corporation under the Membership Agreement between Big Rivers and Jackson Purchase to furnish all transmission facilities. However, due to currently pending litigation involving certain wheeling arrangements with various municipalities, KU is unwilling to sell said facilities to Big Rivers until such time as Jackson Purchase is no longer receiving power from KU, January 1, 1984. It is acceptable to

all parties concerned, however, for Jackson Purchase to purchase the facilities immediately with Big Rivers to purchase said facilities from Jackson Purchase at January 1, 1984, and to assume Jackson Purchase's loan on the facilities at that time. This arrangement would also result in a lower total cost of the facilities as Jackson Purchase qualifies for a 5% REA loan while the cost of money to Big Rivers through REA would be in excess of 5%.

The proposed purchase for the facilities is the reproduction cost new (developed by use of the Handy-Whitman Index) less depreciation from the date the line was energized to the transfer date. The exact price, therefore, cannot be calculated until the transfer date is determined; however, as the record indicates, had the transfer taken place on January 1, 1979, the price to be paid, including \$43,927 of KU right-of-way options, would have been \$1,918,686.¹

Although, for the above-stated reason, the borrowings requested by the Applicant may be insufficient to cover the entire cost of the facilities, no firm arrangements have been made to obtain such funds. However, testimony at the hearing indicated that should additional funds be necessary, they would probably be obtained from Big Rivers by means of a short-term loan.

The Commission, after consideration of the Application and record, determined that additional information is needed in order to determine the reasonableness of the request. Therefore, by Order dated June 20, 1980, the Commission directed the Company to file the necessary information. Thereafter, on June 27, 1980, the Company filed its response wherein it stated that it was unable to comply with the provisions of the Order, since the information requested is peculiarly within the knowledge of KU, the seller. On that ground, the Company asked to be relieved from the June 30, 1980, filing date imposed by the Order.

After further consideration, the Commission granted the Company's request to be relieved from filing the information by June 30, 1980, but ordered Jackson Purchase and KU jointly to supply the necessary information by August 31, 1980. To date the information has not been filed. A letter was received from Jackson Purchase, however, again stating that the information cannot be furnished until KU chooses to supply it.

¹

Letter dated June 15, 1979 from KU to Jackson Purchase

The Commission, after consideration of the application and record and being advised, is of the opinion and FINDS that:

(1) The additional information requested by the Commission in its Orders of June 20 and August 8, 1980, is necessary to determine the reasonableness of the proposed borrowing.

(2) The Applicant has not filed said information.

IT IS THEREFORE ORDERED, that the Application herein be and it hereby is dismissed without prejudice.

Done at Frankfort, Kentucky, this the 14th day of November, 1980.

ENERGY REGULATORY COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary