

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF TAYLOR COUNTY RURAL ELECTRIC)
COOPERATIVE CORPORATION TO BORROW AN ADDITIONAL)
SUM OF \$1,349,000 FROM THE UNITED STATES OF)
AMERICA AND TO EXECUTE A NOTE FOR SAID AMOUNT)
AND TO CONCURRENTLY BORROW FROM THE LOUISVILLE)
BANK FOR COOPERATIVES THE SUM OF \$578,000 AND)
TO EXECUTE ITS NOTE THEREFOR TO BE SECURED BY) CASE NO.
AN EXISTING COMMON MORTGAGE HERETOFORE EXECUTED) 9632
AND FOR A CERTIFICATE OF CONVENIENCE AND)
NECESSITY AUTHORIZING IT TO CONSTRUCT AND MAKE)
ADDITIONAL IMPROVEMENTS AND EXTENSIONS TO ITS)
EXISTING SYSTEM)

O R D E R

Taylor County Rural Electric Cooperative Corporation ("Taylor County") filed its application on July 14, 1986, for a certificate of convenience and necessity to construct certain improvements and additions to its existing plant, to borrow funds from the Louisville Bank for Cooperatives and to execute its notes and mortgages to secure such loan. The Commission requested additional information and it was received on August 21, 1986. These improvements and additions, as more specifically described in the application and record, are estimated to cost \$1,936,550 and will be financed by a loan of \$1,349,000 from the Rural Electrification Administration ("REA") and a loan of \$578,000 from the Louisville Bank for Cooperatives ("LBC").

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require the construction by Taylor County of the improvements and additions to its existing plant as described in the application and record, and a certificate should be granted.

2. The proposed borrowing from LBC is for lawful objects within the corporate purposes of Taylor County, is necessary and appropriate for and consistent with the proper performance by Taylor County of its service to the public, and will not impair its ability to perform that service.

3. Taylor County is seeking to borrow funds from the REA. On November 12, 1982, the Franklin Circuit Court issued its opinion in West Kentucky RECC v. Energy Regulatory Commission. Therein, the Court held that the Commission had no authority to approve or disapprove borrowings from the REA since the REA is an agency of the federal government and KRS 278.300(10) exempts such borrowing from the Commission regulation. Accordingly, the Commission takes no action on the REA portion of Taylor County's proposed borrowing.

IT IS THEREFORE ORDERED that:

1. Taylor County be and it hereby is granted a certificate of convenience and necessity to proceed with the construction and additions as set forth in the application and record.

2. Taylor County be and it hereby is authorized to borrow \$578,000 from LBC for a 35-year period and bearing either a fixed

or variable interest rate, as chosen by Taylor County, at the time the first monies are drawn from LBC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

3. Taylor County shall utilize the interest rate program which will result in the net lowest cost of money to Taylor County over the term of the financing.

4. Taylor County shall notify the Commission of the interest rate option elected for the financing approved herein along with a statement as to the basis for the decision.

5. Taylor County be and it hereby is authorized to execute its notes and mortgages as security for the loan herein authorized.

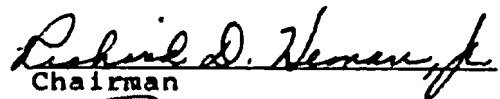
6. The proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

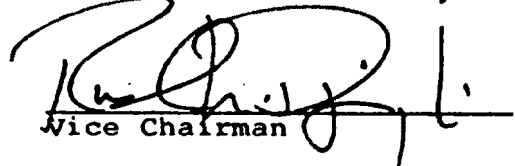
7. Taylor County shall file, along with its monthly financial report to the Commission, the current interest rate on its variable rate loans outstanding.

Nothing herein contained shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 16th day of September, 1986.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director