

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARRISON RURAL)
ELECTRIC COOPERATIVE CORPORATION)
REQUESTING COMMISSION APPROVAL)
OF A CERTIFICATE OF PUBLIC)
CONVENIENCE AND NECESSITY TO) CASE NO. 9869
CONSTRUCT ADDITIONAL PLANT AND)
EXTENSIONS AND APPROVAL TO ISSUE)
SECURITIES FROM THE NATIONAL)
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION)

O R D E R

Harrison Rural Electric Cooperative Corporation ("Harrison RECC") filed its application on February 20, 1987, for a certificate of public convenience and necessity to construct certain improvements and additions to its existing plant, and for approval to borrow funds and to execute its notes and mortgages to secure such loan. The Commission requested additional information and most of it was received on March 30, 1987. Loan agreements from the Rural Electrification Administration ("REA") and the National Rural Utilities Cooperative Finance Corporation ("CFC") have not been received. Harrison RECC has received approval of the CFC loan and has stated that it will provide the loan agreements as soon as they are available. These improvements and additions, as more specifically described in the application and record, are estimated to cost \$1,137,290, and will be financed by a loan of \$796,000 from the REA and a loan of \$351,546 from CFC.

FINDINGS AND ORDERS

The 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 Harrison RECC of the improvements and additions to its existing plant as described in the application and record, and that a certificate be granted.

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

3. Harrison RECC is capable of executing its notes as security for the loan as stated herein.

4. Harrison RECC should utilize the interest rate program which will result in the net lowest cost of money to Harrison RECC over the term of the financing.

5. Harrison RECC should 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.

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

7. Harrison RECC should file, along with its monthly financial report to the Commission, the current interest rate on its variable rate loans outstanding.

8. Harrison RECC 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 PSC 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 PSC regulation. Accordingly, the Commission takes no action on the REA portion of Harrison RECC's proposed borrowing.

IT IS THEREFORE ORDERED that:

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

2. Harrison RECC be and it hereby is authorized to borrow \$351,546 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Harrison RECC at the time the first monies are drawn from CFC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

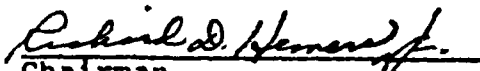
3. Harrison RECC be and it hereby is authorized to execute its notes as security for the loan herein authorized.

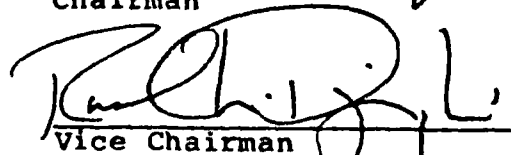
4. Harrison RECC shall comply with all matters set out in Findings 4 through 7 as if it was individually so Ordered.

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 22nd day of April, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director