

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR)
COMMISSION APPROVAL TO CONSTRUCT AND) CASE NO. 89-182
FINANCE DISTRIBUTION LINES UNDER THE)
2-YEAR WORK PLAN)

O R D E R

Salt River Rural Electric Cooperative Corporation ("Salt River") filed its application on June 27, 1989 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 to secure such loan. These improvements and additions, more specifically described in the application, are estimated to cost \$4,740,738 and are to be financed by a loan of \$3,319,000 from the Rural Electrification Administration ("REA") and a loan of \$1,422,000 from the National Bank For Cooperatives ("NBC").

In support of its application, Salt River filed its 1989-1990 Work Plan, which describes in detail the improvements and additions to plant that are required over 2 years to serve its load.

Salt River seeks authorization to construct extensions and additions to its plant as follows:

A.	New member additions.	\$1,884,000
B.	Conversions and line changes.	430,870
C.	Transformers and meters.	723,640
D.	Security lights.	110,500
E.	Increased service capacity.	533,400
F.	Pole replacement.	750,000
G.	Sectionalizing equipment.	21,950
H.	Regulators.	<u>286,378</u>
	TOTAL	\$4,740,738

On August 11, 1989, Salt River filed copies of correspondence received from REA and NBC approving its loans.

FINDINGS AND ORDERS

Based on the evidence of record and being advised, the Commission is of the opinion and hereby finds that:

1. The system improvements proposed by Salt River will not duplicate existing facilities and are needed to provide adequate and dependable electric service to existing and expected customers. Public convenience and necessity require the construction of the improvement and additions described in Salt River's 1989-1990 Work Plan. Therefore, a certificate to construct these facilities should be granted to Salt River.

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

3. Salt River is capable of executing its notes as security for the loan as stated herein.

4. Salt River should select the interest rate program resulting in the net lowest cost of money to it over the terms of the financing.

5. Salt River should notify the Commission in writing of the interest rate program selected and the reasons for its selection.

6. The proceeds from the proposed loans should be used only for the lawful purposes set out in Salt River's application.

7. Salt River should include in its monthly financial report to the Commission, the current interest rate on its variable rate loans outstanding.

8. As the REA is an agency of the federal government, Commission approval of Salt River's proposed loan with REA is not required pursuant to KRS 278.300 (10).

IT IS THEREFORE ORDERED that:

1. Salt River be and it hereby is granted a Certificate of Public Convenience and Necessity to construct facilities set forth in its 1989-1990 Work Plan.

2. Salt River be and it hereby is authorized to borrow \$1,422,000 from NBC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Salt River, at the time the first monies are drawn from NBC, subject to the provisions and terms of the application with respect to renegotiation of the interest rate.

