

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF THE HARRISON COUNTY RURAL) | |
| ELECTRIC COOPERATIVE CORPORATION TO BORROW) | |
| AN ADDITIONAL SUM OF \$1,377,000 FROM THE) | |
| UNITED STATES OF AMERICA AND TO EXECUTE A) | |
| NOTE FOR SAID AMOUNT AND TO CONCURRENTLY) | CASE NO. |
| BORROW FROM THE NATIONAL RURAL UTILITIES) | 89-240 |
| COOPERATIVE FINANCE CORPORATION THE SUM OF) | |
| \$608,247 AND TO EXECUTE ITS NOTE THEREFOR TO) | |
| BE SECURED BY AN EXISTING COMMON MORTGAGE) | |
| HERETOFORE EXECUTED) | |

O R D E R

Harrison County Rural Electric Cooperative Corporation ("Harrison RECC") filed its application on August 30, 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 notes to secure such loans.

In support of its application, Harrison RECC filed its 1989-1990 Work Plan, which describes in detail the improvements and additions to plant that are required over the next 2 years to serve its load. These improvements and additions are estimated to cost \$1,967,100 and will be financed by loans of \$1,377,000 from the Rural Electrification Administration ("REA") and of \$608,247¹ from the National Rural Utilities Cooperative Finance Corporation ("CFC").

¹ The borrowing from CFC includes the purchase of capital term certificates, in an amount equal to 3 percent of the total CFC loan. CFC requires its borrowers to purchase these certificates.

Harrison RECC seeks authorization to construct extensions and additions to its plant as follows:

| | |
|--|----------------|
| 1. Conversions, Tie Lines and Line Changes | \$ 94,900 |
| 2. Sectionalizing Devices | 27,000 |
| 3. New Member Extensions | 678,250 |
| 4. Increased Service Capacity | 150,750 |
| 5. Security Lights | 22,200 |
| 6. Ordinary Replacements | <u>994,000</u> |
| TOTAL | \$1,967,100 |

The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to provide adequate and dependable electric service to existing and expected customers.

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 its 1989-1990 Work Plan and that a certificate should be granted.

2. The proposed loan 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 select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

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

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

7. Harrison RECC should include in its monthly report to the Commission the current interest rate on its outstanding variable rate loans.

8. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency do not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Harrison RECC's proposed loans from the REA is required.

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 its 1989-1990 Work Plan.

2. Harrison RECC be and it hereby is authorized to borrow \$608,247 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.

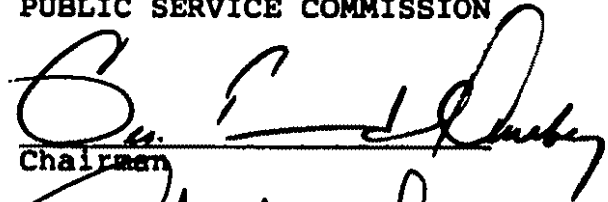
3. Harrison RECC be and it hereby is authorized to execute its notes as security for the loan herein authorized.

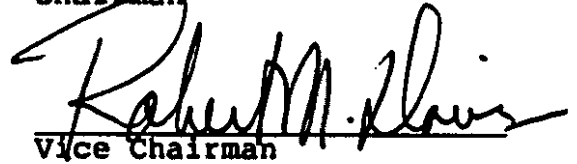
4. Harrison RECC shall comply with all matters set out in Findings 4 through 7 as if they were individually so ordered.

Nothing contained herein 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 4th day of October, 1989.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director