

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF INTER-COUNTY RURAL )  
ELECTRIC COOPERATIVE CORPORATION FOR )  
AN ORDER AUTHORIZING IT TO BORROW )  
FROM THE UNITED STATES OF AMERICA )  
\$2,741,000.00 AND FROM THE NATIONAL )  
RURAL UTILITIES COOPERATIVE FINANCE )  
CORPORATION \$1,210,309.00 FOR THE )  
PURPOSE OF IMPROVING EXISTING LINES )  
AND FACILITIES AND FOR CONSTRUCTING ) CASE NO. 91-121  
ADDITIONAL LINES AND FACILITIES; AND )  
TO EXECUTE A MORTGAGE NOTE FOR )  
\$2,741,000.00 PAYABLE TO THE UNITED )  
STATES OF AMERICA AND A LOAN )  
AGREEMENT AND MORTGAGE NOTE FOR )  
\$1,210,309.00 PAYABLE TO THE NATIONAL )  
RURAL UTILITIES COOPERATIVE FINANCE )  
CORPORATION )

O R D E R

Inter-County Rural Electric Cooperative Corporation ("Inter-County") filed its application on April 25, 1991 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow \$1,210,309 from the National Rural Utilities Cooperative Finance Corporation ("CFC"), and to execute its notes to secure such loan.

In support of its application, Inter-County filed its 1990-1991 construction 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 \$3,915,341 and will be financed by loans of \$2,741,000 from the Rural Electrification Administration ("REA") and \$1,210,309<sup>1</sup> from CFC.

Inter-County seeks authorization to construct extensions and additions to its plant as follows:

1. Distribution Line Construction New Lines	\$1,442,000
2. Distribution Line Construction Tie Lines	1,500
3. Distribution Line Construction Conversions and Line Changes	578,416
4. Distribution Equipment	716,825
5. Service Capacity Increases	57,000
6. Sectionalizing Equipment	66,800
7. Voltage Regulators	56,000
8. Ordinary Replacement-Poles	560,800
9. Step Transformers	242,000
10. Other Distribution Items	<u>194,000</u>
TOTAL	\$3,915,341

The proposed construction will enable Inter-County to continue to provide adequate and dependable service to 16,895 customers. The system improvements recommended in this Work Plan will not duplicate existing facilities and are needed to correct

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<sup>1</sup> 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. The purchases required of Inter-County for this loan total \$36,309. The total amount of the REA and CFC loans equals \$3,951,309.

voltage problems, improve phase balance, and provide for improved service reliability.

Based on the evidence of record and being otherwise sufficiently advised, the Commission hereby finds that:

1. Public convenience and necessity require the construction by Inter-County of the improvements and additions to its existing plant as described in its 1990-1991 Work Plan, and that a certificate should be granted.

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

3. Inter-County is capable of executing its notes as security for the loan as stated herein.

4. Inter-County 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. Inter-County should notify the Commission in writing of the interest rate program selected and of the reasons for its selection within 10 days of the selection of the program.

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

7. Inter-County 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 Inter-County's proposed loans from the REA is required.

IT IS THEREFORE ORDERED that:

1. Inter-County 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 1990-1991 Work Plan.

2. Inter-County be and it hereby is authorized to borrow \$1,210,309 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Inter-County, 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.

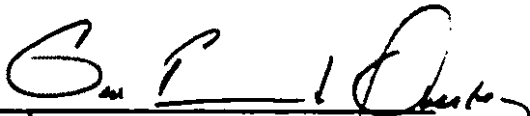
3. Inter-County be and it hereby is authorized to execute its notes as security for the loan herein authorized.

4. Inter-County 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 7th day of August, 1991.

**PUBLIC SERVICE COMMISSION**

  
Chairman

  
Vice Chairman

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Commissioner

**ATTEST:**

  
Executive Director