

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF HENDERSON-UNION)
RURAL ELECTRIC COOPERATIVE)
CORPORATION FOR AUTHORIZATION TO)
BORROW \$1,540,000.00 FROM NATIONAL) CASE NO. 91-334
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION AND TO ISSUE)
ITS EVIDENCES OF INDEBTEDNESS)
THEREFOR AND FOR A CERTIFICATE OF)
CONVENIENCE AND NECESSITY)

O R D E R

IT IS ORDERED that Henderson-Union Rural Electric Cooperative Corporation ("Henderson-Union") shall file an original and six copies of the following information with this Commission, with a copy to all parties of record within 10 days from the date of this Order. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. Provide a detailed description of any other financing options that were considered in securing the National Rural Utilities Cooperative Finance Corporation ("CFC") loan. This response should include the reason(s) that CFC financing was selected over other options, as well as the results of any studies conducted which support the use of CFC financing.

2. Provide an amortization schedule of the proposed Rural Electrification Administration ("REA") loan.
3. Provide an amortization schedule of the proposed CFC loan using the current rates for variable and fixed loans.
4. Indicate what consideration Henderson-Union has given to the various loan programs available through CFC. If the advance of funds from this proposed loan was to be made by the date of the response to this Order, explain which loan program Henderson-Union would anticipate selecting. Include with this explanation the results of any studies or analysis used by Henderson-Union in making the loan program selection.
5. Provide an explanation of whether Henderson-Union will be able to meet its increased debt service requirements with the revenues generated by its existing rates.
6. Concerning the purchase of the CFC Capital Term Certificate ("Certificate"), provide the following information:
 - a. The calculations which support the rate for and the amount of Certificate purchases for the proposed loan.
 - b. Indicate which option Henderson-Union plans to use in the purchase of the required Certificate and explain the reason for the selection of this option.
7. Provide documentation which indicates that the loans have been approved by REA and CFC.
8. Refer to 740c page 3 of 4.
 - a. Explain what are the Headquarters Facilities that will cost \$1,500,000?

b. Provide all supporting calculations that were used to arrive at the figure \$1,500,000.

c. Provide REA form 740g.

9. Concerning the actual work performed under the 1991-93 Work Plan, provide the following information:

a. Indicate when Henderson-Union began construction under the 1991-93 Work Plan.

b. Identify how much Henderson-Union has spent on the 1991-93 Work Plan, as of the date of its response to this Order.

c. If construction under the 1991-93 Work Plan has already begun, explain in detail why Henderson-Union did not seek a Certificate of Convenience and Necessity before the work began, as required under KRS 278.020.

10. The Commission is aware that changes have been made in the REA loan program. Henderson-Union has indicated that it is requesting a loan from REA for \$3,594,000, which represents approximately 70 percent of the total financing needs for the 1991-93 Work Plan. Provide the following information:

a. A thorough discussion of the current status of the REA loan program and the impact the recent changes in the REA loan program have had on the current loan application of Henderson-Union. Include copies of any notices or correspondence received from REA concerning the changes in the loan program.

b. A copy of the REA mortgage agreement, identifying all areas which have changed due to the changes in the REA loan program.

Done at Frankfort, Kentucky, this 9th day of December, 1991.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director