

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SOUTH KENTUCKY)	
RURAL ELECTRIC COOPERATIVE CORPORATION)	
FOR AN ORDER TO EXECUTE ITS NOTE TO)	
NATIONAL RURAL UTILITIES COOPERATIVE)	CASE NO.
FINANCE CORPORATION IN THE AMOUNT OF)	93-055
\$2,265,625., PURSUANT TO KRS 278.300)	
AND 807 KAR 5:001, SECTION 11 AND)	
RELATED SECTIONS)	

O R D E R

South Kentucky Rural Electric Cooperative Corporation ("South Kentucky") filed its application on February 12, 1993 for approval to borrow funds from the National Rural Utilities Cooperative Finance Corporation ("CFC") and to execute its notes for such loan. The proceeds of this loan will finance South Kentucky's 1992-1993 Work Plan.¹ This Work Plan calls for improvements and additions specifically described in the application, and are estimated to cost \$7,250,000 and will be financed by a \$5,075,000 loan from the Rural Electrification Administration ("REA") and a \$2,265,625 loan from CFC.

In order to obtain the financing from CFC South Kentucky is required to purchase Capital Term Certificates ("CTCs") equal to 3 percent of the total loan. South Kentucky had originally calculated the amount of CTCs using a 4 percent factor, which

¹ South Kentucky received a Certificate of Public Convenience and Necessity for the 1992-1993 Work Plan in Case No. 92-075, Application of South Kentucky Rural Electric Cooperative Corporation for a Certificate of Convenience and Necessity to Construct Additional Lines and Facilities, Order dated May 5, 1992.

resulted in CTCs of \$90,625. However, after the application was filed with the Commission CFC determined that the amount of CTCs should be equal to 3 percent of the loan which results in CTCs of \$67,268. In the response to the Order dated March 17, 1993, South Kentucky provided a copy of CFC correspondence dated March 30, 1993 that stated that it was adjusting the loan application downward to \$2,242,268 to reflect the change in the amount of CTCs. On June 4, 1993, South Kentucky filed a copy of additional correspondence from CFC dated May 28, 1993, approving the loan in the original amount of \$2,265,625, but reflecting the CTCs at the adjusted \$67,268 level. South Kentucky also filed a copy of correspondence received from REA approving the loans.

After reviewing the record, the Commission will approve the CFC loan in the amount of \$2,265,625.

The Commission, after consideration of the evidence of record and being advised, finds that:

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

2. South Kentucky is capable of executing its notes as security for the loan as stated herein.

3. South Kentucky should select the interest rate program which will result in the net lowest cost of money to it over the term of the financing.

4. Within 10 days of its selection of the interest rate program, South Kentucky should notify the Commission in writing of the interest rate program selected and of the reasons for its selection.

5. The proceeds from the proposed loans should be used only for the lawful purposes set out in South Kentucky's application.

6. South Kentucky should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

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

IT IS THEREFORE ORDERED that:

1. South Kentucky be and it hereby is authorized to borrow \$2,265,625 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by South Kentucky, 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.

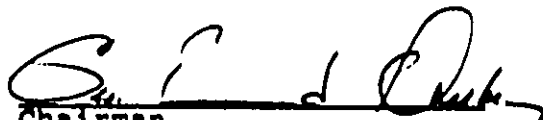
2. South Kentucky be and it hereby is authorized to execute its notes as security for the loan herein authorized.


3. South Kentucky shall comply with all matters set out in Findings 3 through 6 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 23rd day of June, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director