

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION BY THE FOX CREEK)
RURAL ELECTRIC COOPERATIVE)
CORPORATION TO BORROW ADDITIONAL)
SUMS OF MONEY IN THE AMOUNT OF)
\$635,000, AT A VARIABLE INTEREST)
RATE FROM NATIONAL RURAL UTILITIES))
COOPERATIVE FINANCE CORPORATION,) CASE NO. 94-412
TO EXECUTE A NOTE THEREFORE TO BE)
SECURED BY COMMON MORTGAGE)
HERETOFORE EXECUTED UNDER DATE)
OF MAY 7, 1991, AND FOR A)
CERTIFICATE ON CONVENIENCE AND)
AND NECESSITY)

O R D E R

IT IS ORDERED that Fox Creek Rural Electric Cooperative Corporation ("Fox Creek") shall file the original and six copies of the following information with the Commission with a copy to all parties of record within 7 days from the date of this Order.

1. Reconcile the Applicant's proposed total financing request of \$2,116,000 with the construction cost totalling \$2,058,285 approved in the 1993-1995 work plan.¹

2. Describe in detail any financing sources other than National Rural Utilities Cooperative Finance Corporation ("CFC") that were considered in securing the supplemental financing requested herein. This response should include the reason(s) that CFC financing was selected over other options, as well as the

¹ Case No. 93-393, The Application of Fox Creek Rural Electric Cooperative Corporation for a Certificate of Convenience and Necessity for Extension of its Electric Lines, Final Order dated November 29, 1993.

results of any analyses performed which support the use of CFC financing.

3. Provide the additional annual debt service requirements associated with the Rural Electrification Administration ("REA") loan and the CFC loan, using the REA interest rate and the current CFC variable and fixed interest rates.

4. Provide amortization schedules for the REA and CFC loans using the current REA interest rate and the current CFC variable and fixed interest rates.

5. Explain whether Fox Creek will be able to meet its increased debt service requirements with the revenues generated by its existing rates.

6. Provide a copy of the Long Range Financial Forecast filed with REA to support the proposed financing. Include a list of escalation factors and assumptions used in the forecast.

7. Discuss the interest rate options currently available through CFC and provide copies of documents from CFC describing them.

8. If the advance of funds from this proposed loan were to be made by the date of the response to this Order, explain which loan program Fox Creek would select and how Fox Creek determined that this was the best option. Include with this explanation the results of any economic studies or analysis used by Fox Creek in making the loan program selection.

9. 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. The option Fox Creek plans to use in the purchase of the required Certificate and an explanation of why this option was selected.

10. Discuss the current status of the REA loan program and explain the impact that changes in the program have had on the current loan application of Fox Creek. Include copies of any notices or correspondence received from REA concerning the changes in the loan program highlighting any areas specifically affecting Fox Creek's application in this case.

11. What interest rate options are available to Fox Creek?

12. Provide a copy of the loan approval received from CFC. The approval must clearly state that the loan has been approved, not that processing is completed.

13. Provide documentation which indicates that the loan has been approved by REA.

14. Provide a copy of the mortgage agreement with CFC noting the differences between the current agreement and the previous mortgage agreement; or if the mortgage agreement has not changed, so indicate.

15. Provide a copy of REA Form 740c.

16. Does Fox Creek intend to fund any of the construction costs with general funds? If so, why?

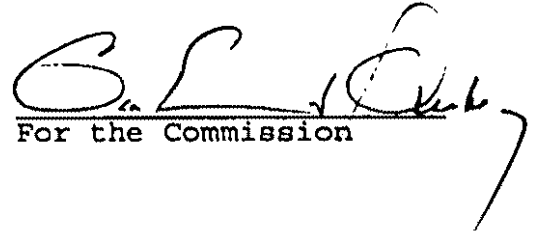
17. When did Fox Creek begin construction under the 1993-1995 Work Plan?

18. How much has Fox Creek spent on the 1993-1995 Work Plan, as of the date of its response to this Order?

19. Provide a copy of the board of directors' resolution authorizing Fox Creek to borrow the funds.

Done at Frankfort, Kentucky, this 30th day of November, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director