

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF JACKSON COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION (1))
FOR AN ORDER PURSUANT TO KRS 278.300)
AND 807 KAR 5:001, SECTION 11 AND)
RELATED SECTIONS, AUTHORIZING THE)
CORPORATION TO CONVERT AN AMOUNT NOT TO) CASE NO. 95-521
EXCEED \$4,000,000.00 IN LONG TERM DEBT)
FROM THE NATIONAL RURAL UTILITIES)
COOPERATIVE CORPORATION (CFC) FOR THE)
PURPOSE OF RETIRING \$4,000,000.00 IN)
SHORT TERM DEBT)

O R D E R

IT IS ORDERED that Jackson County Rural Electric Cooperative Corporation ("Jackson County") shall file an original and eight copies of the following information with this Commission, with a copy to all parties of record. Each copy of the data requested should be placed in a bound volume with each item tabbed. When a number of sheets are required for an item, each sheet should be appropriately indexed, for example, Item 1(a), Sheet 2 of 6. Include with each response the name of the witness who will be responsible for responding to questions relating to the information provided. Careful attention should be given to copied material to ensure that it is legible. The information requested herein is due no later than January 3, 1996.

1. Refer to page 1 of the Application, last sentence. Should this read "The term will be for fifteen (15) years . . ."?

2. Concerning the lien accommodation requested from the Rural Utilities Service ("RUS"):

a. Describe the current status of the request.

b. Provide a copy of the lien accommodation, if available.

c. When does Jackson County expect to receive the lien accommodation?

d. Does Jackson County anticipate any problems in securing the lien accommodation? Explain.

e. Can the proposed financing be secured without the lien accommodation?

3. Describe all terms and conditions of the \$4,000,000 line of credit loans with the National Rural Utilities Cooperative Finance Corporation ("CFC"). Include the interest rate(s) in effect for the line of credit loans for the most recent 12-month period.

4. What is the total amount of the CFC line of credit available to Jackson County?

5. If the loan conversion is not approved by the Commission, when would Jackson County have to repay the \$4,000,000 to CFC?

6. Describe all terms and conditions of the CFC loan conversion program Jackson County seeks to utilize. Include any information provided by CFC which describes the program.

7. Provide copies of any approving documentation received from either RUS or CFC.

8. a. Describe any other financing options considered by Jackson County.

b. Did Jackson County explore the possibility of utilizing lenders other than CFC? If no, explain why not.

c. If other options were available, explain why Jackson County chose the CFC 15-year loan.

9. Provide the current variable interest rate available for the proposed long-term loan. Also provide the corresponding fixed interest rate, if applicable.

10. Describe all terms and conditions of the \$260,000 Economic Development Loan listed on Exhibit 3, page 1 of 2, of the Application. Identify the lender. Indicate when Commission approval of the loan was secured, if applicable.

11. In Case No. 90-394¹ the Commission issued a Certificate of Public Convenience and Necessity for Jackson County's 1990-1992 Work Plan. The extensions and additions contained in the Work Plan were estimated to cost \$11,565,880. Jackson County indicated that it would finance \$3,325,880 of the construction with internally generated funds. Of the total amount to be borrowed, 70 percent was to be from the Rural Electrification Administration (now RUS) and 30 percent from CFC.

¹ Case No. 90-394, The Application of the Jackson County Rural Electric Cooperative Corporation for Authority to Borrow from the National Rural Utilities Cooperative Finance Corporation (CFC) and to Execute Its Mortgage Note or a Series of Mortgage Notes to Secure the Same and for a Certificate of Convenience and Necessity, interim Order dated March 6, 1991, final Order dated February 27, 1992.

a. Reconcile the difference between the total estimated 1990-1992 Work Plan cost and the \$11,370,410 referenced on page 2 of the Application.

b. In its Application, Jackson County indicated that minor projects not originally included in the 1990-1992 Work Plan were added, raising the total construction to be financed with internally generated funds to \$4,000,000. Provide a listing of these minor projects, including a clear description of the work that was performed. Explain why these projects were not included in the 1990-1992 Work Plan.

12. Jackson County was granted a Certificate of Public Convenience and Necessity for its 1993-1994 Work Plan in Case No. 93-336.² That Work Plan was totally financed by long-term debt from RUS and CFC. Were any of the minor projects not originally included in the 1990-1992 Work Plan included in the 1993-1994 Work Plan? Identify any such projects.

13. If the proposed loan conversion is approved, approximately 53 percent of all construction related to the 1990-1992 Work Plan would be financed by CFC long-term debt. The supplemental lender normally provides no more than 30 percent. Has

² Case No. 93-336, The Application of Jackson County Rural Electric Cooperative Corporation (1) for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 and Related Sections, Authorizing the Corporation to Borrow an Amount Not to Exceed \$5,162,500.00 from the National Rural Utilities Cooperative Corporation (CFC) and (2) for a Certificate of Convenience and Necessity Pursuant to KRS 278.020(1) and 807 KAR 5:001, Section 9 and Related Sections, Authorizing Certain Proposed Construction and Associated Capital Outlay, final Order dated December 9, 1993.

Jackson County informed CFC of this circumstance? Has CFC expressed any reservations about providing this higher level of Work Plan financing?

14. Section 6(B) of the Application describes the funding problems which existed at RUS and the delays in receiving approved loan funds.

a. Indicate the loan amount RUS originally approved in connection with Jackson County's 1990-1992 Work Plan.

b. Would the situation described in Section 6(B) normally occur when a cooperative experiences delays in receiving long-term financing for Work Plan projects?

c. Jackson County has stated it has not yet recovered from the delay in receiving RUS loan funds for its 1990-1992 Work Plan. Explain how receipt of RUS loan funds was "delayed" and whether the prior commitment to finance internally \$4,000,000 of construction had a significant effect on the accumulation of short-term loans.

15. Provide a schedule which shows the date and amount of each advance on the CFC line of credit loans since 1990 and the use of the proceeds of each advance.

16. Provide a schedule showing the annual gross additions to utility plant, beginning with calendar year 1990. For each year, indicate the portion of the gross addition financed by long-term debt, short-term debt, and other internally generated sources.

Done at Frankfort, Kentucky, this 15th day of December, 1995.

PUBLIC SERVICE COMMISSION

Julia K. Brentnott
For the Commission

ATTEST:

Don Mills
Executive Director