

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF CUMBERLAND VALLEY RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR A)
CERTIFICATE OF CONVENIENCE AND NECESSITY TO)
CONSTRUCT ADDITIONAL LINES AND FACILITIES AND) CASE NO. 96-221
TO EXECUTE ITS NOTE TO NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE CORPORATION)
IN THE AMOUNT OF \$2,015,000)

O R D E R

IT IS ORDERED that Cumberland Valley Rural Electric Cooperative Corporation ("Cumberland Valley") shall file the original and five copies of the following information with the Commission with a copy to all parties of record within 15 days from the date of this Order.

1. 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 results of any studies conducted which support the use of CFC financing.

2. Provide the additional debt service requirements associated with the Rural Utilities Service ("RUS") loan and the CFC loan, using the RUS interest rate and the current CFC variable and fixed interest rates.

3. Provide an amortization schedule of the proposed CFC loan using the current rates for variable and fixed loans.
4. Explain whether Cumberland Valley will be able to meet its increased debt service requirements with the revenues generated by its existing rates.
5. Explain how Cumberland Valley's current revenues are sufficient to cover the additional operating expenses it expects to incur related to the work plan.
6. Provide a copy of the Long Range Financial Forecast filed with RUS to support the proposed financing.
7. Concerning the purchase of the CFC Capital Term Certificate ("Certificate"), provide:
 - a. The calculations which support the rate for and the amount of Certificate purchases for the proposed loan.
 - b. (1) Which option does Cumberland Valley plan to use in the purchase?
(2) Why was this option selected?
8. Describe the interest rate options currently available to Cumberland Valley through CFC and provide copies of documents from CFC describing them.
9. If the advance of funds from this proposed loan were made by the date of Cumberland Valley's response to this Order, explain which loan program Cumberland Valley would select and why. Include with this explanation the results of all economic studies and analyses used to make this selection.
10. Provide documentation which indicates that the loans have been approved by RUS and CFC.

11. Provide a copy of Cumberland Valley's mortgage agreement with CFC, noting the differences between the current agreement and the previous mortgage agreement. If the mortgage agreement has not changed, state that no changes have been made and identify the most recent case in which the current mortgage agreement was filed.

12. Concerning the actual work performed under the 1996-1998 Work Plan:

a. When did Cumberland Valley begin construction under the 1996-1998 Work Plan?

b. How much has Cumberland Valley spent on the 1996-1998 Work Plan, as of the date of its response to this Order?

13. On page 25 of the 1996-1998 Work Plan, you stated, "In the last few years, there have been problems with excessive voltage drop at the end of the Stinking Creek circuit caused by a mining load at the end of the circuit." The consultant is recommending that East Kentucky Power Cooperative, Inc. ("EKPC") should try to obtain a new metering point from the Kentucky Utilities Company's substation to correct the voltage drop.

a. Has EKPC obtained the metering point? If no, explain why.

b. Provide all the alternatives and their costs considered by Cumberland Valley that will reduce the voltage drop at the end of the Stinking Creek circuit. Indicate the chosen alternative.

14. Refer to page 42 of the 1996-1998 Work Plan. You are proposing to upgrade the maximum operating temperature of the existing 5.5 mile 3 phase, 4/0 ASCR at a cost of \$35,000. Explain how it would be done and provide all supporting calculations.

15. Provide a voltage drop study based on:

a. Existing system with recent peak loading.

- b. Existing system with projected peak loading.
- c. Proposed system with projected peak loading.

16. Has Cumberland Valley compared the actual measured voltage provided on page A35 and the calculated voltage to determine the accuracy of the voltage drop studies?

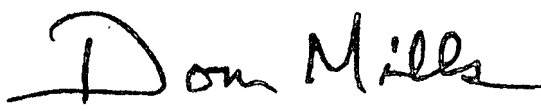
- a. If yes, does the actual reading differ from the calculated voltage by more than three volts? Explain the reason for the difference.
- b. If no, explain why a comparison is not necessary.

Done at Frankfort, Kentucky, this 26th day of July, 1996.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:


Executive Director