

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF LICKING VALLEY RURAL )  
ELECTRIC COOPERATIVE CORPORATION FOR THE )  
AUTHORIZATION TO BORROW TWO MILLION, NINE )  
HUNDRED EIGHTY NINE THOUSAND DOLLARS ) CASE NO.  
(\$2,989,000.00), FROM THE NATIONAL RURAL ) 96-583  
UTILITIES COOPERATIVE FINANCE CORPORATION, )  
AND TO EXECUTE A SECURED PROMISSORY NOTE )  
FOR SAID SUM )

O R D E R

On December 19, 1996, Licking Valley Rural Electric Cooperative Corporation ("Licking Valley") applied for authority to issue notes in the amount of \$2,989,000 to the National Rural Utilities Cooperative Finance Corporation ("CFC"). Licking Valley intends to use the proceeds of these notes to finance the projects contained in its 1996-1999 Work Plan, which the Commission has previously approved.<sup>1</sup> CFC approved a loan in the amount of \$1,674,000<sup>2</sup> on April 9, 1997

Licking Valley's proposed issuance of notes is part of a larger effort to finance its 1996-1999 Work Plan projects. In addition to funding from the CFC, Licking Valley has

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<sup>1</sup> Case No. 96-253, Application of Licking Valley Rural Electric Cooperative Corporation For a Certificate of Public Convenience and Necessity To Construct a Four (4) Year Work Plan, Order dated December 6, 1996.

<sup>2</sup> The Capital Term Certificate may range from 0 to 3% of the loan amount as determined at the time of Licking Valley's first advance of the CFC loan based upon the loan interest rate selected at that time. CFC requires its borrowers to purchase these certificates. The purchases required of Licking Valley for this loan will be for an amount not to exceed \$50,220.

applied for \$6,973,000 in loans from the Rural Utilities Service ("RUS"). On March 26, 1997, RUS approved an initial loan of \$3,906,000 to Licking Valley to finance the projects. RUS has advised Licking Valley that it is only approving a portion of the loan currently, and the remainder will be processed in accordance with the regulations in effect at that time.

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

1. The loan from CFC in the amount of \$1,674,000 is for lawful objects within the corporate purposes of Licking Valley, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonable, necessary and appropriate for such purposes.
2. Licking Valley is capable of executing its notes as security for the loan as stated herein.
3. Licking Valley 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, Licking Valley 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 Licking Valley's application.
6. Licking Valley should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. When Licking Valley presents its written request to RUS for the remainder in loans, it should for informational purposes file a copy of that request with the Commission.

8. If Licking Valley applies to CFC for additional loans to finance projects set forth in its 1996-1999 Work Plan, it should apply to the Commission for authority to execute any financing agreement or issue notes for those loans.

9. 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 RUS is an agency of the federal government, no action on Licking Valley's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Licking Valley is authorized to borrow \$1,674,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by Licking Valley 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.

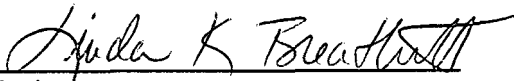
2. Licking Valley hereby is authorized to execute its notes as security for the loan authorized herein.


3. Licking Valley shall comply with all matters set out in Findings 3 through 8 as if they were individually so ordered.

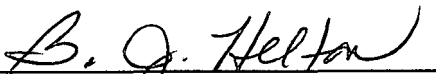
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 10th day of June, 1997.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

  
Executive Director