

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF INTER-COUNTY RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR)
AN ORDER ISSUING A CERTIFICATE OF) CASE NO.
CONVENIENCE AND NECESSITY AND) 97-226
AUTHORITY TO BORROW A SUM OF)
\$9,705,000 FROM RUS AND \$4,159,000 FROM)
NRUCFC)

O R D E R

On April 30, 1997, Inter-County Rural Electric Cooperative Corporation ("Inter-County") applied for authority to issue notes in the amount of \$4,159,000 to the National Rural Utilities Cooperative Finance Corporation ("CFC"). Inter-County intends to use the proceeds of these notes to finance the projects contained in its 1997-2000 Work Plan, which the Commission previously approved by Order dated August 18, 1997. CFC approved a loan in the amount of \$2,261,000.

The proposed issuance of notes is part of a larger effort to finance Inter-County's 1997-2000 Work Plan projects. In addition to funding from the CFC, Inter-County has applied for \$9,705,000 in loans from the Rural Utilities Service ("RUS"). On February 26, 1998, RUS approved an initial loan of \$5,275,000 to Inter-County to finance the projects. RUS has split the loan in two parts and the first part has been approved.

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

1. The loan from CFC in the amount of \$2,261,000 is for lawful objects within the corporate purposes of Inter-County, 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. Inter-County is capable of executing its notes as security for the loan as stated herein.

3. Inter-County 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, Inter-County 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 Inter-County's application.

6. Inter-County should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. When Inter-County presents its written request to RUS for the remaining \$4,430,000 in loans, it should for informational purposes file a copy of that request with the Commission.

8. If Inter-County applies to CFC for additional loans to finance projects set forth in its 1997-2000 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 Inter-County's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Inter-County is authorized to borrow \$2,261,000 from CFC for a 35-year period and bearing either a fixed or variable rate, as chosen by Inter-County 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. Inter-County is authorized to execute its notes as security for the loan authorized herein.

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

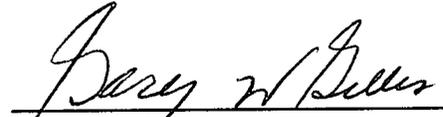
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 1st day of April, 1998.

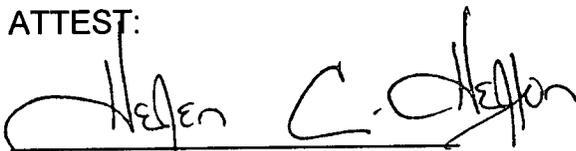
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director