

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BIG SANDY)	
RURAL ELECTRIC COOPERATIVE)	
CORPORATION FOR AUTHORITY TO)	CASE NO. 98-588
ISSUE INDEBTEDNESS)	

O R D E R

IT IS ORDERED that Big Sandy Rural Electric Cooperative Corporation (Big Sandy) shall file within 14 days of the date of this Order an original and 10 copies of the following information with the 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 5(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. Where information requested herein has been provided along with the original application, in the format requested herein, reference may be made to the specific location of said information in responding to this information request.

1. Will Big Sandy's issuance of indebtedness under the PowerVision™ financing program have a material effect on Big Sandy's financial condition?
2. What is the expected impact on customer rates from the utilization of the PowerVision™ financing program?

3. Will the \$6,100,000 shelf loan authorized by National Rural Utilities Cooperative Finance Corporation (CFC) be combined with USDA Rural Utilities Service (RUS) financing? If so, what is the amount of additional financing to be received from RUS? If no, will the cost of funds be lower than the combined financing alternatives?

4. Item 4 of Big Sandy's application states that the purpose for the indebtedness to CFC is assisting in funding of operational and other activities. However, in the PowerVision™ Long-Term Loan Term Sheet, the purpose states Financing proceeds may be used for eligible property additions. Explain in detail how the proceeds will be used. Include a discussion of what is meant by operational and other activities and discuss whether the proceeds will be used for any purposes other than funding new construction.

5. Are the Credit Standards listed on the PowerVision™ Long-Term Loan Term Sheet for MDSC, TIER, DSC, etc., different from the standards listed in Big Sandy's mortgage agreement as filed in Case No. 89-025?¹

a. Explain any differences.

¹ Case No. 89-025, The Application of Big Sandy Rural Electric Cooperative Corporation for Authority to Execute Its Note to the National Rural Utilities Corporation Finance Corporation in the Amount of \$719,588 and for Authority to Execute a Loan Agreement Between Big Sandy Rural Electric Cooperative Corporation and National Rural Utilities Cooperative Finance Corporation and for a Certificate of Convenience and Necessity, Order dated June 8, 1989.

b. Provide the methodology to calculate MDSC, TIER and DSC as required under CFC s PowerVision™ financing program.

c. Provide an income statement for the 12 months ended October 31, 1998 with computations of the credit standards required to be met to qualify for the PowerVision™ financing.

d. Is other financing available to Big Sandy that would not contain the restrictive requirements of Article 4, Section 4, Item H of the proposed loan agreement?

6. What benefits will Big Sandy realize with the new shelf loan financing as compared to the previous financing arrangements?

a. Explain how Big Sandy decided that it was economically advantageous to utilize the PowerVision™ financing program.

b. Provide copies of any studies prepared to determine the benefit of the PowerVision™ financing program.

7. In the PowerVision™ Long-Term Loan Term Sheet, part of the security of the indebtedness is the revenues of the system. Does Big Sandy s existing mortgage provide a security interest in system revenues? If yes, provide a reference to the provision in the mortgage. If no, will the existing mortgage be amended to include this security interest?

a. Provide a copy of the currently effective RUS mortgage agreement.

b. Explain any provisions of the current RUS mortgage agreement that would impact Big Sandy's ability to obtain financing under the proposed shelf loan.

c. Will the PowerVision™ financing require revisions to the existing mortgage agreement with RUS or CFC? If yes, provide a copy of the revised mortgage agreement, highlighting those provisions that have changed.

8. Would entering into the PowerVision™ financing agreement preclude Big Sandy from obtaining financing from CFC under a different loan program or from a different lender?

9. If after agreeing to PowerVision™ financing, Big Sandy should fail to meet the Credit Standards, what alternative financing will be available during the period that it would not qualify for PowerVision™ loan withdrawals?

a. Do you agree that the PowerVision™ credit standards for TIER and DSC have to equal or exceed the 1.5 and 1.25 thresholds, respectively, for the last 2 years in order to qualify for the financing, and then remain at that level until loan withdrawals are made?

b. Are there circumstances under which CFC will grant a waiver of these restrictions? If so, explain in detail.

Done at Frankfort, Kentucky, this 27th day of January, 1999.

ATTEST:

By the Commission

Executive Director