

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE NOLIN RURAL )  
ELECTRIC COOPERATIVE CORPORATION FOR )  
AN ORDER PURSUANT TO KRS 278.300 AND )  
807 KAR 5:001, SECTION 11 AND RELATED )  
SECTIONS AUTHORIZING THE COOPERATIVE TO ) CASE NO. 99-252  
OBTAIN A LINE OF CREDIT LOAN IN THE )  
AMOUNT OF \$13,000,000.00 FROM THE )  
NATIONAL RURAL UTILITIES COOPERATIVE )  
FINANCE CORPORATION )

O R D E R

IT IS ORDERED that Nolin Rural Electric Cooperative Corporation ( Nolin ) shall file an original and 8 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 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. Where information requested herein has been provided previously, in the format requested herein, reference may be made to the specific location of said information in responding to this information request. The information requested herein shall be filed no later than 14 days from the date of this Order.

1. Nolin's application contains a certification notice indicating that the proposed loan is associated with the National Rural Utilities Cooperative Finance Corporation's (CFC) PowerVision program.

a. Provide a thorough description of the PowerVision program. Include any literature or other information from CFC explaining this program.

b. As of the date of this Order, provide the fixed and variable interest rates available for the proposed financing.

c. Provide a listing of the requirements Nolin has to meet to qualify for this program, and indicate how Nolin satisfies these requirements.

d. Describe the analysis performed by Nolin that led it to conclude that a loan through the PowerVision program was the most reasonable alternative. Include a discussion of other financing options considered.

e. Does the PowerVision program replace any of CFC's more traditional financing options? Explain the response.

f. Will Nolin still need to seek supplemental financing for its periodic Work Plans, which traditionally 30 percent of the total has been financed by supplemental lenders? Explain the response.

g. Provide a detailed explanation of the benefits Nolin believes it will receive by participating in the PowerVision program.

2. In its application, Nolin refers to the proposed financing as a line of credit. However, the May 4, 1999 approval letter from CFC refers to this financing as a long-term loan.

a. Explain why Nolin considers the proposed financing to be a line of credit rather than a supplemental long-term loan.

b. What is the status of Nolin's existing line of credit with CFC? Include the amount of the line of credit, the outstanding amount as of June 30, 1999, and the current interest rate.

c. Will Nolin retain its current line of credit if the proposed financing is approved? Explain the response.

3. Provide copies of the unexecuted PowerVision loan documents.

4. Are Nolin's current revenues sufficient to cover the increased debt costs represented by the proposed financing? Explain the response.

5. Nolin's application states that all mortgages prior to August 31, 1993 are on file with the Commission in Case No. 93-324.<sup>1</sup> Explain why the application does not include copies of the May 1, 1997 Restated Mortgage and Security Agreement as required by 807 KAR 5:001, Section 11(2)(b). Also provide two copies of this May 1, 1997 mortgage.

6. In its application, Nolin states that the proceeds from the proposed financing will be used to reimburse general funds for operating expenditures and construction costs until long-term loan funds are available.

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<sup>1</sup> Case No. 93-324, Application of the Nolin Rural Electric Cooperative Corporation for an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 and Related Sections Authorizing the Cooperative to Obtain a Five (5) Year Line of Credit in the Amount of \$3,000,000.00 from the National Rural Utilities Cooperative Finance Corporation, final Order dated November 29, 1993.

a. Since the advances under the proposed financing can be amortized over a period up to 35 years, explain why the proposed financing does not already constitute long-term loan funds.

b. Does the proposed use of these proceeds overlap with the use of the funds available from Nolin s existing line of credit? Explain the response.

c. Provide a more detailed explanation of the use of the proceeds from the proposed financing. As an example, based on Nolin s current financial forecasts, describe how the proposed financing would be used over the next 5-year period.

Done at Frankfort, Kentucky, this 29<sup>th</sup> of July, 1999.

By the Commission

ATTEST:

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Executive Director