

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF SALT RIVER)	
ELECTRIC COOPERATIVE CORPORATION)	
FOR AN ORDER PURSUANT TO KRS 278.300)	
AND 807 KAR 5:001, SECTION 11 AND)	CASE NO. 2001-251
RELATED SECTIONS AUTHORIZING THE)	
CORPORATION TO BORROW AN AMOUNT)	
NOT TO EXCEED \$5,201,105.00 FROM THE)	
NATIONAL BANK FOR COOPERATIVES)	

O R D E R

On September 11, 2001,¹ Salt River Electric Cooperative Corporation ("Salt River") filed its application for authority to issue notes in total amount not to exceed \$17,337,105. Seventy percent of the total amount, \$12,136,000, is to be issued to the United States of America, Department of Agriculture, Rural Utilities Service ("RUS"), and thirty percent of the total amount, \$5,201,105, is to be issued to the National Bank for Cooperatives ("CoBank"). Salt River intends to use the proceeds of these notes to finance the projects contained in its 2000-2002 Work Plan, which was approved by the Commission on January 19, 2001 in Case No. 2000-342.² RUS approved its loan to

¹ Salt River originally submitted its application to the Commission on August 10, 2001. Deficiencies were cited, and Salt River cured those deficiencies with the filing made on September 11, 2001.

² Case No. 2000-342, The Application of Salt River Electric Cooperative Corporation For A Certificate of Public Convenience and Necessity Pursuant to KRS 278.020 (1) and 807 KAR 5:001, Section 9 and Related Sections, Authorizing Certain Proposed Construction and Associated Capital Outlay.

Salt River by letter date-stamped June 27, 2001 and CoBank approved its loan of \$5.201 million by letter on October 10, 2001.

The proposed issuance of notes from CoBank will be for a 35-year term. The loan will be secured by a Restated Mortgage and Security Agreement previously executed by and between Salt River, RUS, and CoBank. The interest rate may be either fixed or variable, depending on the lowest-cost interest rate options offered at the time the loan is drawn.

Salt River states in its application that the notes issued to RUS and CoBank are exempt from Commission regulation pursuant to KRS 278.300(10). In Case No. 2001-192,³ the Commission found that it did not have jurisdiction over the RUS loan, pursuant to KRS 278.300(10), but that it did have jurisdiction over the CoBank loan.

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

1. The loan from CoBank in the amount of \$5,201,105 requires Commission approval, is for lawful objects within the corporate purposes of Salt River, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary and appropriate for such purposes, and should be approved.

³ Case No. 2001-192, The Application of Salt River Electric Cooperative Corporation (1) For an Order Pursuant to KRS 278.300 and 807 KAR 5:001, Section 11 and Related Sections, Authorizing the Corporation to Borrow an Amount Not to Exceed \$4,334,000.00 from the National Bank for Cooperatives and (2) For a Certificate of Convenience and Necessity Pursuant to KRS 278.020(1) and 807 KAR 5:001, Section 9 and Related Sections, Authorizing Certain Proposed Construction and Associated Capital Outlay, by Interim Order dated December 12, 1996.

2. Salt River is capable of executing its notes as security for the loan as stated herein.

3. Salt River should select the interest rate program that will result in the net lowest cost of money over the term of the financing.

4. Within 10 days of its selection of the interest rate program, Salt River 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 Salt River's application.

6. Salt River should include in its monthly financial report to the Commission the current interest rate on its outstanding variable rate loans.

7. 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 Salt River's proposed loan from the RUS is required.

IT IS THEREFORE ORDERED that:

1. Salt River is authorized to borrow \$5,201,105 from CoBank for a 35-year period bearing either a fixed or variable rate, as chosen by Salt River at the time the first monies are drawn from CoBank, subject to the provisions and terms of the application with respect to renegotiation of the interest.

2. Salt River is authorized to execute its notes as security for the loan authorized herein.

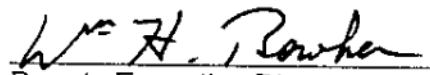
3. Salt River shall comply with all matters set out in Findings 3 through 6 as if they were individually so ordered.

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 23rd day of October, 2001.

By the Commission

ATTEST:


Deputy Executive Director