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July 9, 2002

Secretary of PSC  
Missouri Public Service Commission  
P. O. Box 360  
Jefferson City, MO 65102

**Re: In the Matter of the Application of Citizens Electric Corporation for  
Authority to Borrow \$11,200,000 From the Federal Bank, to be Guaranteed  
By the Rural Utilities Service.  
Case No. EF-2002-1123**

Dear Secretary:

Enclosed for filing please find an original and eight (8) copies of the Citizens Electric Corporation's Response to Commission's Order Directing Filing. A copy of this letter and a copy of the enclosed has been sent to all attorneys of record.

Thank you for seeing this filed.

Sincerely,



Lisa Cole Chase

LCC:sw

Enc.

cc: PSC General Counsel  
Office of Public Counsel

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**BEFORE THE PUBLIC SERVICE COMMISSION  
OF THE STATE OF MISSOURI**

In the Matter of the Application of Citizens Electric )  
Corporation for Authority to Borrow \$11,200,000 )      Case No. EF-2002-1123  
From the Federal Financing Bank, to be Guaranteed )  
By the Rural Utilities Service. )

**CITIZENS ELECTRIC CORPORATION'S RESPONSE TO  
COMMISSION'S ORDER DIRECTING FILING**

COMES NOW Citizens Electric Corporation ("Citizens") and in response to the Commission's Order Directing Filing dated July 3, 2002 (the "Order"), hereby states as follows:

1. In response to Ordered Paragraph 1 of the Order, Citizens hereby states that Form 740c, which was attached to its Application for Financing as Exhibit 1, is a Rural Utilities Service ("RUS") form that summarizes the various projects and associated cost estimates contained in Citizens' Construction Work Plan which have already been approved by RUS. As stated in its Application, the total cost of these projects is estimated to be \$20,720,786. Of that amount, Citizens has projected it will have \$9,520,786 of these funds available, leaving a balance of \$11,200,000 to be borrowed from the Federal Financing Bank ("FFB").

2. Citizens does not receive any loan proceeds from the FFB until the projects have been completed and the appropriate documentation has been submitted to the FFB. Citizens pays for these projects out of its general funds before reimbursement is obtained from the FFB. Once Citizens submits the appropriate documentation to the FFB and receives a drawdown from the proposed loan, these monies are used to "reimburse" the general funds for the expenditures that have already been incurred. This is the standard process by which all RUS direct or

guaranteed loans operate. While creating a cash flow burden for the borrowers, it provides RUS with the advance verification that all monies loaned are for completed, authorized projects.

3. At the time it submitted its loan application to RUS for approval, Citizens had already expended \$5,159,006 from its general funds for construction projects. (See pages 10 and 11 of Exhibit 1 to Citizens' Application for Financing.) Since that time, Citizens has continued to expend monies from its general funds to pay for Construction Work Plan projects.

4. Citizens respectfully requests that the Commission approve its request for Expedited Treatment so as to allow Citizens to draw down, by August 15, 2002, a portion of the loan funds to reimburse its general funds as is the established procedure for loans procured through FFB and guaranteed by RUS.

WHEREFORE, for the foregoing reasons, Citizens respectfully requests that the Commission issue its order authorizing Citizens:

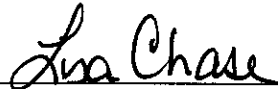
a) To borrow \$11,200,000 from the Federal Financing Bank to be guaranteed by the Rural Utilities Service;

b) To execute and deliver to RUS a Loan Contract, an FFB Note, a Reimbursement Note, and a Mortgage and Security Agreement and such other documents as may be required; and

c) For such other relief as the Commission deems proper.

Respectfully submitted,

ANDERECK, EVANS, MILNE  
PEACE & JOHNSON, L.L.C.

By   
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ATTORNEYS FOR APPLICANT

CERTIFICATE OF SERVICE

I hereby certify that a copy of the Response was served on the General Counsel of the Missouri Public Service Commission and on the Office of the Public Counsel via U.S. mail, postage pre-paid on this 9th day of July, 2002.

  
Lisa Cole Chase