

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF FARMERS RURAL )  
ELECTRIC COOPERATIVE CORPORATION, )  
OF GLASGOW, KENTUCKY, FOR A CER- )  
TIFICATE OF CONVENIENCE AND )  
NECESSITY FOR CONSTRUCTION OF NEW )  
EXTENSIONS AND SYSTEM IMPROVEMENTS )  
OF ITS EXISTING FACILITIES, AND FOR )  
THE NECESSARY APPROVAL TO BORROW )  
\$1,531,000 FROM THE UNITED STATES )  
OF AMERICA THROUGH THE RURAL ELEC- )  
TRIFICATION ADMINISTRATION AND )  
\$691,000 FROM THE NATIONAL RURAL )  
UTILITIES COOPERATIVE FINANCE COR- )  
PORATION FOR THE AFORESAID PURPOSES )

CASE NO. 8432

O R D E R

On consideration of the motion by Farmers Rural Electric Cooperative Corporation ("Farmers") to enter an amended order in this proceeding, and the evidence in support thereof, the Commission finds that:

1. By Order dated March 15, 1982, the Commission authorized Farmers to borrow \$691,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") at a fixed initial interest rate based on the current CFC rate at the time of loan approval, to be effective for a period of 7 years with the rate to be variable thereafter for the life of the loan.

2. The approved loan, Loan No. Ky. 34 AG6-9014, was made at a fixed interest rate of 14 percent per annum.

3. In April, 1983, CFC presented a variable rate loan program which would allow cooperatives, such as Farmers, to convert fixed rate loans to variable rates in order to take advantage of lower, short-term interest rates.

4. In order to convert a fixed rate loan to a variable rate, CFC requires payment of a conversion fee established by CFC based on the fixed interest rate of the loan, the amount of the loan, and the number of quarters remaining in the initial 7-year period of the loan.

5. The CFC variable interest rate, which can change on a monthly basis, was 10.25 percent at February 1, 1984, and would result in an interest savings of approximately \$150,000 over the remainder of the loan's initial 7-year period assuming no change from the current rate.

6. Farmers' conversion fee if paid currently in a lump sum would be approximately \$43,000, and if paid in quarterly installments would be approximately \$57,000 over the final 19 quarters of the initial 7-year period of the loan.

7. Farmers would be able to convert back to a fixed rate at any time at a rate not lower than CFC's then-current standard fixed long-term interest rate.

IT IS THEREFORE ORDERED that:

1. Farmers is authorized to participate in the CFC variable rate loan program for the purpose of converting Loan No. Ky. 34 AG6-9014 to a variable interest rate.

2. Farmers shall submit to the Commission within 45 days of the loan conversion all documents pertaining to the finalization of said conversion including the initial interest rate and the method of payment of the conversion fee.

3. In order to keep the Commission apprised of this matter, Farmers shall include with its monthly reports, on a quarterly basis, reports of the changed interest rates on its variable rate loan.

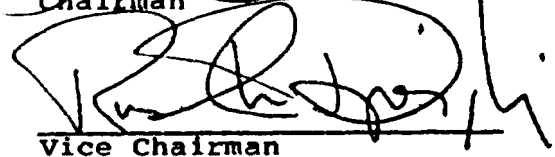
4. All provisions of the Commission's Order of March 15, 1982, not specifically pertaining to the CFC financing shall remain in full force and effect.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 2nd day of March, 1984.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary