

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF GRAYSON RURAL ELECTRIC )  
COOPERATIVE CORPORATION FOR AN ORDER )  
AUTHORIZING SAID CORPORATION TO BORROW )  
\$1,050,000 FROM THE UNITED STATES OF AMERICA )  
AND TO BORROW \$463,918 FROM THE NATIONAL )  
RURAL UTILITIES COOPERATIVE FINANCE CORPORA- )  
TION AND TO EXECUTE NOTES TO THE GOVERNMENT )  
OF THE UNITED STATES OF AMERICA, AND TO THE ) CASE NO. 9343  
NATIONAL RURAL UTILITIES COOPERATIVE FINANCE )  
CORPORATION IN THE AFORESAID SUMS OF )  
\$1,050,000 AND \$463,918 TO PROVIDE FUNDS FOR )  
THE CONSTRUCTION OF DISTRIBUTION AND SERVICE )  
LINES, MISCELLANEOUS CONSTRUCTION INCLUDING )  
TRANSFORMERS, SYSTEM IMPROVEMENTS, LABOR, )  
MEMBER SERVICE MATERIAL AND OTHER EXPENSES )  
AND CONTINGENCIES )

O R D E R

Grayson Rural Electric Cooperative Corporation ("Grayson") filed its application on May 17, 1985, for authorization to borrow funds and to request a certificate of convenience and necessity to construct certain improvements and additions to its existing plant. These improvements and additions, as more specifically described in the application and record, are estimated to cost \$1,615,050 and will be financed by a loan of \$1,050,000 from the Rural Electrification Administration ("REA"), a loan of \$463,918 from the National Rural Utilities Cooperative Finance Corporation ("CFC"), and the additional amount from general funds.

The Public Service Commission, after consideration of the application and all evidence of record and being advised, is of the opinion and finds that:

1. Public convenience and necessity require the construction by Grayson of the improvements and additions to its existing plant as described in the application and record, and a certificate should be granted.

2. The proposed borrowing from CFC is for lawful objects within the corporate purposes of Grayson, is necessary and appropriate for and consistent with the proper performance by Grayson of its service to the public, and will not impair its ability to perform that service.

3. Grayson is seeking to borrow funds from the REA. On November 12, 1982, the Franklin Circuit Court issued its opinion in West Kentucky RECC v. Energy Regulatory Commission. Therein, the Court held that the Commission had no authority to approve or disapprove borrowings from the REA since the REA is an agency of the federal government and KRS 278.300(10) exempts such borrowing from Commission regulation. Accordingly, the Commission takes no action on the REA portion of Grayson's proposed borrowing.

IT IS THEREFORE ORDERED that Grayson be and it hereby is granted a certificate of convenience and necessity to proceed with the construction as set forth in the application and record.

IT IS FURTHER ORDERED that Grayson be and it hereby is authorized to borrow \$463,918 from CFC for a 35-year period at a variable interest rate to be determined at the time of draw-down of funds, said rate being currently 9 1/4 percent per annum.

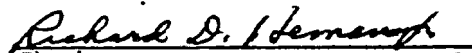
IT IS FURTHER ORDERED that Grayson be and it hereby is authorized to execute its notes as security for the loan herein authorized.


IT IS FURTHER ORDERED that the proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the application and record.

Nothing herein contained 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 24th day of June, 1985.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Secretary