

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION FOR)
AN ORDER AUTHORIZING IT TO BORROW FROM)
AND EXECUTE A NOTE TO THE NATIONAL)
RURAL UTILITIES COOPERATIVE FINANCE)
CORPORATION IN THE AMOUNT OF \$589,691) CASE NO. 10128
TO PROVIDE FUNDS FOR THE CONSTRUCTION)
OF DISTRIBUTION AND SERVICE LINES,)
MISCELLANEOUS CONSTRUCTION INCLUDING)
TRANSFORMERS, SYSTEM IMPROVEMENTS,)
LABOR, MEMBER SERVICE MATERIAL AND)
EXPENSES AND CONTINGENCIES)

O R D E R

Grayson Rural Electric Cooperative Corporation ("Grayson RECC") filed its Application on January 5, 1988, for a Certificate of Public Convenience and Necessity to make improvements and additions to its existing plant, and for approval to borrow funds and to execute its notes and mortgages to secure such loan. The Commission requested additional information on January 29, 1988, and it was filed on February 8, 1988. The above-mentioned improvements and additions, as more specifically described in the Application and record, are estimated to cost \$1,907,000 and will be financed by a loan of \$1,335,000 from the Rural Electrification Administration ("REA") and a loan of \$589,691 from the National Rural Utilities Cooperative Finance Corporation ("CFC").

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 RECC 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 RECC, is necessary and appropriate for and consistent with the proper performance by Grayson RECC of its service to the public, and will not impair its ability to perform that service.

3. Grayson RECC 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 the Commission regulation. Accordingly, the Commission takes no action on the REA portion of Grayson RECC's proposed borrowing.

IT IS THEREFORE ORDERED that:

1. Grayson RECC be and it hereby is granted a certificate of public convenience and necessity to proceed with the construction and additions as set forth in the Application and record.

2. Grayson RECC be and it hereby is authorized to borrow \$589,691 from CFC for a 35-year period and bearing either a fixed or variable interest rate, as chosen by Grayson RECC, at the time the first monies are drawn from CFC, subject to the provisions and

terms of the Application with respect to renegotiation of the interest rate.

3. Grayson RECC shall utilize the interest rate program which will result in the net lowest cost of money to Grayson RECC over the term of the financing.

4. Grayson RECC shall notify the Commission of the interest rate option elected for the financing approved herein along with a statement as to the basis for the decision.

5. Grayson RECC be and it hereby is authorized to execute its notes and mortgages as security for the loan herein authorized.

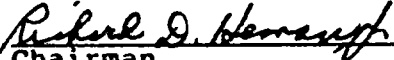
6. The proceeds from the proposed borrowing shall be used only for the lawful purposes set out in the Application and record.

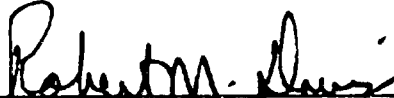
7. Grayson RECC shall file, along with its monthly financial report to the Commission, the current interest rate on its variable rate loans outstanding.


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 18th day of February, 1988.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director