

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF INTER-COUNTY)
RURAL ELECTRIC COOPERATIVE)
CORPORATION TO CONVERT ITS CFC) CASE NO. 92-366
LOANS FROM STANDARD FIXED RATE TO)
A VARIABLE RATE)

O R D E R

IT IS ORDERED that Inter-County Rural Electric Cooperative Corporation ("Inter-County") shall file an original and six copies of the following information with this Commission, with a copy to all parties of record within 10 days from the date of this Order. If the information cannot be provided by this date, you should submit a motion for an extension of time stating the reason a delay is necessary and include a date by which it will be furnished. Such motion will be considered by the Commission.

1. In its application, Inter-County provided an analysis for Loan No. 9010 which showed the impact on cash flow if:

a. The available variable interest rate remained constant during the remaining quarters of the current pricing cycle.

b. The variable interest rate increased by .25 percent a quarter during the remaining quarters of the current pricing cycle, beginning with the first quarter.

In addition, an analysis was prepared showing the interest rate needed to achieve a break-even Internal Rate of Return ("IRR").

These analyses were computed assuming that the required conversion fee was paid up-front.

In its responses to September 3, 1992 Order, Inter-County provided the cash flow analysis showing the increasing variable interest rate assumption and the break-even IRR analysis for Loan Nos. 9012, 9017, 9021, and 9023. These analyses were also computed assuming that the required conversion fee was paid up-front.

In order to evaluate the reasonableness of Inter-County's request to convert these five loans, the following additional analyses are needed:

c. For Loan Nos. 9012, 9017, 9021, and 9023, provide the cash flow analysis assuming the variable interest rate will remain constant during the remaining quarters of the current pricing cycle. The analysis should also assume the required conversion fees are paid up-front.

d. For all five loans, provide the same analysis as described in part (a) above, assuming the required conversion fees are paid quarterly instead of up-front.

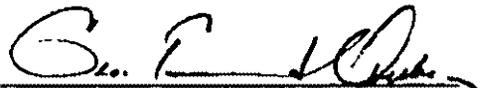
e. For all five loans, provide the cash flow analysis assuming the variable interest rate will increase .25 basis points a quarter during the remaining quarters in the current pricing cycle, beginning with the first quarter. The analyses should also assume the required conversion fees are paid quarterly instead of up-front.

f. For all five loans, provide the break-even IRR analysis, assuming the required conversion fees are paid quarterly instead of up-front.

2. In preparing the cash flow analysis where variable interest rates are increasing during the pricing cycle, Inter-County assumed that the increasing rate would start in the first quarter of the pricing cycle. Provide a detailed explanation as to why Inter-County made this assumption.

Done at Frankfort, Kentucky, this 21st day of September, 1992.

PUBLIC SERVICE COMMISSION



For the Commission

ATTEST:



Executive Director

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stating that it did not see variable interest rates increasing or decreasing dramatically in the next few months, Owen would continue to monitor interest rates and whenever indicators showed it to be advantageous, it would lock into a fixed rate. Based upon Owen's analyses and the conditions presented in this case, the conversions of the loan should result in interest savings on an IRR basis and the loan should be converted as requested.

IT IS THEREFORE ORDERED that:

1. The Commission's Orders entered in Case No. 7562 and Case No. 9578 be and they are hereby modified to authorize the conversion from a fixed to a variable rate program for CFC Loan Nos. 9019 and 9025.

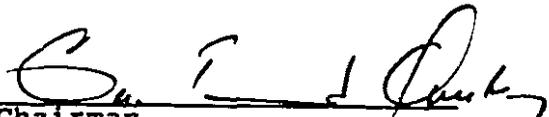
2. Owen shall notify the Commission of the closing date of the conversions and shall file, within 30 days of the conversion, all documents pertaining thereto.

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

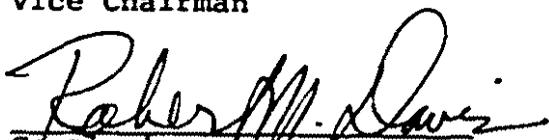
4. All other provisions of the Commission's Orders entered in Case No. 7562 and Case No. 9578 shall remain in full force and effect.

Done at Frankfort, Kentucky, this 9th day of October, 1992.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director

Done at Frankfort, Kentucky, this 21st day of September, 1992.

PUBLIC SERVICE COMMISSION

A handwritten signature in cursive script, appearing to read "Ben F. ...", is written over a horizontal line. Below the line, the text "For the Commission" is printed.

For the Commission

ATTEST:

A handwritten signature in cursive script, appearing to read "Don Mills", is written above a horizontal line. Below the line, the text "Executive Director" is printed.

Executive Director