

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 \$802,062 TO PROVIDE))	CASE NO. 93-248
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 August 4, 1993 for a Certificate of Public Convenience and Necessity to construct certain improvements and additions to its existing plant, for approval to borrow \$802,062 from the National Rural Utilities Cooperative Finance Corporation ("CFC"), and to execute its notes to secure such loan. The loan from CFC was contingent on a concurrent loan in the amount of \$1,816,000 from the Rural Electrification Administration ("REA"). By Order dated November 12, 1993, the Commission granted Grayson a Certificate of Public Convenience and Necessity as requested but its application for authorization to borrow from CFC was continued generally pending REA's approval of the concurrent loan.

On March 9, 1994, Grayson informed the Commission that REA had determined that Grayson qualified for an REA hardship loan. The hardship loan would be for \$2,594,000, carry a 5 percent interest

rate for a period of 35 years, and obviate the need for a CFC loan. The difference between the estimated cost of Grayson's 1993-1995 Work Plan and the loan amount would be provided by internally generated funds. Documents provided by Grayson show that its board of directors approved a resolution requesting the hardship loan on January 28, 1994. Grayson notified the Commission on April 6, 1994 that the REA hardship loan had been approved.

The Commission, after consideration of the evidence of record and being advised, finds that:

1. As the issuance of securities or evidences of indebtedness subject to the control of a federal governmental agency does not require Commission approval, KRS 278.300(10), and as the REA is an agency of the federal government, no action on Grayson's hardship loan from the REA is required.

2. Grayson is no longer seeking approval of a CFC loan and, thus, its financing application should be dismissed as moot.

3. Within 10 days of the finalizing of the REA hardship loan, Grayson should provide the Commission with copies of the executed loan agreement with REA.

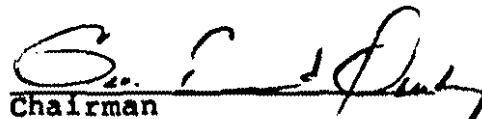
IT IS THEREFORE ORDERED that:

1. Grayson's application for authorization to borrow \$802,062 from CFC be and it hereby is dismissed as moot.

2. Grayson shall file a copy of the executed hardship loan agreement with REA within 10 days of its finalization.

Done at Frankfort, Kentucky, this 4th day of May, 1994.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director