

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

GRAYSON RECC'S REQUEST TO CONVERT THE)
INTEREST RATES ON CFC NOTES #9014 AND) CASE NO. 94-087
#9015 FROM A FIXED INTEREST RATE TO A)
VARIABLE INTEREST RATE)

O R D E R

IT IS ORDERED that Grayson Rural Electric Cooperative Corporation ("Grayson") shall file an original and six copies of the following information within 10 days from the date of this Order.

In reference to the responses to Item 7(a) and 7(b) of the March 14, 1994 Order, the question asked for an Internal Rate of Return analysis using the CFC model. The model is a Lotus 1-2-3 spreadsheet developed by CFC and named "CONVE922". Grayson provided the variable interest rate, the variable interest rate increasing .25 percent each quarter, and a fixed interest rate that would be near the break-even point. In addition to the interest rates provided, provide an analysis including the following for each quarter of the loan pricing period:

1. Fixed interest rate when the loan was originated.
2. Variable interest rate proposed for the loan.
3. Outstanding balance.
4. Principle payment.
5. Interest payment.
6. Conversion fee plus premium.

7. Total cash flow.
8. Cumulative cash out-flow.
9. Cash difference from the fixed interest rate.

The CFC model also produces a summary which shows the cumulative interest, principle, conversion fee, and cash flow at the variable interest rate and the fixed interest rate. A cash difference is calculated which indicates the most desirable option on a cash basis. The Internal Rate of Return is also given. For each loan, provide an analysis for the variable rate, variable rate increasing .25 percent each quarter, and fixed rate near the break-even point.

Done at Frankfort, Kentucky, this 15th day of April, 1994.

PUBLIC SERVICE COMMISSION


For the Commission

ATTEST:



Executive Director