

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF MEADE COUNTY RURAL)	
ELECTRIC COOPERATIVE CORPORATION)	
REPORT OF INTENTION TO AMEND THE)	
ORDER IN CASE NO. 8431 AND REFINANCE)	CASE NO.
THE NATIONAL RURAL UTILITIES)	8431
COOPERATIVE FINANCE CORPORATION)	
PORTION OF LONG-TERM DEBT)	

O R D E R

On January 21, 1982, the Commission entered its Order in which Meade County Rural Electric Cooperative Corporation ("Meade County") was authorized to borrow \$1,182,000 from the United States of America Rural Electrification Administration and \$533,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC"). The funds acquired by these borrowings are being used to make system improvements and to extend service to new customers. The terms of the \$533,000 CFC loan called for an initial interest rate of 14 percent per annum for a period of 7 years with the rate to be variable thereafter, over a period of 35 years.

On June 27, 1983, Meade County moved to amend the Commission's Order of January 21, 1982, and to refinance the CFC long term debt. Under a CFC loan policy effective March 18, 1983, Meade County is eligible to refinance its CFC loan with the option of a variable interest rate, adjusted

monthly, over the life of the loan. This option was not available when the Order of January 21, 1982, was issued. Meade County stated in its application that it would have the option of returning to a fixed rate at a later date if that were deemed advantageous.

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

1. A conversion fee of \$39,642 over a 7-year period or \$30,804 in a current lump-sum payment would be paid by Meade County.

2. A current variable interest rate of 9 3/4 percent would be charged on the loan. The rate would be changed monthly and is based on the CFC line of credit loan rate.

3. If the variable interest rate stayed at 9 3/4 percent, Meade County would recover the cost of the conversion fee of \$39,642 in 20 months or the \$30,804 lump-sum in 16 months.

4. The variable interest rate loan program would enable Meade County to convert back to a fixed rate at a later date if it were advantageous.

5. The interest cost savings as a result of the refinancing of the CFC long term debt requested by Meade County will be of direct benefit to Meade County's consumers.

6. Meade County's motion to amend the Commission's Order of January 21, 1982, is in the public interest and should be approved.

IT IS THEREFORE ORDERED that the Commission's Order of January 21, 1982, be and it hereby is amended to authorize Meade County to refinance the CFC long term debt of \$533,000 through the variable interest rate loan program.

IT IS FURTHER ORDERED that Meade County shall not utilize the variable interest rate program unless it results in a net lower cost of money to Meade County after consideration of the cost associated with the refinancing, than do the other available plans offered by CFC.

IT IS FURTHER ORDERED that the provisions of the Commission's Order of January 21, 1982, not in conflict with this Order shall remain in full force and effect.

Nothing contained herein shall be construed as a finding of value for any purpose, or as a warranty on the part of the Commonwealth of Kentucky, or any agency thereof.

Done at Frankfort, Kentucky, this 29th day of July, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary