

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

PETITION TO PERMIT EXECUTION OF)
NEW NOTE TO NATIONAL RURAL)
ELECTRIC COOPERATIVE FINANCE)
CORPORATION BY BIG SANDY RURAL)
ELECTRIC COOPERATIVE CORPORATION) CASE NO. 9044
IN THE AMOUNT OF \$420,000 AT)
VARIABLE INTEREST RATE INSTEAD)
OF A FIXED INTEREST RATE)

O R D E R

On April 23, 1984, Big Sandy Rural Electric Cooperative Corporation ("Big Sandy") filed with this Commission a petition requesting authority to execute a new loan in the amount of \$420,000 at a variable interest rate instead of a fixed interest rate. Upon consideration of the evidence in support of this petition, the Commission finds that:

1. By Order dated October 26, 1981, the Commission authorized Big Sandy to borrow \$420,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") at a fixed initial interest rate based on the current CFC rate at the time of loan approval. The initial fixed rate would be effective for a period of 7 years; thereafter, the rate would be variable for the life of the loan.

2. The approved loan, No. 03-02-058-9014, was made at a fixed rate of 14 percent per annum.

3. In April, 1983, CFC introduced a variable rate loan program whereby cooperatives such as Big Sandy could convert fixed rate loans in order to take advantage of lower short-term interest rates.

4. To convert a loan from a fixed to a variable interest rate, CFC requires the payment of a conversion fee based on the fixed interest rate of the loan, the amount of the loan, and the number of quarters remaining in the initial 7-year loan period.

5. The CFC interest rate, which can change on a monthly basis, was 11.125 percent as of May 1, 1984.

6. The conversion fee, if paid currently in a lump sum, will be approximately \$21,997, whereas, if paid in quarterly installments over the remaining 15 quarters of the initial 7-year period of the loan, the conversion fee will be approximately \$27,565.

7. Based on the studies conducted by Big Sandy, the conversion to a variable interest rate loan at this time will result in an overall savings in interest costs.

8. If determined to be economically feasible, Big Sandy will be able to reconvert its loan to a fixed rate, with such rate not lower than CFC's standard fixed long-term interest rate at the time of reconversion.

IT IS THEREFORE ORDERED that Big Sandy is authorized to participate in the variable rate loan program for the purpose of converting Loan No. 03-02-058-9014 to a variable interest rate.

IT IS FURTHER ORDERED that Big Sandy shall submit to the Commission, within 45 days of the loan conversion, all documents

pertaining to the finalization of said conversion, including the initial interest rate and the method of payment of the conversion fee.


IT IS FURTHER ORDERED that Big Sandy shall file with each of its monthly reports to this Commission information regarding any change in the interest rate on its variable rate loan.

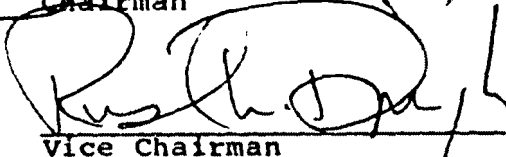
IT IS FURTHER ORDERED that all provisions of the Commission's Order dated October 26, 1981, not specifically pertaining to the CFC financing shall remain in full force and effect.


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 22nd day of June, 1984.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary