

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

THE APPLICATION OF THE HARRISON COUNTY)
RURAL ELECTRIC COOPERATIVE CORPORATION TO)
BORROW AN ADDITIONAL SUM OF \$840,000 FROM)
THE UNITED STATES OF AMERICA AND TO)
EXECUTE A NOTE FOR SAID AMOUNT AND TO CON-) CASE NO. 9346
CURRENTLY BORROW FROM THE NATIONAL RURAL)
UTILITIES COOPERATIVE FINANCE CORPORATION)
THE SUM OF \$371,134 AND TO EXECUTE ITS)
NOTE THEREFOR TO BE SECURED BY AN EXISTING)
COMMON MORTGAGE HERETOFORE EXECUTED)

O R D E R

On May 24, 1985, Harrison County Rural Electric Cooperative Corporation ("Harrison County") filed an application with the Commission requesting authorization to borrow funds, and to request a Certificate of Convenience and Necessity to construct certain improvements and additions to its existing plant. In its Order dated July 22, 1985, addressing that application, the Commission authorized Harrison County to borrow \$371,134 from the National Rural Utilities Cooperative Finance Corporation ("CFC") for a 35-year period at an initial interest rate of 11 1/4 percent per annum for a period of 7 years, with the rate being subject to change thereafter. In authorizing these loan terms, the Commission relied on the statement made in paragraph 10 of Harrison County's application that,

. . .its Board of Directors authorized the Cooperative to borrow. . .the sum of \$371,134 from CFC, said sum to bear interest at the rate of 11 1/4 percent per annum for a period of seven (7) years and thereafter interest payable hereunder shall be a

rate or rates per annum fixed by the payee from time to time, upon the unpaid principal amount of said loan. . . .

On September 4, 1985, Harrison County filed a Motion for Amended Order wherein it asked the Commission to amend its July 22 Order to allow the cooperative to borrow the CFC funds at either the fixed or variable interest rate, at Harrison County's election, in effect at the time the first funds are drawn down. This request is consistent with the CFC loan documents appended to the motion.

Upon consideration of the evidence in support of this request, the Commission finds that:

1. By Order dated July 22, 1985, in Case No. 9346, the Commission authorized Harrison County to borrow \$371,134 from CFC for a 35-year period at an initial interest rate of 11 1/4 percent per annum for a period of 7 years and the rate to be subject to change thereafter.

2. The loan agreement between Harrison County and CFC provides that Harrison County may, prior to the first advance of this loan, elect either a fixed interest rate or a variable interest rate equal to the rate in effect at the time of the first draw down of funds. Furthermore, the loan agreement contains provisions that would allow conversion from a fixed rate to a variable rate, and vice versa, during the term of the loan.

IT IS THEREFORE ORDERED that the paragraph in the Commission's Order dated July 22, 1985, authorizing the financing terms as set out in Finding No. 1 of this Order be and hereby is amended to read as follows:

IT IS FURTHER ORDERED that Harrison County is hereby authorized to borrow \$371,134 from CFC, bearing either the fixed or variable interest rate in effect, as chosen by Harrison County, at the time that the first monies are drawn from CFC by the Cooperative, subject to the provisions and terms of the application with respect to renegotiation of the interest rates, and repayable within 35 years from the date of the mortgage note or notes which have been or will be executed with respect to that loan.

IT IS FURTHER ORDERED that Harrison County shall notify the Commission of the interest rate option elected.


IT IS FURTHER ORDERED that Harrison County shall file, along with its monthly financial report to the Commission, information regarding any change in the interest rate on its variable rate loan, or election to convert from a fixed rate to a variable rate.


IT IS FURTHER ORDERED that all provisions of the Commission's Order of July 22, 1985, 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, nor as a warranty of the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 27th day of September, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Secretary


Commissioner