

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAYSON RURAL)
ELECTRIC COOPERATIVE CORPORATION TO)
CONVERT ITS CURRENT VARIABLE RATE) CASE NO. 9943
APPROVED IN CASE NOS. 9248 AND 9343)
TO LONG-TERM FIXED RATE LOANS)

O R D E R

On June 1, 1986, Grayson Rural Electric Cooperative Corporation ("Grayson") filed a letter with the Commission wherein it requested that Case Nos. 9248¹ and 9343² be reopened for the purpose of obtaining Commission approval to convert the National Rural Utilities Cooperative Finance Corporation ("CFC") loans associated with those cases from a variable interest rate to a fixed interest rate. As of May 1, 1987, the CFC interest rate for such conversion was 9 3/8 percent. On June 17, 1987, the

¹ Grayson Rural Electric Cooperative Corporation's Request to Convert a \$578,000 Note to the National Rural Electric Cooperative Finance Corporation from a Fixed Interest Rate to a Variable Interest Rate, Final Order dated January 22, 1985.

² The Application of Grayson Rural Electric Cooperative Corporation for an Order Authorizing Said Corporation to Borrow \$1,050,000 from the United States of America and to Borrow \$463,918 from the National Rural Utilities Cooperative Finance Corporation and to Execute Notes to the Government of the United States of America, and to the National Rural Utilities Cooperative Finance Corporation in the Aforesaid Sums of \$1,050,000 and \$463,918 to Provide Funds for the Construction of Distribution and Service Lines, Miscellaneous construction Including Transformers, System Improvements, Labor, Member Service Material and Other Expenses and Contingencies, Final Order dated June 24, 1985.

Commission issued an Order ruling that Grayson's letter be treated as an application and that a new case be established to investigate Grayson's request with the records in Case Nos. 9248 and 9343 incorporated by reference.

SUMMARY

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

1. By Order dated January 22, 1985, in Case No. 9248, the Commission authorized Grayson to convert CFC Loan No. 03-20-061-C-14 (since renumbered to CFC Loan No. 9014) from a fixed rate of 14 percent to a variable interest rate with the stipulation that Grayson could subsequently convert back to a fixed rate if determined to be economically feasible.

2. By Order dated June 24, 1985, the Commission authorized Grayson to borrow \$463,918 for a 35-year period at a variable interest rate but convertible to a fixed interest rate if determined to be economically feasible. This loan is identified as CFC Loan No. 9015.

3. No conversion costs would be incurred by Grayson to convert to a fixed rate loan under CFC's variable rate loan program.

4. If converted, the fixed rate would remain in effect for a period of 7 years commencing with the beginning of the next calendar year.

5. The management of Grayson believes that economic conditions are such that long-term interest rates will begin to

increase and, thus, would like to fix the interest on these loans at currently available rates.

IT IS THEREFORE ORDERED that:

1. Grayson is authorized to convert CFC Loan Nos. 9014 and 9015 to the currently available fixed rate.

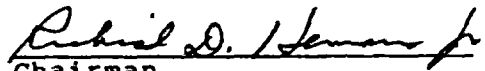
2. Grayson shall file with the Commission, within 45 days of the loan conversion, all documents pertaining to the finalization of said conversion.

3. All provisions of the Commission's Orders of January 22, 1985, and June 24, 1985, not specifically pertaining to the CFC financing shall remain in full force and effect.

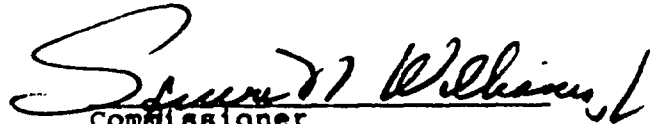
Nothing contained herein shall be construed as a finding of value for any purpose, nor as a warranty on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 23rd day of June, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director