

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.

1. For each of the loans Grayson is proposing to convert from a fixed to a variable interest rate, provide the case number, style, and date of the final Order where the financing was approved by the Commission.
2. Explain how the conversion fee is determined.
3. Will Grayson be subject to a one-time, up-front fee of 25 basis points, which is added to the conversion fee when switching from fixed to variable rates?
4. How does Grayson propose to monitor the rates to determine whether or not the loans should be locked into a fixed rate at some point in the future?
5. When is the variable long-term interest rate for Grayson established?

6. Provide the following:

a. The variable long-term interest rate as of the date of this response.

b. The variable long-term interest rate available October 22, 1993.

c. The variable long-term interest rate established for the two loans.

7. a. Provide an Internal Rate of Return Analysis using the CFC model. The analysis should reflect the following three alternatives:

(1) CFC's variable rate as of October 22, 1993.

(2) The variable rate as of October 22, 1993 increasing .25 percent each quarter beginning the third quarter.

(3) A fixed rate that would be near the break-even point.

b. If the currently available long-term interest rate is different than the October 22, 1993 interest rate, provide the three analyses using the current long-term interest rate and explain which analyses are applicable to Grayson's proposed conversion.

Done at Frankfort, Kentucky, this 14th day of March, 1994.

PUBLIC SERVICE COMMISSION


For the Commission ATTEST:


Executive Director