

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

GRAYSON RURAL ELECTRIC COOPERATIVE)
CORPORATION'S REQUEST TO CONVERT A)
\$578,000 NOTE TO THE NATIONAL RURAL) CASE NO. 9248
ELECTRIC COOPERATIVE FINANCE COR-)
PORATION FROM A FIXED INTEREST RATE)
TO A VARIABLE INTEREST RATE)

O R D E R

On December 17, 1984, Grayson Rural Electric Cooperative Corporation ("Grayson") filed its application with the Commission requesting authority to convert a loan in the amount of \$578,000 from a fixed interest rate to a variable interest rate. Upon consideration of the evidence in support of this request, the Commission finds that:

1. By Order dated December 23, 1981, in Case No. 8394, the Commission authorized Grayson to borrow \$578,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") at a fixed initial interest rate based on the CFC rate at the time of loan approval, to be effective for a period of 7 years with the rate thereafter to be variable for the life of the loan.

2. The approved loan, No. 03-20-061-C-14, was made at a fixed interest rate of 14 percent.

3. In April, 1983, CFC initiated a variable rate loan program whereby cooperatives such as Grayson could convert fixed rate loans to variable rates 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 10.375 percent as of January 1, 1985.

6. The conversion fee, if paid currently in a lump sum, will be \$31,861; if paid in quarterly installments over the remaining 16 quarters of the initial 7-year period of the loan, the conversion fee will be \$40,460.

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

8. If determined to be economically feasible, Grayson will be able to convert back to a fixed rate, with such rate not lower than CFC's standard fixed long-term interest rate at the time of conversion.

IT IS THEREFORE ORDERED that Grayson is authorized to participate in the CFC variable rate loan program for the purpose of converting Loan No. 03-20-061-C-14 to a variable interest rate.

IT IS FURTHER ORDERED that Grayson shall file with 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 Grayson shall file, along with its monthly financial report to the 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 of December 23, 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, nor as a warranty on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 22nd day of January, 1985.

PUBLIC SERVICE COMMISSION

Richard D. Lemen, Jr.
Chairman

Robert L. Lemen, Jr.
Vice Chairman

Jim Shull
Commissioner

ATTEST:

Secretary