

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE REQUEST OF CUMBERLAND VALLEY)
RURAL ELECTRIC COOPERATIVE CORPORA-)
TION TO CONVERT THE LOAN APPROVED)
IN CASE NO. 8226 FROM THE NATIONAL) CASE NO. 10003
RURAL UTILITIES COOPERATIVE)
FINANCE CORPORATION'S FIXED RATE)
PROGRAM TO THE VARIABLE INTEREST)
RATE PROGRAM)

O R D E R

On August 14, 1987, Cumberland Valley Rural Electric Cooperative Corporation ("Cumberland Valley RECC") requested the Commission to authorize the conversion of Loan No. 03-20-057-C-9017 in the amount of \$676,000 from the National Rural Utilities Cooperative Finance Corporation ("CFC") fixed Rate Program to CFC's Variable Interest Rate Program. In Case No. 8226,¹ Cumberland Valley RECC was authorized to borrow \$676,000 from CFC at the initial interest rate of 12.5 percent per annum until a date in 1988 to be specified by CFC and the rate to be variable thereafter, over a period of 35 years.

¹ Application of Cumberland Valley Rural Electric Cooperative Corporation, Gray, Kentucky, for an Order Authorizing it to Borrow \$1,498,000 from the United States of America and \$676,000 from National Rural Utilities Cooperative Finance Corporation, to Evidence Same by Notes and Secure the Notes and for a Certificate of Convenience and Necessity, Final Order dated May 27, 1981.

On October 3, 1986, Cumberland Valley RECC was notified by CFC that Loan No. 03-20-057-C-9017 qualified for more favorable loan conversion treatment under the variable rate program. On December 11, 1986, the Board of Directors of Cumberland Valley RECC passed a resolution to request CFC to convert Loan No. 03-20-057-C-9017 from a fixed interest rate to a variable rate. Cumberland Valley RECC was notified by CFC on April 2, 1987, that the loan was converted to CFC's variable interest rate on March 1, 1987, and that no conversion fee would be incurred as a result of the conversion. As of August 3, 1987, the CFC interest rate for the variable rate long-term loan program was 7.75 percent.

SUMMARY

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

1. By Order dated May 27, 1981, the Commission authorized Cumberland Valley RECC to borrow \$676,000 from CFC at the initial interest rate of 12.5 percent per annum until a date in 1988 to be specified by CFC and the rate to be variable thereafter, over a period of 35 years.

2. Loan No. 03-20-057-C-9017 was converted to CFC's variable interest rate on March 1, 1987.

3. No conversion fees were incurred by Cumberland Valley RECC as a result of the conversion.

IT IS THEREFORE ORDERED that:

1. Cumberland Valley RECC is authorized to convert CFC Loan No. 03-20-057-C-9017 to the variable interest rate long-term loan program.

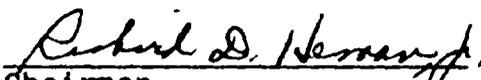
2. Cumberland Valley RECC shall file with the Commission, within 45 days of the date of this Order, all documents pertaining to the finalization of the conversion.

3. Cumberland Valley RECC shall file, along with its monthly financial report to the Commission, the principal amount and the current interest rate on its variable rate loans outstanding.

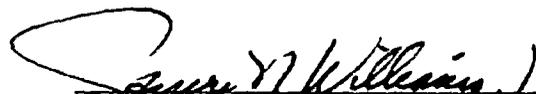
4. All other provisions of the Commission's Order of May 27, 1981, are affirmed.

Done at Frankfort, Kentucky, this 3rd day of September, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Executive Director