

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BLUE GRASS ENERGY)	CASE NO.
COOPERATIVE CORPORATION FOR AN)	2014-00339
ADJUSTMENT OF RATES)	

**ATTORNEY GENERAL'S COMMENTS
IN LIEU OF TESTIMONY**

PUBLIC REDACTED VERSION

Comes now the intervenor, the Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, and pursuant to the Commission's January 8, 2015, Scheduling Order tenders the following preliminary comments in the above-styled matter. The comments filed herein, along with exhibits tendered for filing to the public record of this matter, represent the position of the Attorney General and can be submitted on the record for the Commission to render a decision. The Attorney General reserves his right as an intervenor in this proceeding to fully participate in the hearing currently scheduled for April 15, 2015, if the hearing proceeds, and in any additional informal conferences or hearings which may be scheduled, and to file a post-hearing brief, if desired and consistent with the Commission's Scheduling Order.

A. Statement of the Case

Blue Grass Energy Cooperative Corporation ("Blue Grass Energy" or the "Company") operates a retail electric distributions system in portions of twenty-three (23) counties in

Kentucky.¹ On November 18, 2014, Blue Grass Energy filed an application with the Public Service Commission of Kentucky (“the Commission”) proposing to adjust and increase its rates by \$2,450,474;² however, in the testimony of Company witness James R. Adkins the increase is stated as \$2,452,901.³ The application relies upon a twelve (12) month historical test period ending December 31, 2013, and per the Company, includes adjustments for known and measurable changes.⁴ Blue Grass Energy contends that it has filed for a rate increase because it has incurred increases in the cost of power, materials, equipment, labor, taxes, and other fixed and variable costs.⁵ Further, the Company asserts that its financial condition has “been less than optimal during the test year, and continues on this trend.”⁶ The Company concludes that the full rate increase is required in order to meet the terms of the mortgage agreement and to maintain its financial stability and integrity.⁷

The Attorney General, by and through his Office of Rate Intervention, sought and was granted intervention by Order of the Commission on December 23, 2014.⁸ The Attorney General and Blue Grass Energy met for an Informal Settlement Conference on February 18, 2015.⁹ However, a settlement between the parties did not result at that time.

The Attorney General recommends a downward adjustment to the requested \$2,450,474 dollar revenue increase because, if the Company’s application is accepted as filed, then it would result in unjust, unfair, and unreasonable rates due to the following issues:

¹ *Application of Blue Grass Energy Cooperative Corporation For An Adjustment Of Rates*, Case No. 2014-00339 (Ky. PSC November 18, 2014) (“hereinafter Application”) at paragraph 1.

² *Id.*

³ Direct Testimony of Adkins, p. 3, Response 7.

⁴ Application, paragraph 4.

⁵ *Id.*, paragraph 5(a).

⁶ *Id.*, paragraph 5(b).

⁷ *Id.*, paragraph 5(d).

⁸ Case No. 2014-00339, Order (December 23, 2014).

⁹ Blue Grass Energy attended an Informal Settlement Conference at the Attorney General’s Office of Rate Intervention in Frankfort, Ky.

- Blue Grass Energy attempts to utilize an interest expense adjustment that has not been approved by the Commission, such that a substantially higher interest rate on loans will be charged to the ratepayers than what the Company actually pays.
- The Company consistently exceeds its mortgage requirements based upon times interest earned ratio (“TIER”), which is the traditional approach the Commission uses to determine revenue requirements.
- Blue Grass Energy has given continuous wage and salary increases, as well as Christmas and regular bonuses each and every year since the economic recession.
- The Company is proposing to place the bulk of the \$2.4 million dollar rate increase directly on the customer charge, as opposed to placing a portion on the volumetric charge.
- Blue Grass Energy could have implemented a more conservative budget for the Annual Meeting, which in turn would have saved member ratepayers money.

B. TIER and Interest Expense Adjustment

Blue Grass Energy proposes to take a traditional approach to the determination of its revenue requirements, except for the adjustment of interest expense on all loans from the Federal Financing Bank (“FFB”).¹⁰ Instead of using the standard normalization approach that relies upon the TIER formula for rate-making purposes, which is the current Commission precedent, the Company states that the interest expense should not be based upon the low interest rate that Blue Grass Energy currently enjoys, but rather proposes to charge the customers a higher interest rate with no valid justification.¹¹ This interest expense adjustment represents an unprecedented

¹⁰ Direct Testimony of Adkins, p. 5, Response 9.

¹¹ *Id.*

method that has yet to be approved by the Commission. The Attorney General advocates that the Commission decline to adopt such a precedent in this matter.

According to Blue Grass Energy's witness James R. Adkins, "... the Times Interest Earned Ratio ("TIER) does not adequately provide for a reasonable level of margins in times of low interest rates or high interest rates and TIER has been the primary tool of this Commission for providing for the level of margins by distribution cooperatives in Kentucky."¹² However, the Company further admits that, "... an acceptable, alternative means of providing for reasonable levels of margins have not been accepted by those providing oversight in this process."¹³ Hence, the Company is fully cognizant of the fact that the Commission uses TIER as a tool to establish rates, instead of setting rates predicated upon higher interest rates than what is currently paid.

Although Blue Grass Energy states in the application that the full rate increase is needed in order to meet its mortgage requirements, the evidence does not support such an assertion.¹⁴ The Company admits in response to an Attorney General data request (1) that it is, in fact, meeting its mortgage agreement requirements and (2) that the primary reason the rate increase case was filed was due to a rate structural change.¹⁵ Blue Grass Energy states in the application that the Company's mortgage agreements require it to maintain a Net TIER of 1.25 and an OTIER of 1.10 based on an average of two of the three most current years.¹⁶ The Company has produced the following information for the calculated TIER and OTIER: Year 2013 - 3.54 TIER (1.68 TIER excluding G&T capital credits) and 1.55 OTIER, Year 2012 - 2.75 TIER (1.46 TIER excluding G&T capital credits) and 1.30 OTIER, Year 2011- 3.34 TIER (1.96 TIER excluding

¹² Blue Grass Energy's Response to AG 1-15(b).

¹³ *Id.*

¹⁴ Application, paragraph 5(d).

¹⁵ Blue Grass Energy's Response to AG 1-8(a). A portion of the response reads as follows: "Blue Grass Energy is meeting its mortgage agreement requirements. The primary reason we have filed this case is due to a rate structure change."

¹⁶ Application, paragraph 5(c).

G&T capital credits) and 1.84 OTIER.¹⁷ Thus, the Company is clearly meeting its mortgage requirements based upon TIER and OTIER, and in fact, has actually exceeded those requirements during the past three years. The TIER and OTIER provides further evidence that Blue Grass Energy does not need the full rate increase requested in order to comply with the Company's mortgage requirements.

The Company asserts that the cost of all of its FFB loans should be based upon the FFB's ten (10) year rate that existed on September 25, 2014; specifically, 2.50 percent.¹⁸ Blue Grass Energy makes this assertion even though 100 percent of the Company's specified debt currently has a 0.032 percent variable interest rate.¹⁹ It is important to note that Blue Grass Energy does not provide a thorough explanation on how or why it chose to use a ten (10) year interest rate instead of utilizing a three (3) year, five (5) year, seven (7) year, or other term interest rate. Instead, the Company merely stated that, "[m]anagement felt that a ten year rate would be the more appropriate one to select since it would most likely use the ten year rate when it converts to longer term debt when interest rates starting [sic] trending upward."²⁰ The Commission would be setting a perilous precedent if it allows the Company to arbitrarily choose any interest rate it desires and apply it to short and long term debt with no underlying rationale regarding how such a methodology would result in fair, just and reasonable rates.

Although Blue Grass Energy currently pays an average of 0.032 percent interest on the FFB loans²¹, the Company contends that the customers should be forced to pay 2.50 percent interest on the cost of debt.²² The Company attempts to justify the higher interest rate by asserting that "Blue Grass continues to believe that interest rates will rise based on the idea that

¹⁷ Blue Grass Energy's Response to AG 1-8(b).

¹⁸ Direct Testimony of Adkins, p. 5, Response 9. *See Also*: Blue Grass Energy's Response to AG 1-16.

¹⁹ Blue Grass Energy's Response to AG 2-17(a).

²⁰ Direct Testimony of Adkins, p. 5, Response 9.

²¹ Blue Grass Energy's Response to AG 2-17(a).

²² Direct Testimony of Adkins, p. 5, Response 9.

they cannot go much lower than current rates...”²³ This statement has not proven to be accurate based upon the facts set out below, demonstrating what is in fact currently known and measurable.

Blue Grass Energy stated in its application that as of September 25, 2014, the FFB’s ten (10) year loan interest rate was 2.50 percent.²⁴ The Attorney General discovered that the November 24, 2014 FFB ten (10) year loan interest rate had dropped to 2.31 percent (with a 2.24 percent approximate ten (10) year FFB Quarterly Rate),²⁵ and as of January 16, 2015, the interest rate dropped further to 1.77 percent (with a 1.72 percent approximate ten (10) year FFB Quarterly Rate).²⁶ The Company did concede that according to the Rural Utilities Service the interest rate on a ten (10) year loan had fallen to 1.77 percent.²⁷ Therefore, this disproves the Company’s argument that the interest rates will only “continue to rise” and hence the customers should be forced to pay a substantially higher interest rate that does not currently exist on its FFB loans. This evidence does demonstrate that interest rates are subject to change, either decreasing or increasing. Therefore, until Blue Grass Energy locks in a fixed interest rate that is known and measurable, the customers should not have to pay a higher rate than what the Company currently enjoys.

The Company admits that the Commission has not approved the interest expense approach that Blue Grass Energy utilizes in this case.²⁸ The Commission was faced with a nearly identical request in the Cumberland Valley Electric (“Cumberland Valley”) Case No. 2014-00159, and denied Cumberland Valley’s proposal to use a higher FFB interest rate than the

²³ Blue Grass Energy’s Response to AG 1-12(d).

²⁴ Direct Testimony of Adkins, p. 5, Response 10.

²⁵ United States Department of Agriculture Rural Development, Rural Utilities Loan Interest Rates, http://www.rurdev.usda.gov/UEP_rates.html. See: Appendix 1. See Also: AG 1-12(a).

²⁶ *Id.* See: Appendix 2. See Also: AG 1-12(d).

²⁷ Blue Grass Energy’s Response to AG 1-12(d).

²⁸ Blue Grass Energy’s Response to AG 1-20.

Company currently paid.²⁹ However, Blue Grass Energy has misinterpreted the Cumberland Valley Order as precedent that the Commission will approve interest rates higher than the actual rate on the loans currently paid across the board.³⁰

In the Cumberland Valley case, the Commission used a five- year- average of Cumberland Valley's actual interest rates paid on the FFB loans, and stated "[t]his departure from our traditional approach is based on the unique situation in which Cumberland Valley finds itself. Absent a comparable situation arising in the future, the Commission's belief is that its traditional approach for determining interest expense is the appropriate method to be used in future proceedings."³¹ The Commission reasoned that if it did not average the interest rates, then Cumberland Valley would not have received revenue necessary to meet its mortgage requirements and cover its operating costs.³² As discussed previously, Blue Grass Energy far exceeds its mortgage requirements and is thus not in a comparable situation.³³ The Commission further indicated that, "[t]he Commission agrees with the AG that it is not appropriate in the context of a historical test-year rate case to use an interest rate based on a quoted rate that Cumberland Valley is not currently paying."³⁴ In the present case, Blue Grass Energy filed a historic test-year rate case, and therefore should not be allowed to increase customer's rates based upon an interest rate it does not currently pay.

Blue Grass Energy admits that if the Commission complies with the current precedent, which is to use the TIER formula for rate-making purposes and the traditional approach to the interest expense adjustment, then the Company would not be able to justify the current revenue

²⁹ Cumberland Valley Final Order, (Jan 16, 2015). *See Also*: Blue Grass Energy's Response to AG 1-20.

³⁰ Blue Grass Energy Response to AG 1-20. *See*: Blue Grass Energy Response to PSC 2-6(a).

³¹ Cumberland Valley Final Order, pp. 5-6. (emphasis added).

³² *Id.* at p. 5.

³³ Blue Grass Energy's Response to AG 1-8(a). *See Also*: Blue Grass Energy's Response to AG 1-8(b).

³⁴ Cumberland Valley Final Order, p. 5.

increase.³⁵ Per KRS 278.190(3) the *burden of proof* to show that the increased rate or charge is just and reasonable shall be upon the utility.³⁶ Blue Grass Energy has not met its burden to demonstrate that any rate increase based upon an interest expense adjustment that is not known and measurable, is fair, just and reasonable. Rather, the opposite is true; the application of a 2.50 percent interest rate on FFB loans that Blue Grass Energy current pays .032 percent interest would be patently unjust, unfair and unreasonable.

Thus, the Attorney General recommends that the Commission continue to use the traditional approach to interest expense that relies upon TIER formula for rate-making purposes, which would result in a downward adjustment to Blue Grass Energy's requested interest expense.

C. Blue Grass Energy's Wage and Salary Increases

Presuming the "less than optimal" financial condition that Blue Grass Energy asserts,³⁷ the Company should have taken multiple steps to improve its financial profile, yet it neglected to do so. Therefore, Blue Grass Energy's management should not be rewarded. Chiefly, the Company admits that in the midst of one of the most severe economic recessions to affect the United States, it provided regular wage increases for not only its hourly labor, but also for its salaried leadership. Between 2008 and 2014, Blue Grass Energy gave an average cumulative 21.5 percent salary increase to each individual employee, with certain employees receiving an even higher amount.³⁸

More importantly, the President and CEO received a cumulative 35.7 percent salary increase between 2011 and 2013, resulting in his salary rising by nearly \$100,000 in just two

³⁵ Blue Grass Energy's Response to AG 2-14. *See Also*: Blue Grass Energy's Response to the AG's Clarification Question 5.

³⁶ KRS §278.190(3) (emphasis added).

³⁷ Application, Paragraph 5(b).

³⁸ Application, Exhibit 1, p. 1. *See*: Blue Grass Energy's Response to AG 1-48(b).

years, from \$137,598 to \$237,512.³⁹ In addition to these excessive raises, just prior to filing the application for a rate increase, Blue Grass Energy increased the President and CEO's 2014 salary by an additional [BEGIN CONFIDENTIAL] ██████████, [END CONFIDENTIAL] inflating his salary to [BEGIN CONFIDENTIAL] ██████████. [END CONFIDENTIAL]⁴⁰ When comparing this salary to the [BEGIN CONFIDENTIAL] ██████████

██████████

██████████⁴¹ ██████████

██████████⁴²

[END OF CONFIDENTIAL]

The Company has also awarded Christmas and Regular bonuses on top of the yearly percentage raises to the employees,⁴³ even in the face of a nationwide recession and severe job loss in Kentucky. Blue Grass Energy provided a cumulative total of \$72,470 for Christmas bonuses between 2009 and 2013, and \$104,968 in General bonuses, which are not removed for ratemaking purposes, with \$83,343 being given in 2009 alone.⁴⁴

Even in the face of continuous raises and bonuses, the Company admitted that it had never performed a study to compare its salary, benefits, and raises per employee with the standard salary, benefits and raises of the workforce in the counties that it serves.⁴⁵ Blue Grass Energy provided United States Census data that indicated the average income per capita of its customers is extremely low.⁴⁶ For example, the Company's customers in Jackson County only make an average of \$15,880 per capita each year, and well over 34.2 percent fall below the

³⁹ Blue Grass Energy Response to PSC 1-27.

⁴⁰ Blue Grass Energy Confidential Response to AG 1-55.

⁴¹ Blue Grass Energy Confidential Response to PSC 2-16, p. 22.

⁴² Blue Grass Energy Response to PSC 1-27. See Also: Blue Grass Energy Confidential Response to AG 1-55.

⁴³ Blue Grass Energy Response to AG 1-44.

⁴⁴ *Id.*

⁴⁵ Blue Grass Energy Response to AG 1-7.

⁴⁶ Blue Grass Energy Response to AG 1-6. See Also: <http://quickfacts.census.gov/qfd/states/21000.html>.

poverty line.⁴⁷ When comparing Blue Grass Energy's average income per year for salaried employees of an estimated \$94,000⁴⁸ and hourly employees of \$63,000⁴⁹ it is apparent that there is a colossal gap between the average incomes of the Company's employees versus the ratepayers that they serve.⁵⁰

Therefore, the Attorney General recommends that the Commission adjust Blue Grass Energy's revenue request downward to reflect more appropriate and justified wages. As a supplement to this recommendation, a salary survey should be conducted to compare the Company's salary and wages, benefits, and raises per employee with the standard salary, benefits, and raises by the workforce in the counties which it services.

D. Customer Charge Increase

The Attorney General finds it extremely problematic that Blue Grass Energy proposes to place the bulk of the \$2.4 million dollar rate increase request largely on the customer charge,⁵¹ as opposed to placing a portion on the volumetric charge. For example, the Company's current customer charge for the residential and farm rate class, which consumes 61.84 percent⁵² of all energy sales, is \$9.73⁵³, but the proposal would increase the charge to \$15.00 the first year, and then to a staggering \$20.00 the second year.⁵⁴ According to the Company's data, if the Commission approves the proposed customer charge increase then a person using 0 kWh will receive a 105.5 percent rate increase, or a person consuming 600 kWh will receive a 10.8 percent

⁴⁷ United States Census Bureau, Jackson County QuickFacts.

See: <http://quickfacts.census.gov/qfd/states/21/21109.html>.

⁴⁸ Application, Exhibit I, p. 3.

⁴⁹ *Id.* at pp. 3-4.

⁵⁰ *Id.* See Also: Blue Grass Energy Response to AG 1-6.

⁵¹ Direct Testimony of James R. Adkins, p. 7, Response 11.

⁵² Blue Grass Energy's Response to AG 1-39.

⁵³ Application, Exhibit D.

⁵⁴ *Id.*

rate increase.⁵⁵ This doubling of the customer charge will have detrimental effects to those people who can least afford it, which is a significant portion of Blue Grass Energy's customer base.⁵⁶

Since Blue Grass Energy is a regulated, public monopoly service provider and its ratepayers are captive customers, rate regulation is intended to be a substitute for competition. This fundamental principle of regulation was designed to stimulate a utility to act as it would if it was in a competitive industry. By increasing Blue Grass Energy's customer charge to the extent the company seeks is tantamount to reimbursement ratemaking, and represents a clear departure from generally accepted ratemaking foundations. Competitive entities do not have any such guarantees. Since regulation is supposed to be a substitute for competition, regulated entities should not receive guaranteed recovery of costs if such guarantees are not available in the competitive marketplace.

The regulatory compact under which Blue Grass Energy is operating dictates that the utility must provide safe, adequate and reliable service, and in exchange is allowed an opportunity to maintain a reasonable TIER or, when financially sound, earn a return on investment for its members. Conversely, the member ratepayers are required only to pay rates that are fair, just and reasonable and represent the lowest possible cost. Thus, the regulatory compact calls for a *balancing of interests* between a utility and its ratepayers with both benefits and detriments to be shared in an appropriate manner. An imbalance occurs when all of a rate increase is placed on the customer charge because the company virtually eliminates its financial risk while the ratepayer is trapped with a bill over which (s)he has virtually *no control*. Thus,

⁵⁵ Blue Grass Energy's Response to AG 1-30.

⁵⁶ Blue Grass Energy's Response to AG 1-6.

Blue Grass Energy's rate design clearly rewards and protects the Company's management by freeing it from risk to the greatest degree possible, while it transfers that risk to the ratepayers.

Stated another way, the Company would be guaranteed its income regardless of whether its management operates in a manner prudent enough to provide safe, adequate and reliable service at the lowest possible cost. Under Blue Grass Energy's current regulatory compact, an increase in costs in any one area should stimulate cost cutting elsewhere as the Company strives to attain its above TIER financial goals. However, this crucial incentive will be abolished if the customer charge is increased to the levels the Company seeks.

In practical terms, it is axiomatic that customers dictate how much energy will be used, not the utility. The goal of empowering customers to conserve in order to save is a fundamental principle that the Commission and consumer advocates, like the Attorney General, must address as affordability of utility services is rapidly becoming a major issue - if not *the most important issue* - for the Commonwealth's utility customers.

Hence, the Attorney General recommends placing any Commission approved reasonable increase to rates, at least in part, upon the volumetric charge as opposed to the Company's request to place the large bulk of the increase upon the customer charge.

E. Annual Meeting Expense Adjustments

Blue Grass Energy held annual meetings in 2014 and 2013, which costed the ratepayers \$130,535 and \$142,593 respectively.⁵⁷ There are various areas where the Company could have had a more conservative budget for the annual meeting, especially if the Company was aware that a rate increase request would be necessary.

⁵⁷ Application, Exhibit P, at p. 1.

The Attorney General recommends adjustments to the annual meeting expense for sums the Company has failed to demonstrate produce a material benefit for ratepayers⁵⁸ or that are otherwise unreasonable. Specifically, the Attorney General posits that the following expenses are not reasonably designed to produce a material benefit and for which ratepayers should not be forced to pay: (1) over \$1,000 for golf carts, (2) roughly \$2000 for entertainment, (3) over \$4,000 for Blue Grass Energy employee tee-shirts (which constitute institutional advertising⁵⁹), not required for basic identification purposes, (4) over \$25,000 for catering, (5) \$250 for photography, and (6) an estimated \$4,000 for prizes and giveaways.⁶⁰ Thus, the Attorney General recommends removing these specified amounts for ratemaking purposes since the ratepayers are not receiving a material benefit from these items, as well as any other amounts that the Commission deems unreasonable.

CONCLUSION

WHEREFORE, based on the factual record, legal analysis and the reasons set forth in the comments, the Attorney General recommends that Blue Grass Energy's application for a revenue increase of over \$2.4 million dollars should be denied due to the fact that the Company did not meet the required burden of proof. If the Commission is inclined to grant a rate increase, then it should be limited to what the Company has proven with known and measurable evidence that will result in fair, just, and reasonable rates for the Company's ratepayers.

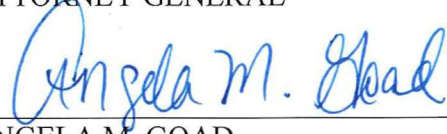
⁵⁸ See 807 KAR 5:016 §3.

⁵⁹ *Id.* at §4(c).

⁶⁰ Blue Grass Energy Response to AG 2-26.

Respectfully submitted,

JACK CONWAY
ATTORNEY GENERAL



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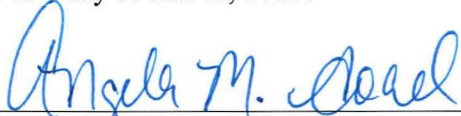
Certificate of Service and Filing

Counsel certifies that the foregoing is a true and accurate copy of the same document being filed in paper medium; that the electronic filing has been transmitted to the Commission on March 13, 2015; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original and one copy in paper medium of the foregoing is being filed with the Commission on March 13, 2015.

I further certify that in accordance with 807 KAR 5:001, § 4 (8), the foregoing is being contemporaneously provided via electronic mail to:

Honorable Howard Downing
109 South First Street
Nicholasville, KY 40356
hhdwning@windstream.net

This 13th day of March, 2015.



Assistant Attorney General



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Rural Utilities Loan Interest Rates

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Hardship Loan Rate

On November 1, 1993, the Rural Electrification Loan Restructuring Act, Pub. L. 103-129, 107 Stat. 1356, (RELRA) amended the Rural Electrification Act of 1936, 7 U.S.C. 901 et seq., (RE Act) to establish a new interest rate structure for insured electric loans. Insured electric loans approved on or after this date, are either municipal rate loans or hardship rate loans. Borrowers meeting the criteria set forth in 714.8 are eligible for 5 percent hardship rate loans.

Treasury and Federal Financing Bank (FFB) Rates

The following list of interest rates for loans shall not constitute an offer or commitment to make a loan at these rates. The interest rates listed are illustrative only of the rates that would apply to funds advanced on the date identified here as the "Issue Date." These rates change daily.

Issue Date: 11/24/14

11/21/14 TREASURY YIELD CURVE SEMIANNUAL RATES

3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.01	0.07	0.14	0.53	0.96	1.63	2.03	2.31	2.75	3.02

APPROXIMATE FFB QUARTERLY RATES*

3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.01	0.09	0.17	0.57	0.98	1.61	1.98	2.24	2.60	2.71

*These approximate FFB rates are based upon a common type of RUS loan in which the quarterly loan payments are derived by amortizing over 30 years, but the loan matures with a balloon payment at the maturity indicated in the column heading (for example, 10 years). The column headings are approximate maturity terms, since the loans end on quarterly payment dates.

Treasury rate loans are not available for terms

For information as to available "Call Options" and their associated pricing spreads, please contact the Electric Program directly (Northern Regional, Southern Regional, Power Supply Division).

To obtain the latest Federal Reserve Statistical Release of daily interest rates, you may use this link to go to the Federal Reserve Bank, where that information is available.

Municipal Interest Rates for the 4th Quarter of CY 2014

In accordance with 7 CFR 1714.5, the interest rates are established as shown in the following table for all interest rate terms that begin at any time during the first of calendar year 2014.

Interest Rate Term Ends in (Year)	RUS Rate (0.000 percent)
2015	0.125
2016	0.375
2017	0.625
2018	0.875

2019	1.250
2020	1.375
2021	1.625
2022	1.875
2023	2.125
2024	2.375
2025	2.375
2026	2.500
2027	2.625
2028	2.750
2029	2.750
2030	2.875
2031	2.875
2032	3.000
2033	3.000
2034	3.125
2035 or later	4.000

Last Modified:11/24/2014



United States Department of Agriculture
Rural Development

APPENDIX II

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Hardship Loan Rate

On November 1, 1993, the Rural Electrification Loan Restructuring Act, Pub. L. 103-129, 107 Stat. 1356, (RELRA) amended the Rural Electrification Act of 1936, 7 U.S.C. 901 et seq., (RE Act) to establish a new interest rate structure for insured electric loans. Insured electric loans approved on or after this date, are either municipal rate loans or hardship rate loans. Borrowers meeting the criteria set forth in 714.8 are eligible for 5 percent hardship rate loans.

Treasury and Federal Financing Bank (FFB) Rates

The following list of interest rates for loans shall not constitute an offer or commitment to make a loan at these rates. The interest rates listed are illustrative only of the rates that would apply to funds advanced on the date identified here as the "Issue Date." These rates change daily.

Issue Date:01/16/15

01/15/15 TREASURY YIELD CURVE SEMIANNUAL RATES

3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.03	0.08	0.16	0.44	0.75	1.22	1.53	1.77	2.12	2.40

APPROXIMATE FFB QUARTERLY RATES*

3-mo	6-mo	1-yr	2-yr	3-yr	5-yr	7-yr	10-yr	20-yr	30-yr
0.03	0.11	0.21	0.50	0.79	1.22	1.50	1.72	2.01	2.12

*These approximate FFB rates are based upon a common type of RUS loan in which the quarterly loan payments are derived by amortizing over 30 years, but the loan matures with a balloon payment at the maturity indicated in the column heading (for example, 10 years). The column headings are approximate maturity terms, since the loans end on quarterly payment dates.

Treasury rate loans are not available for terms

For information as to available "Call Options" and their associated pricing spreads, please contact the Electric Program directly (Northern Regional, Southern Regional, Power Supply Division).

To obtain the latest Federal Reserve Statistical Release of daily interest rates, you may use this link to go to the Federal Reserve Bank, where that information is available.

Municipal Interest Rates for the 1st Quarter of CY 2015

In accordance with 7 CFR 1714.5, the interest rates are established as shown in the following table for all interest rate terms that begin at any time during the first of calendar year 2015.

Interest Rate Term Ends in (Year ...)	RUS Rate (0.000 percent)
2016	0.125
2017	0.375
2018	0.750
2019	1.000
2020	1.250

2021	1.500
2022	1.750
2023	1.875
2024	2.125
2025	2.375
2026	2.375
2027	2.500
2028	2.625
2029	2.625
2030	2.750
2031	2.750
2032	2.875
2033	2.875
2034	3.000
2035	3.000
2036 or later	3.750

Last Modified:01/16/2015