

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

REQUEST OF EAST KENTUCKY POWER)
COOPERATIVE, INC., FOR AUTHORITY)
TO ISSUE POLLUTION CONTROL BONDS)
IN AN AMOUNT NOT TO EXCEED) CASE NO. 8410
\$133,500,000 RELATIVE TO AN)
ELECTRIC GENERATING PLANT CON-)
STRUCTED IN MASON COUNTY,)
KENTUCKY)

ORDER

On December 15, 1981, East Kentucky Power Cooperative, Inc., ("East Kentucky") filed with this Commission its duly verified application seeking authority to issue pollution control bonds in an amount not to exceed \$133,500,000 to finance the acquisition and construction of pollution control equipment and facilities at its Spurlock Power Station Unit No. 2 ("Spurlock No. 2") located in Mason County, Kentucky. The bonds are to be issued substantially in accordance with the terms and conditions set forth in the application and the exhibits filed therewith.

East Kentucky will utilize \$106,500,00 of the bond proceeds to refinance outstanding pollution control bonds which have a maturity date of February 15, 1982. These bonds were issued by Mason County, Kentucky, for the acquisition and construction of pollution control equipment and facilities at Spurlock No. 2

approved by Order of the Commission in Case No. 6604. The remaining \$27,000,000 of the bond proceeds will be used to meet the increased costs of the Spurlock No. 2 pollution control facilities. The currently outstanding pollution control bonds were used by East Kentucky in lieu of more expensive funds from the Federal Financing Bank ("FFB") which had previously been authorized by the Commission in Case No. 6604.

The proposed pollution control bonds also will be used as an alternative to more expensive FFB funds and will be issued by Mason County, Kentucky, and will be guaranteed by the National Rural Utilities Cooperative Finance Corporation. East Kentucky is considering the following financing issues based on prevailing interest rates at the time the application was filed:

(a) Three-year bond anticipation notes - Series 1982 C at an interest cost of approximately 10.5 percent to 10.75 percent per annum, or an initial annual interest cost of \$14,017,500 to \$14,351,250 or

(b) Three-year bank loan - Series 1982 D at an interest cost of approximately 8.7 percent to 10.2 percent per annum, or an initial annual interest cost of \$11,614,500 to \$13,617,000.

The Commission finds that the proposed financing through the issuance of pollution control bonds by Mason County, Kentucky, in the amount of \$133,500,000 will result in substantial savings to East Kentucky and its members compared with FFB financing and that such savings are likely to continue into the future; however,

should FFB financing prove more advantageous to East Kentucky in future years, East Kentucky can utilize the FFB as an alternative source of funds to refinance the Mason County, Kentucky, pollution control bonds of 1982.

East Kentucky's proposed financing through the issuance of pollution control bonds is for lawful objects within the corporate purposes of the utility, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service and is reasonably necessary and appropriate for such purposes.

IT IS THEREFORE ORDERED that East Kentucky be and it hereby is authorized to implement its proposed financing of \$133,500,000 through the issuance of pollution control bonds in accordance with the terms and conditions described in its application.

IT IS FURTHER ORDERED that the proceeds from the bond issue authorized herein shall be used only for the lawful purposes as set out in the application.

IT IS FURTHER ORDERED that nothing contained herein shall be construed as a finding of value for any purpose, or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof.

IT IS FURTHER ORDERED that within 45 days from the completion of the sale of the pollution control bonds of Mason County, Kentucky, East Kentucky shall furnish the Commission the following data:

(a) a copy of the completed documents governing the sales of the bonds and the loan of the proceeds to East Kentucky,

(b) the initial interest rate to be paid by East Kentucky,
and

(c) a listing of all expenses incurred in such financing.

Done at Frankfort, Kentucky, this 15th day of January, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Vohz
Chairman

Katharine Randall
Vice Chairman

L. M. Carver
Commissioner

ATTEST:

Secretary