

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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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)

O R D E R

On consideration of the motion by East Kentucky Power Cooperative, Inc., ("East Kentucky Power") to amend the Commission's Order in this case dated January 15, 1982, and the evidence in support thereof, the Commission finds that:

1. By its Order dated January 15, 1982, the Commission authorized East Kentucky Power to refinance outstanding short-term pollution control bonds and to finance increased costs of pollution control facilities at the Spurlock Power Station Unit 2 ("Spurlock Unit 2") in Mason County, Kentucky, through the issuance of up to \$133,500,000 of tax-exempt pollution control revenue bonds guaranteed by the National Rural Utilities Cooperative Finance Corporation ("CFC").

2. Since the February, 1982, issuance of said bonds, East Kentucky Power refinanced all the outstanding Spurlock Unit 2 bonds through the issuance of tax-exempt pollution control commercial paper in the amount of \$108,500,000 and private placement

short-term pollution control bonds in the amount of \$25,000,000 in order to obtain the benefit of favorable short-term interest rates.

3. East Kentucky Power now proposes to refinance up to \$50,000,000 of its outstanding pollution control debt relating to Spurlock Unit 2 through the issuance of long-term tax-exempt pollution control bonds by Mason County, Kentucky. These bonds would refinance all of the private placement bonds and up to \$25,000,000 of the outstanding commercial paper. The long-term bonds would be guaranteed by CFC as part of a debt pool program which would initially consist of East Kentucky Power and at least four other generation and transmission rural electric cooperatives.

4. The diversified security gained through a common pool indenture is anticipated to result in a 1/4 to 1/2 percentage point reduction in interest rates for the issue with an anticipated AA rating. The consensus of the pool participants is to issue the bonds only if an interest rate of 10 percent or less can be obtained; otherwise the initial issue will be postponed until such time in 1984 that more favorable interest rates can be obtained.

5. East Kentucky Power's proposed refinancing of up to \$50,000,000 of its outstanding short-term pollution control debt through the issuance by Mason County, Kentucky, of long-term pollution control revenue bonds guaranteed under the CFC pooled debt program is for lawful objects within the corporate purposes of the utility, is necessary 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 purpose.

IT IS THEREFORE ORDERED that the Commission's Order of January 15, 1982, is hereby amended and East Kentucky Power is hereby authorized to implement its proposed financing of up to \$50,000,000 through one or more issuances of pollution control bonds in accordance with the terms and conditions described in its motion.

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

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.

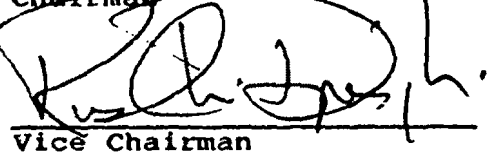
IT IS FURTHER ORDERED that within 45 days from the completion of the sale or sales of the pollution control bonds of Mason County, Kentucky, East Kentucky Power shall furnish the Commission the following data:

- (a) A copy of the completed documents governing the sales of the bonds and the loan of the proceeds to East Kentucky Power;
- (b) The initial interest rate to be paid by East Kentucky Power; and
- (c) A listing of all expenses incurred in such financing.

Done at Frankfort, Kentucky, this 22nd day of November, 1983.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary