COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC CORPORATION TO AMEND THE ORDER ISSUED NOVEMBER 13, 1980, IN CASE NO. 7990 BY AUTHORIZING BIG RIVERS ELECTRIC CORPORATION'S BORROWING OF PROCEEDS OF UP TO $83,300,000 COUNTY OF OHIO, KENTUCKY VARIABLE RATE DEMAND POLLUTION CONTROL REFUNDING BONDS, SERIES 1985 (BIG RIVERS ELECTRIC CORPORATION PROJECT), AND EXECUTION OF DOCUMENTS EVIDENCING SUCH DEBT	)	CASE NO. 9448

O R D E R

On October 18, 1985, Big Rivers Electric Corporation ("Big Rivers") filed a motion to further amend the Order entered November 13, 1980, in Case No. 7990,[1] heretofore amended by Orders dated October 6, 1982, November 19, 1982, and June 29, 1983. The Commission, for administrative purposes, assigned a new case number to these proceedings. The amendment now proposed by Big Rivers is to refund $82,500,000, County of Ohio, Kentucky, 7 1/4 Percent Pollution Control Interim Bonds Series 1982 (Big Rivers Electric Corporation Project). As grounds for its motion herein, Big Rivers stated that it does not have the funds to pay the 1982 Bonds, neither FFB nor REA loans are available (REA having

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1 The Application of Big Rivers Electric Corporation to Borrow $1,110,740,000 and to Issue Appropriate Evidence of Indebtedness to Secure that Debt.

declined to make further advances under its loan commitment for construction of the D. B. Wilson Station or for payment of the 1982 Bonds), and Big Rivers requests Commission authority and approval to borrow up to $83,300,000 from Ohio County under the Financing Plan more fully described in the application and exhibits for refunding the 1982 Bonds with proceeds of County of Ohio, Kentucky Variable Rate Demand Pollution Control Refunding Bonds, Series 1985 (Big Rivers Electric Corporation) ("the 1985 Bonds").

In order to refund the 1982 Bonds, Manufacturers Hanover Trust Company ("Manufacturers") will pay the 1982 Bonds at their maturity pursuant to Manufacturers' Irrevocable Letter of Credit dated November 24, 1982. Ohio County will then issue and sell the 1985 Bonds, and will lend a portion of the proceeds of these bonds to Big Rivers upon delivery by Big Rivers of its promissory note payable to Ohio County. Big Rivers will use the money thus borrowed by it to reimburse Manufacturers for payments made by it on the 1982 Bonds. The difference between the $82,500,000 required to refund the 1982 Bonds and the $83,300,000 proceeds of the 1985 Bonds, or $800,000, will be used to pay the cost of the refunding of the 1982 Bonds as shown in Exhibit 5 hereto.

The 1985 Bonds will be issued by Ohio County pursuant to KRS 103.200 through 103.285, inclusive (the "Act"). They will bear interest initially at a variable rate which shall be the lesser of (a) 13 percent per annum or (b) a rate determined by the Remarketing Agent and approved by Big Rivers as being the rate necessary to remarket the 1985 Bonds in a secondary market

transaction at par, plus accrued interest, but not more than 110 percent of a variable rate index based on sales of 91-day U.S. Treasury bills.

Big Rivers will have the option under certain conditions to convert the interest rate payable on the 1985 Bonds to a fixed rate not less than 30 nor more than 60 days from the date of notice of such conversion.

The 1985 Bonds will be dated as of the date of issue, will be payable on demand, or subject to mandatory redemption upon expiration of the supporting letter of credit and any renewal thereof, and will mature in any event on October 1, 2015.

The 1985 Bonds will be payable from and secured by pledge of revenues derived by Ohio County by payments from Big Rivers on its promissory note to Ohio County, and by other funds pledged for such payment. Payment of the principal of the bonds and interest accrued thereon will also be supported by an irrevocable letter of credit issued by Manufacturers with an initial termination date of October 15, 1987.

The 1985 Bonds shall be subject to redemption at the option of Ohio County during the Variable Rate Period on any interest payment date. If the bonds are converted to fixed rate interest payments, they may be redeemed at certain times at a redemption price equal to the principal and accrued interest on the bonds, plus a premium of 3 percent during the first 12 months the bonds are subject to redemption, and declining 1.0 percent for each 12 months thereafter until the premium equals zero.

Continental Illinois National Bank & Trust Company of Chicago ("Continental") will be the Trustee under the bond indenture. It will receive reasonable compensation for services rendered and reimbursement for out-of-pocket expenses.

Big Rivers will purchase from Manufacturers and deliver to the Trustee concurrently with the issuance of the 1985 Bonds, Manufacturers' Irrevocable Transferable Standby Letter of Credit in the amount of $83,300,000, for which Big Rivers will pay Manufacturers an annual commission equal to 0.75 percent per annum on the amount from time to time available for drawing under the Letter of Credit. Big Rivers will also pay Manufacturers a closing fee equal to 0.2 percent of the principal amount of the 1985 Bonds.

Manufacturers will act as Remarketing Agent for the 1985 Bonds for which Big Rivers will pay 1/8 of 1 percent per annum on the principal amount of 1985 Bonds outstanding prior to the date of conversion from a variable to a fixed rate, and an amount to be agreed upon for remarketing thereafter, plus reimbursement for out-of-pocket expenses.

The law firm of Mudge Rose Guthrie Alexander & Ferdon, of New York City, which acted as Bond Counsel for the 1983 Bonds, will act as Bond Counsel for the 1985 Bonds at a fee of $180,000.

By letter dated October 3, 1985, addressed to Fiscal Court, County of Ohio, Kentucky, and to Big Rivers Electric Corporation, Manufacturers committed itself to a private placement of the 1985 Bonds.

Big Rivers has been advised by Manufacturers that the initial variable interest rate on the 1985 Bonds will probably be between 5.75 percent and 6.25 percent per annum, based on market conditions as of October 15, 1985. If the 1982 Bonds are not refunded, Big Rivers will be obligated under Section 2.01 of the Reimbursement Agreement of November 1, 1982, to pay interest on $82,500,000 at a variable rate equal to 2 percent above the prime interest rate of Manufacturers, or 11.5 percent per annum, based on the present prime rate of 9.5 percent per annum. Big Rivers, the REA, Manufacturers and Irving Trust Company are cooperating in efforts to solve Big Rivers' financial problems.

The Commission is of the opinion and finds that the refinancing of the 1982 Bonds and Big Rivers' execution of the Promissory Note in the principal sum of $83,300,000 are for lawful objects within the corporate purposes of Big Rivers, are necessary or appropriate or consistent with the proper performance by Big Rivers of its service to the public, will not impair Big Rivers' ability to perform that service, and are reasonably necessary and appropriate for such purposes upon the grounds and for the reasons herein stated.

IT IS THEREFORE ORDERED that:

1. The Financing Plan as outlined herein be and it hereby is approved;

2. Big Rivers be and it hereby is authorized to execute and deliver all of the documents described in the Financing Plan;

3. Big Rivers is further authorized to execute and deliver all other documents necessary or convenient to the consummation of the Financing Plan, and to do all acts and things as may be necessary or desirable or convenient to carry out the Financing Plan and the documents described herein;

4. The Promissory Note executed and delivered by Big Rivers Electric Corporation to County of Ohio, Kentucky, shall not exceed the total principal sum of $83,300,000, and such note and the proceeds thereof shall be used only for the lawful purposes specified herein;

5. Within 45 days after the sale of the 1985 Bonds, Big Rivers Electric Corporation shall furnish the Commission with a copy of the completed documents setting forth the bond sale and transfer of funds, the gross price paid by the purchasers, the amount borrowed by Big Rivers Electric Corporation, and a listing of all expenses incurred in such financing;

6. Nothing contained in this Order 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;

7. The Commission's Orders of November 13, 1980, October 6, 1982, November 19, 1982, and June 29, 1983, issued in Case No. 7990 shall remain in full force and effect except to the extent of any conflict with this Order.

Done at Frankfort, Kentucky, this 29th day of October, 1985.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Secretary