

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS ELECTRIC )  
CORPORATION FOR AUTHORITY TO ISSUE ) CASE NO. 10033  
EVIDENCES OF INDEBTEDNESS TO REFINANCE )  
DEBT UNDER THE BURDICK AMENDMENT )

O R D E R

On September 24, 1967, Big Rivers Electric Corporation ("Big Rivers") filed an application, pursuant to KRS 278.300, seeking authorization to issue evidence of indebtedness for the purpose of refinancing a portion of its existing debt under the Burdick Amendment, 7 USC 936(3). The Burdick Amendment authorizes electric cooperatives to prepay, without penalty, loans with the Federal Financing Bank ("FFB") that bear interest in excess of ten percent, by substituting private capital that is government guaranteed.

The purpose of the refinancing is to improve the financial condition of the cooperative by reducing its interest payments. Big Rivers states, and the Commission understands, that, under regulations issued by the Rural Electrification Administration ("REA") pursuant to the Burdick Amendment, and as recited in 7 CFR 1786.6(8), Big Rivers will not use the prepayment benefits of this refinancing to reduce rates or to seek a reduction in its revenue requirements as presented to the Commission. Big Rivers will also adhere to REA regulations requiring that a maximum interest rate

on the Refinancing Notes be at least 50 basis points less than the average interest rate on the FFB loans which are refinanced.

The amount of FFB debt to be refinanced is dependent on prevailing interest rates but will be not less than \$205,331,000 and not more than \$402,952,000. This existing debt, bearing various rates of interest up to 11.5 percent per annum, will be replaced by an equal principal amount of Refinancing Notes, issued by the Louisville Bank for Cooperatives, bearing interest at a rate not to exceed 10.99 percent per annum.

On September 28, 1987, National-Southwire Aluminum Company ("NSA"), an intervenor, filed comments upon review of Big Rivers' refinancing application and the supporting exhibits. NSA states that it does not object to the Burdick Amendment refinancing proposed in this case and it will not appeal the final Order issued by the Commission. However, NSA expressly reserves its right to challenge all relevant issues (other than the validity of the evidence of indebtedness approved herein), including the appropriate rate-making treatment of both the expenses incurred in the refinancing and the benefits from the refinancing. Further, NSA seeks prompt notification from Big Rivers of any future applications filed at the Commission under KRS 278.300. NSA's counsel, by cover letter accompanying its comments, indicated Big Rivers' consent to the substance of NSA's comments.

Based on the refinancing application and being advised, the Commission is of the opinion and hereby finds that the refinancing is for a lawful object within the corporate purpose of Big Rivers' utility operations, is necessary and appropriate for and

consistent with the proper performance of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose and should, therefore, be approved.

Big Rivers intends to execute the following documents in connection with the refinancing of its FFB debt:

- (a) A Loan Agreement dated as of September 1, 1987, (The Loan Agreement) between the Cooperative and Louisville Bank for Cooperatives (LLB);
- (b) A Loan Guarantee and Servicing Agreement dated as of September 1, 1987, (the Loan Guarantee Agreement) among the United States of America, acting through the Administrator of the REA, LBC, the Cooperative and the Trustee;
- (c) A Trust Agreement(s) dated as of September 1, 1987, (the Trust Agreement(s)) among LBC, the Cooperative and the Trustee;
- (d) The Refinancing Notes, each dated as of September 1, 1987, (the Refinancing Note(s)) issued by the Cooperative to the Trusts established pursuant to the Trust Agreement;
- (e) A Mortgage Amendment dated as of September 1, 1987, (the Mortgage Amendment) by and among the Cooperative, LBC and the United States, acting through the Administrator of REA; and
- (f) A Substitute Note(s) dated as of September 1, 1987, (the Substitute Note(s)) issued by the Cooperative to the FFB.
- (g) Such further documents as Big Rivers finds reasonably required to consummate such refinancing.

IT IS THEREFORE ORDERED that:

1. Big Rivers be and it hereby is authorized to refinance up to \$402,952,000 of indebtedness to the FFB pursuant to the Burdick Amendment, 7 USC 936(a), and is authorized to issue such evidence of indebtedness as described in this Order;

2. The proceeds from the refinancing authorized herein shall be used only for the lawful purposes of prepaying an equal principal amount of FFB debt;

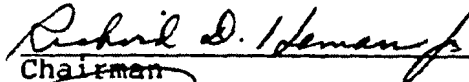
3. The debt service on the refinancing debt authorized herein shall be substituted, on a dollar-for-dollar basis, for the debt service set forth in the proposed Government Debt Service Schedule attached to the July 17, 1987, modification to the Big Rivers' Debt Restructuring Plan and Workout Agreement filed as Exhibit 3 to Big Rivers' "Compliance Report" in Case No. 9885, An Investigation of Big Rivers Electric Corporation's Rates For Wholesale Electric Service; and

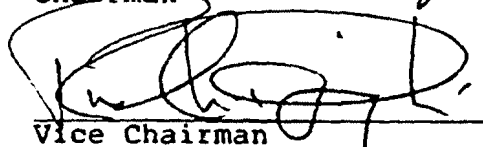
4. Within 20 days of completion of the refinancing authorized herein, Big rivers shall file a report with the Commission setting forth the amount of debt that it has refinanced, the interest rates applicable to the refinancing, the expenses incurred, and copies of all documents executed.

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 as to the securities authorized herein.

Done at Frankfort, Kentucky, this 28th day of September,  
1987.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director