

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ELECTRIC ENERGY,)
INC., FOR AN ORDER AUTHORIZING) CASE NO. 10095
THE ISSUANCE OF NOTES)

O R D E R

On November 25, 1987, Electric Energy, Inc. ("EEI"), filed an application seeking authority to issue unsecured promissory notes to Centerre Bank National Association and Mercantile Bank National Association ("Banks") to evidence borrowings to be made by EEI from the Banks from time to time but no later than December 31, 1989, in an amount to be determined, but not to exceed \$60,000,000 aggregate principal amount at any time outstanding or unpaid. It is expected that the terms of the Fourth Credit Agreements will be substantially the same as the terms of the Third Credit Agreements, with the exception that one or more of the Fourth Credit Agreements is expected to provide EEI somewhat more favorable interest pricing mechanisms including Eurodollar pricing.

The proceeds of the New Notes will be applied or used for the following statutory purposes: (1) to refund, discharge and retire, together with premium, if any (a) the obligation evidenced by the Notes issued pursuant to the December 6, 1985 Order of the

Commission in Case No. 9468,¹ outstanding at the date of issue of the New Notes (estimated at \$24,000,000) and (b) \$2,998,000 in principal amount of EEI's 8-1/2 percent First Mortgage Sinking Fund Bonds ("Bonds") due December 15, 1989, (to the extent EEI redeems outstanding Bonds prior to the date of issuance of the New Notes, the principal amount of Bonds noted in clause (b) shall be ratably decreased and the obligations evidenced by the Notes referenced in clause (a) shall be ratably increased; (2) to finance all or a portion of the cost, or to reimburse EEI for all or a portion of the costs incurred, for the construction or acquisition by EEI of additions, improvements or replacements relating to its facilities; (3) to provide a portion of working capital necessary to EEI's operations, including payment of costs of coal inventories and material and supply inventories; and (4) to pay EEI's reasonable expenses incurred in connection with the transactions hereinabove set forth.

The Commission, after considering the application and being advised, is of the opinion and finds that the issuance of the notes by EEI is for the lawful objects within the corporate purposes of EEI, is necessary and appropriate for and consistent with the proper performance by EEI of its service to the public and will not impair its ability to perform that service and is reasonably necessary and appropriate for such purposes.

¹ In the Matter of The Application of Electric Energy, Inc., for An Order Authorizing the Issuance of Notes.

IT IS THEREFORE ORDERED that:

1. EEI be and it hereby is authorized to execute and deliver credit agreements and to issue and deliver its unsecured notes to evidence borrowings made by EEI, from time to time but no later than December 31, 1989, with the principal amount of the borrowings not to exceed \$60,000,000.

2. The terms and interest rate for the unsecured notes shall be as set out in the application.

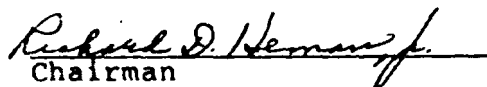
3. The proceeds from the loan authorized herein shall be used only for lawful purposes as set out in the application.

4. EEI shall file with the Commission, within 30 days of the date of the closing, all documents pertaining to the finalization of the Fourth Credit Agreements.

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 18th day of December, 1987.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman

ATTEST:

Executive Director


Commissioner