

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST KENTUCKY POWER)	
COOPERATIVE, INC. FOR APPROVAL OF AN)	CASE NO.
UNSECURED REVOLVING CREDIT AGREEMENT)	2011-00204
FOR A TERM OF UP TO FIVE YEARS AND)	
IN AN AMOUNT UP TO \$500,000,000)	

O R D E R

On June 13, 2011, East Kentucky Power Cooperative, Inc. ("EKPC") applied to the Commission for approval of a five-year unsecured revolving and term credit facility in an amount up to \$500 million. The proceeds of the proposed credit facility will be used by EKPC for the following purposes: To terminate and refund its existing \$500 million credit facility¹ for capital expenditures associated with the construction, operation, and maintenance of the utility plant; and for general corporate purposes until permanent, long-term financing can be obtained from the Rural Utilities Service ("RUS") or other sources.

The proposed credit facility involves eight financial institutions, with the National Rural Utilities Cooperative Finance Corporation being the administrative agent for the facility. The interest rates for the facility will be based on the Adjusted London Interbank Offered Rate ("LIBOR" rate) or the Alternate Base Rate, which is defined as the highest of the Prime Rate, the Federal Funds Rate (plus a percentage), or the Adjusted LIBOR rate (plus a percentage). Interest periods may be for one, two, three, or six months. In

¹ The existing credit facility had \$380 million drawn down at the time of EKPC's application.

conjunction with terminating and refunding its existing credit facility, EKPC proposes to write-off and charge to expense in 2011 the outstanding balance of approximately \$3.9 million in deferred financing fees incurred with that facility.

On June 23, 2011, the Commission issued a procedural order which allowed for one round of discovery of EKPC's application and permitted the parties to request either an informal conference or an evidentiary hearing. The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("AG"), and Gallatin Steel Company ("Gallatin"), the largest customer on the EKPC system, are intervenors in this proceeding. EKPC responded to one request for information issued by the Commission's Staff. Neither the AG nor Gallatin submitted requests for information to EKPC. No party requested an informal conference or hearing. Therefore, this matter now stands submitted for a decision.

DISCUSSION

EKPC's existing credit facility was implemented approximately 12 months ago. At that time, credit markets were tight and EKPC was viewed as having a greater level of risk than it now has. These factors contributed to the pricing on the existing credit facility being substantially greater than on EKPC's prior 2005 credit facility. Since the existing credit facility was implemented, economic conditions have improved somewhat, credit markets are more open, and EKPC has reported improved financial results for 2010 and the first quarter of 2011. The improvements in the credit markets, combined with EKPC being viewed as less risky today than it was 12 months ago, have allowed it to negotiate more favorable pricing terms for the proposed credit facility compared to

the terms of the existing facility. The improved pricing terms will result in annual interest savings for EKPC in excess of \$4 million.

FINDINGS AND ORDERS

The Commission, having considered the evidence of record and being otherwise advised, finds that:

1. Approval of the proposed unsecured revolving credit facility in an amount up to \$500 million for a term of up to five years is for lawful objects within the corporate purpose of EKPC's utility operations, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonably necessary and appropriate for such purposes, and should therefore be approved.

2. Given its improved financial condition, EKPC's proposal to write-off and charge to expense in 2011 the outstanding balance of the deferred financing fees incurred with its 2010 credit facility is reasonable and should be approved.

IT IS THEREFORE ORDERED that:

1. EKPC is authorized to enter into the unsecured revolving credit facility as set forth in its application.

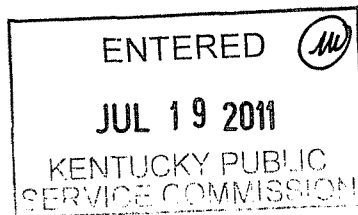
2. The proceeds from the credit facility authorized herein shall be used only for the lawful purposes set out in EKPC's application.

3. EKPC shall agree only to such terms and conditions that are consistent with the parameters set out in its application.

4. EKPC's proposal to write-off and charge to expense the outstanding balance of the deferred financing fees incurred with its 2010 credit facility in 2011 is approved.

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.

By the Commission



ATTEST:


Executive Director

Anthony S Campbell
President & CEO
East Kentucky Power Cooperative, Inc.
4775 Lexington Road
P. O. Box 707
Winchester, KY 40392-0707

Mark D Goss
Frost Brown Todd LLC
250 W Main Street Suite 2800
Lexington, KENTUCKY 40507-1749

Honorable Dennis G Howard II
Assistant Attorney General
Office of the Attorney General Utility & Rate
1024 Capital Center Drive
Suite 200
Frankfort, KENTUCKY 40601-8204

Honorable Michael L Kurtz
Attorney at Law
Boehm, Kurtz & Lowry
36 East Seventh Street
Suite 1510
Cincinnati, OHIO 45202