

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

* * * * *

In the Matter of:

APPLICATION OF BIG RIVERS)
ELECTRIC COPORATION) CASE NO. 7990

AMENDMENT TO ORDER OF NOVEMBER 13, 1980,
TO PERMIT ALTERNATE METHOD OF FINANCING
OF POLLUTION CONTROL FACILITIES BY BORROWING
PROCEEDS OF OHIO COUNTY, KENTUCKY,
POLLUTION CONTROL BONDS

By Order dated November 13, 1980, the Commission authorized Big Rivers Electric Corporation ("Big Rivers") to borrow up to \$1,110,740,000 from the United States of America through the Rural Electrification Administration ("REA"), or from the Federal Financing Bank ("FFB"), or other eligible lenders to construct Big Rivers' D.B. Wilson Electric Generating Station in Ohio County, Kentucky. Big Rivers is now constructing such station with the proceeds of loans from the FFB, funds for such construction being drawn as needed.

On September 28, 1982, Big Rivers filed its motion to amend the Commission's Order of November 13, 1980, to authorize an alternative method of financing construction of the pollution control facilities at the D.B. Wilson Generating Station by borrowing up to \$160,000,000 from County of Ohio, Kentucky ("Ohio County"), being the proceeds of the sale by Ohio County of its Pollution Control Bonds issued pursuant to KRS 103.200 through 103.285. Money thus borrowed by Big Rivers from Ohio County would reduce pro tanto,

dollar for dollar, the amount borrowed by Big Rivers from FFB for the construction of the D.B. Wilson Station facilities.

After consideration of Big Rivers' verified motion, and of the evidence in support thereof, the Commission finds that:

1. Big Rivers has shown that it will save substantial interest costs, up to \$5,120,000 per year, by the proposed alternative financing method of borrowing proceeds of Ohio County Pollution Control Bonds. The annual interest costs and associated financing costs are not expected to exceed 9% as compared with annual interest costs at FFB of 11.82% for short term debt. The estimated one time cost of the sale of such bonds will not exceed 2% of the face.

2. Long term interest rates for funds for such pollution control facilities are 12.257% per annum at FFB and approximately 11% for tax-exempt pollution control bonds.

3. Ohio County proposes to issue bonds initially having a maturity not exceeding three years and to lend the proceeds of these bonds to Big Rivers. If long term interest rates decline during such three year period to an extent making long term financing advantageous to Big Rivers, it will refinance such term bonds either by borrowing from FFB, or by borrowing the proceeds of long term Ohio County pollution control bonds.

4. The interest cost savings contemplated by the alternative method of financing requested by Big Rivers will be of direct benefit to Big Rivers' consumer members, and Big Rivers' motion to amend the Commission's Order of November 13, 1980, is in the public interest and should be approved.

IT IS THEREFORE ORDERED that the Commission's Order of November 13, 1980, herein is hereby amended to authorize Big Rivers Electric Corporation to borrow the proceeds from an Ohio County Pollution Control Bond Issue or Issues not exceeding \$160,000,000 principal amount.

IT IS FURTHER ORDERED that Big Rivers shall not utilize such alternative financing method unless it results in a lower cost of money to Big Rivers than the FFB cost of money to Big Rivers.

IT IS FURTHER ORDERED that the proceeds of the Ohio County Pollution Control bonds borrowed by Big Rivers shall be used for no other purposes than those approved by the Commission for financing in its Order of November 13, 1980.

IT IS FURTHER ORDERED that within 45 days after the sale of the Ohio County Pollution Control Bonds Big Rivers shall furnish the Commission with the completed documents setting forth the bond sale and transfer of funds, the gross price paid by the purchasers, the net price paid to Big Rivers, and a listing of all expenses incurred in such financing.

IT IS FURTHER ORDERED that the provisions of the Commission's Order of November 13, 1980, herein not in conflict with this Order shall remain in full force and effect.

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.

Done at Frankfort, Kentucky, this 6th day of October, 1982.

PUBLIC SERVICE COMMISSION

Marlin M. Cook
Chairman

Katherine Sandale
Vice Chairman

Len Carver
Commissioner

ATTEST:

Secretary