

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BIG RIVERS
ELECTRIC CORPORATION) CASE NO. 7990

AMENDED ORDER NUMBER 2 AUTHORIZING BIG RIVERS
ELECTRIC CORPORATION BORROWING OF PROCEEDS OF
\$82,500,000 COUNTY OF OHIO, KENTUCKY, 7 1/4%
POLLUTION CONTROL INTERIM BONDS, SERIES 1982
(BIG RIVERS ELECTRIC CORPORATION PROJECT) AND
EXECUTION OF DOCUMENTS EVIDENCING SUCH LOAN

On consideration of Big Rivers' motion to enter Amended Order Number 2 tendered therewith, and the evidence in support thereof, the Commission finds that:

1. By Order dated November 13, 1980, the Commission authorized Big Rivers to borrow \$1,110,740,000 from the Federal Financing Bank ("FFB") under a guaranty by the Rural Electrification Administration ("REA") to construct the D. B. Wilson Station Generating Units 1 and 2 in Ohio County, Kentucky, and to execute notes, mortgages and loan contracts evidencing and securing such debt. Construction of Unit 1 is now underway; construction of Unit 2 has been postponed indefinitely.

2. By amendment to the November 13, 1980 Order dated October 6, 1982, the Commission authorized Big Rivers to use an alternative method of financing the pollution control

facilities for Unit 1 by borrowing up to \$160,000,000 from County of Ohio, Kentucky ("Ohio County"), from the proceeds of sales by such county of its pollution control bonds issued pursuant to KRS 103.200 through 103.285, money thus borrowed from Ohio County to reduce pro tanto the amount to be borrowed by Big Rivers from the FFB.

3. Pursuant to such Orders, Big Rivers has negotiated the following plan ("Financing Plan") for a portion of the cost of certain air and water pollution control and sewage and solid waste disposal facilities ("Facilities") for Unit 1:

A. Big Rivers will borrow the net proceeds of Ohio County's sale of \$82,500,000 County of Ohio, Kentucky, 7 1/4% Pollution Control Interim Bonds, Series 1982 (Big Rivers Electric Corporation Project) ("Bonds"), upon the terms and conditions, and after execution of documents substantially summarized in the Preliminary Offering Statement dated October 28, 1982, filed as Exhibit 3 to Big Rivers' motion and Related Documents necessary or convenient for implementation of the Financing Plan including, but not limited to, the Letter of Representation filed herein as Exhibit 4.

B. On November 10, 1982, Ohio County entered into a Purchase Agreement with Smith Barney, Harris Upham & Co., acting for itself and other underwriting firms (collectively, "Underwriters"), by which the Underwriters agreed to purchase the Bonds bearing interest at the rate of 7 1/4% per annum for a purchase price of \$80,687,475 plus interest accrued on the

Bonds from November 1, 1982 to November 24, 1982, the Closing Date. On the Closing Date, the documents summarized in the Preliminary Offering Statement - including, but not limited to - the Bonds, the Note from Big Rivers to Ohio County (in an amount sufficient to pay the principal and interest on the Bonds), the Financing Agreement, the Indenture (under which Continental National Bank and Trust Company of Chicago will serve as Trustee), the Letter of Credit, the Reimbursement Agreement, and any and all other Related Documents including the Letter of Representation will be delivered, the purchase price for the Bonds will be paid, and the net proceeds of the Bond sale will be loaned to Big Rivers.

C. The Bonds will be issued as Coupon Bonds in the denomination of \$5,000 each, registrable as to principal only, or as fully registered Bonds without coupons in the denomination of \$5,000 each, or any integral multiple thereof. Interest on the said Bonds will be payable semi-annually on the first days of May and November, commencing May 1, 1983, and the principal will be payable on November 1, 1985.

D. Big Rivers has agreed to purchase from Manufacturers Hanover Trust Company ("Bank") an irrevocable Letter of Credit in the amount sufficient to pay the principal of and up to seven months interest accrued on the Bonds on or prior to the stated maturity thereof. The Letter of Credit will guarantee payment of the Bonds and will permit an AAA rating thereon. Big Rivers will pay the Bank a closing fee of \$165,000 for

the Letter of Credit, and a commission at the rate of 3/4% per annum on the amount from time to time available to be drawn under the Letter of Credit. Big Rivers will execute and deliver at the Closing a Reimbursement Agreement summarized at pages 39-40 of the Preliminary Offering Statement by which Big Rivers will covenant, inter alia, to reimburse the Bank for any sums paid under its Letter of Credit. The Bonds will not be secured by any lien on Big Rivers' assets. REA will not permit lien accommodation for short term bonds.

E. The estimated cost of the sale of said Bonds is approximately \$2,009,777, consisting of Underwriters' fees and costs of \$1,400,025 and fees and expenses to be borne by Big Rivers in the estimated amount of \$609,752, consisting of fees of all Bond, Bank and other counsel, printing costs, rating agency fees, accounting fees, trustees' fees for three years, the closing fee to the Bank and other expenses, all of which will be paid from the proceeds of the Bonds. The net sum available to Big Rivers for the financing of a portion of the costs of the Facilities is estimated at approximately \$80,077,723, i.e., the \$80,687,475 purchase price of the Bonds less Big Rivers' estimated costs and expenses of \$609,752. Big Rivers' estimated net interest costs for its borrowing will be approximately 7.98% per annum to the maturity of the Bonds. Upon consummation of the sale of the Bonds and of the loan of the proceeds thereof to it, Big Rivers will file with the Commission all of the documents and data required under its Order of October 6, 1982.

F. The Financing Plan has been approved by REA and by the Louisville Bank for Cooperative, both lien creditors of Big Rivers. It has also been approved by Continental Illinois National Bank and Trust Company of Chicago, which issued a Letter of Credit and a Repurchase Agreement in connection with the \$61,000,000 County of Webster Pollution Control Interim Revenue Bonds, Series of 1981 (Big Rivers Electric Corporation Project), the proceeds of which were used to finance pollution control equipment on Big Rivers' Green Station in Webster County, Kentucky, and by Citizens Fidelity Bank and Trust Company, Trustee for such Bond issue.

G. The Bonds are to be issued in the amount of \$82,500,000 rather than for the entire cost of the Facilities because Letters of Credit for the remaining sums required to finance the entire costs of the Facilities are not available at the present time. Big Rivers expects such Letters of Credit to be available within the next few months, at which time Big Rivers intends to arrange for the sale of additional Ohio County Pollution Control Bonds for the borrowing of the proceeds thereof as permitted by the Commission's prior Orders in this case.

NOW, THEREFORE, IT IS ORDERED that:

1. The Financing Plan as outlined herein and in the Offering Statement be and it hereby is approved.
2. Big Rivers is authorized to execute and deliver all of the Documents as described herein and in the Preliminary

Offering Statement, including, but not limited to, a Note payable to the order of County of Ohio, Kentucky, in an amount sufficient to pay, when due, the principal and interest on the \$82,500,000 County of Ohio, Kentucky, 7 1/4% Pollution Control Interim Bonds, Series 1982 (Big Rivers Electric Corporation Project) the Financing and Loan Agreement with County of Ohio, Kentucky, the Reimbursement Agreement with Manufacturers Hanover Trust Company, the Letter of Representation and all other related documents necessary or convenient to implementation of the Financing Plan.

3. The Commission's Orders of November 13, 1980 and October 6, 1982, herein 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 therein.

Done at Frankfort, Kentucky, this 19th day of November, 1982.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary