

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

BIG RIVERS ELECTRIC CORPORATION'S )  
APPLICATION FOR AUTHORITY TO ISSUE )  
EVIDENCES OF INDEBTEDNESS TO ) CASE NO. 10155  
REFINANCE UP TO \$369,405,833.54 OF )  
DEBT TO THE FEDERAL FINANCING BANK )

O R D E R

On February 10, 1988, Big Rivers Electric Corporation ("Big Rivers") filed an application pursuant to KRS 278.300 and 807 KAR 5:001, Sections 11 and 14, seeking authorization to issue evidence of indebtedness for the purpose of refinancing a portion of its existing debt under Section 306(A) of the Rural Electrification Act of 1936, as amended, Section 1401 of the Omnibus Budget Reconciliation Act of 1987 ("OBRA"), and the regulation issued by the Rural Electrification Administration ("REA"), 7 CFR Part 1786. The OBRA authorizes electric cooperatives to prepay, without penalty, loans with the Federal Financing Bank ("FFB") by substituting private capital that is government guaranteed. Under Section 1401 of the OBRA and REA's regulation, borrowers from FFB whose loans are guaranteed by REA may prepay without penalty debts not exceeding a total for all borrowers of \$2 billion during the fiscal year ending September 30, 1988.

The purpose of this refinancing is to improve the financial condition of Big Rivers by reducing its interest payments. Big Rivers states that the benefits of this refinancing and the

prepayment of FFB debts as described in the Application herein, will not be used to reduce Big Rivers' rates. The Commission acknowledges its awareness of the requirements, of 7 CFR Part 1786.6(a)(9). The refinancing will be done in such manner that the dollar weighted average interest rate on the Refinancing Notes shall be less than or equal to the dollar weighted average interest rate on the FFB loans being prepaid which is 10.4265 percent.

The maximum amount of the FFB debt to be refinanced by Big Rivers is dependent upon prevailing interest rates and the number of applications filed by other REA borrowers for prepayment of FFB loans. However, the total of Big Rivers' indebtedness to FFB to be refinanced under this application will not exceed \$369,405,833.54. The existing debt, bearing various rates of interest up to 10.808 percent per annum, will be replaced by an equal principal amount of Refinancing Notes, issued by the Louisville Bank for Cooperatives ("LBC"), bearing interest at a rate not to exceed the dollar weighted average interest rate on the FFB loans being prepaid.

On February 10, 1988, National-Southwire Aluminum Company ("NSA") requested full intervention in this proceeding. This request was granted by the Commission on February 11, 1988. NSA has filed comments, stating that it will not object to the refinancing proposed in this case, and that it will not appeal the final Order issued by the Commission. NSA and Big Rivers have agreed that (a) in any other proceedings involving Big Rivers, NSA will be free to argue, and the Commission will be free to

determine, all relevant issues (other than the validity of the issuance of the refinancing notes and the substitute notes which may be approved herein) including the proper allocation of (i) all expenses necessarily incurred in the refinancing and (ii) to the extent permitted by law, all benefits from the refinancing, and (b) NSA will receive prompt notice and copies of all documents filed by Big Rivers in any further proceedings instituted under KRS 278.300. Big Rivers' consent to condition (a) above is limited solely to the effect of the Order herein and shall not be construed to limit Big Rivers from asserting any other basis for its position on such issues, including applicable federal law and regulations respecting the benefits from the refinancing or other matters.

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 February 1, 1988, (The Loan Agreement) between the Cooperative and LBC;
- (b) A Loan Guarantee and Servicing Agreement dated as of February 1, 1988, (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 February 1, 1988, (the Trust Agreement(s)) among LBC, the Cooperative and the Trustee;
- (d) The Refinancing Notes, each dated as of February 1, 1988, (the Refinancing Note(s)) issued by the Cooperative to the Trusts established pursuant to the Trust Agreement;
- (e) A Mortgage Amendment dated as of February 1, 1988, (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 February 1, 1988, (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.

Because of the time constraint imposed by the settlement date of February 25, 1988, for this refinancing, and prior Commission approval of all of Big Rivers' notes to FFB which are being refinanced, and the Commission's approval of similar refinancing in Case No. 10033,<sup>1</sup> and Big Rivers' filing in Case No. 9613<sup>2</sup> and Case No. 9885,<sup>3</sup> good cause is shown for and Big Rivers is granted a deviation from further compliance with 807 KAR 5:001, Section 11.

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<sup>1</sup> Application of Big Rivers Electric Corporation for Authority to Issue Evidences of Indebtedness to Refinance Debt Under the Burdick Amendment, Final Order dated September 28, 1987.

<sup>2</sup> Big Rivers Electric Corporation's Notice of Changes in Rates and Tariffs for Wholesale Electric Service and of a Financial Workout Plan, Final Ordered dated March 17, 1987.

<sup>3</sup> An Investigation of Big Rivers Electric Corporation's Rates for Wholesale Electric Service, Final Order dated August 10, 1987.

IT IS THEREFORE ORDERED that:

1. Big Rivers be and it hereby is authorized to refinance up to \$369,405,833.54 of indebtedness to the FFB pursuant to the OBRA, 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;<sup>4</sup> 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.

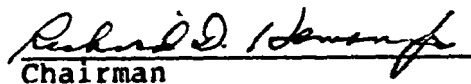
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

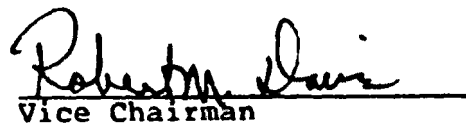
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<sup>4</sup> Ibid.

Done at Frankfort, Kentucky, this 18th day of February, 1988.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ATTEST:

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Executive Director