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From: Mark Hite
Sent: Thursday, September 22, 2011 10:10:26 AM
To: Bill Blackburn; Mark Bailey
Subject: Reserve Funds - RUS Series A Note analysis
Importance: Normal

Fyi, there's a new "wrinkle" in the analysis of using the Reserve Funds to prepay RUS. As you may recall me saying, the normal quarterly RUS Series A Note debt service is $11.7 million. And, as we saw yesterday, the 2012 Budget Draft includes voluntarily prepaying $50.0 million of the $120.0 million refinancing/borrowing on the RUS Series A Note on 4/2/12, then clawing it back quarterly, through July 2013, for CapX. Per the 2012 Budget Draft, the quarterly MRSM funding is $8.8 million (which, by the way, is significantly higher than that per the April 2011 Rating Agency Financial Forecast, principally due to fuel cost and CSAPR). Since Big Rivers cannot claw back more than $11.7 million quarterly, and the sum of the quarterly CapX and MRSM exceed it, that wrinkle needs to be addressed (perhaps by using the lines of credit, which reduces the net benefit). Additionally, the Reserve Fund analysis needs to consider the impact it has on Big Rivers subsequent desire to voluntarily prepay and claw back (for example, as we plan to do 10/3/11).

If I haven't adequately explained this "wrinkle", please let me know. Am continuing to think through these issues, and wanted you to know.

Thanks,

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