

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BIG RIVERS)	CASE NO.
ELECTRIC CORPORATION FOR APPROVAL)	2020-00129
TO ISSUE EVIDENCES OF INDEBTEDNESS)	

ORDER

On April 27, 2020 Big Rivers Electric Corporation (BREC) filed an application seeking approval to replace its existing \$100,000,000 Secured Credit Agreement as approved March 5, 2015, in Case No. 2014-00423¹ (2015 Credit Agreement) with National Rural Utilities Cooperative Finance Corporation (CFC), and other lenders, as amended, with a \$150,000,000 Secured Credit Agreement with CFC and other lenders (2020 Credit Agreement) and related evidences of indebtedness for three years. In addition to the 2020 Credit Agreement, the other evidences of indebtedness include the Series 2020A First Mortgage Note and the Ninth Supplemental Indenture. The current agreement expires on September 18, 2020.

BREC was able to secure the lender commitments at favorable terms prior to the economic uncertainty created by the COVID-19 pandemic, and these commitments expire June 30, 2020.² Therefore, BREC is requesting an order by May 22, 2020, in order to meet the June 30, 2020 expiration date. Given the change in the U.S. economy and financial markets sustained from the COVID-19 pandemic, BREC is certain that if it were

¹ Case No. 2014-00423 *Application of Big Rivers Electric Corporation for Approval to Issue Evidence of Indebtedness* (Ky. PSC Jan 28, 2015).

² Application, paragraph 17.

to fail to close this transaction prior to the commitment expiration date, the cost of the 2020 Credit Agreement would be significantly higher and the approved amount would be reduced.³ In addition, approval for the proposed evidences of indebtedness supports BREC's efforts to regain at least two investment grade credit ratings as required by BREC's existing loan agreement with RUS.⁴

The 2020 Credit Agreement will extend the availability of the revolving credit for capital expenditures, general corporate use, provides BREC the ability to issue letters of credit that enable BREC to enter into certain contracts such as power purchase and sale agreements, and increases BREC's access to liquidity.⁵ Another use is a possible "bridge loan" for the refinancing of bonds. Currently BREC is obligated in the amount of \$83.3 million with an interest rate of 6 percent for Series 2010A Bonds and BREC may redeem these bonds on or after July 15, 2020.⁶ BREC intends to issue new bonds in order to redeem the existing Series 2010A Bonds at new and lower interest rates.⁷ However, due to COVID-19 and the resulting disruption of the credit markets, BREC may need to delay the issuance of the new bonds in order to maximize the interest rate savings. The proposed 2020 Credit Agreement may act as a temporary bridge loan until BREC is able to issue the new bonds.

BREC began discussion with CFC to secure lender commitments to extend the credit facility in January 2020 and was able to secure lender commitments for an

³ *Id.*, paragraph 19.

⁴ *Id.*, paragraph 3.

⁵ *Id.*

⁶ *Id.*, paragraph 8.

⁷ *Id.*, paragraph 9.

additional three years at the \$150,000,000 level.⁸ The current application mirrors the 2015 Credit Agreement, with minor changes, as opposed to another amendment.⁹ Fees associated with the 2020 Credit Agreement include one-time Arranger Fees and Upfront Fees of \$10,000 and \$262,500, respectively, as well as annual Administrative Agent Fees of \$20,000, quarterly Facility Fees based upon BREC's credit ratings, Letter of Credit fees with each Letter of Credit issued, and other legal, filing and transaction fees.¹⁰

The interest rates applicable under the 2020 Credit Agreement are dependent upon the type of borrowing and the interest rate election.¹¹ For example, BREC can request a Swingline loan or a revolving loan, which can be Alternative Base Rate (ABR) loans, London Interbank Offered (LIBO) Rate loans, or a combination thereof. As of April 20, 2020, interest rates range from 2.760 percent for a three-month LIBO Rate loan to 3.900 percent for an ABR loan. In addition, if there are one or more Events of Default, principal and interest on all loans and other amounts outstanding will bear default interest of 2 percent per annum plus the applicable rate of interest.¹² Finally, the 2020 Credit Agreement contain covenants relating to maintaining a minimum equity balance and Margins for Interest Ratios.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that BREC's proposed financing is for lawful objectives within the corporate purposes of BREC's utility operations, is necessary and appropriate for and

⁸ *Id.*, paragraph 5.

⁹ *Id.*, paragraph 6.

¹⁰ *Id.*, paragraph 12.

¹¹ *Id.*, paragraph 14.

¹² *Id.*

consistent with the proper performance of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

IT IS THEREFORE ORDERED that:

1. BREC is authorized to enter into the 2020 Secured Credit Agreement and related evidences of indebtedness as described in its application.

2. BREC is authorized to issue notes to CFC and other lenders that are parties to the 2020 Credit Agreement in an aggregate amount not to exceed \$150,000,000.

3. The proceeds from the transaction authorized herein shall be used only for the lawful purposes set out in the application.

4. BREC shall agree only to such terms and prices that are consistent with the parameters set out in its application.

5. Within 30 days of its execution of these evidences of indebtedness, as listed here in ordering paragraphs 1 and 2, BREC shall file with this Commission a statement setting forth the date or dates of implementation of the revolving loan authorized herein, the interest rate, and all fees and expenses.

6. Any documents filed pursuant to ordering paragraph 5 shall reference this case number and shall be retained in the post-case correspondence file.

7. Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized on the part of the Commonwealth of Kentucky or any agency thereof.

8. This case is closed and removed from the Commission's docket.

By the Commission

ENTERED
MAY 08 2020 rcs
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Case No. 2020-00129

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