

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KIRKSVILLE WATER)
ASSOCIATION, INC. TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF \$495,000)
FOR THE PURPOSE OF REFUNDING CERTAIN) CASE NO. 2010-00439
OUTSTANDING INDEBTEDNESS OF THE)
ASSOCIATION PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

ORDER

On November 10, 2010, Kirksville Water Association ("Kirksville") applied to the Commission for approval to enter into an agreement with the County of Butler, Kentucky ("Butler County") to borrow approximately \$495,000 to refinance existing long-term debt.

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Kirksville, a Kentucky corporation organized pursuant to KRS Chapter 273, owns and operates facilities that distribute water to approximately 2,050 customers in Garrard and Madison counties, Kentucky.¹

2. Kirksville proposes to execute an agreement with Butler County to borrow \$495,000, subject to a 10 percent adjustment. The proposed loan will have a 25-year term with interest rates that vary from 2.250 percent to 4.50 percent per annum.²

¹ *Report of Kirksville Water Association to the Kentucky Public Service Commission for the Year Ended December 31, 2009* (hereinafter "Annual Report"), at 5 and 21.

² Application at 3.

3. Kirksville will use proceeds from the proposed loan, together with \$14,257 from its debt service reserve fund and a reoffering premium of \$1,398, to retire an outstanding promissory note that Rural Development³ holds and to pay \$23,110 in bond issuance costs.⁴

4. The promissory note that Kirksville proposes to refund was issued to Rural Development on September 25, 1989, has an interest rate of six percent per annum, and has an outstanding principal, as of December 31, 2009, of \$487,545.⁵

5. Kirksville estimates that its proposed refinancing will result in total gross savings and net present value savings of \$96,988 and \$81,434, respectively.⁶

6. Kirksville's proposed loan is for a lawful object within its corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Kirksville's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

7. Kirksville has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering "operations for a twelve (12) month period . . . ending not more than ninety (90) days prior to the date the application is filed."⁷ It has provided its financial statements for calendar year 2009 and

³ Rural Development is an agency of the United States Department of Agriculture.

⁴ Application at Exhibit B. \$5,118 (Total Underwriter's Discount) + \$15,420 (Cost of Issuance) + \$486,801 (Deposit to Current Refunding Fund) + \$3,316 (Rounding Amount) = \$510,655.

⁵ *Annual Report* at 22.

⁶ *Id.* at Exhibit C.

⁷ 807 KAR 5:001, Section 6. 807 KAR 5:001, Section 11(2)(a), refers to Section 6. While Kirksville requests a deviation from 807 KAR 5:001, Section 6, its requested relief requires a deviation from 807 KAR 5:001, Section 11(2)(a). The Commission will consider Kirksville's request as a motion to deviate from 807 KAR 5:001, Section 11(2)(a).

represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

8. Kirksville has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Kirksville's motion to deviate from 807 KAR 5:001, Section 11(2)(a), is granted.
2. Kirksville's application is considered filed as of November 10, 2010.
3. Kirksville is authorized to enter into a loan agreement with Butler County to borrow no more than \$544,500⁸ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that will produce both positive gross savings and net present value savings.
4. If the actual terms and conditions of the proposed loan differ from those set forth in its application, Kirksville shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.
5. Kirksville shall, within 30 days of executing the proposed loan agreement, file with the Commission a statement setting forth the date the agreement was entered, the actual interest rates, and the principal amount.

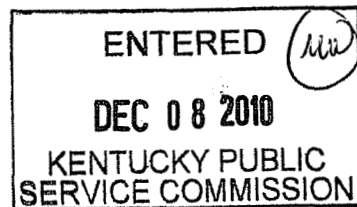
⁸ $\$495,000 \times 110\% = \$544,500.$

6. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

7. Any documents filed pursuant to ordering paragraphs 4 and 5 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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.

By the Commission



ATTEST:


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