

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE JUDY WATER	)	
ASSOCIATION, INC. TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF	)	CASE NO.
\$1,655,000 FOR THE PURPOSE OF REFUNDING	)	2010-00411
CERTAIN OUTSTANDING INDEBTEDNESS OF THE	)	
ASSOCIATION PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On October 25, 2010, Judy Water Association, Inc. ("Judy Water Association") applied to the Commission for approval to enter into an Assistance Agreement with the County of Butler, Kentucky ("Butler County") to borrow approximately \$1,655,000 to refinance existing long-term debt.

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

1. Judy Water Association, a Kentucky corporation organized pursuant to KRS Chapter 273, owns and operates facilities that distribute water to approximately 1,837 customers in Bath, Bourbon, Clark, Montgomery, and Nicholas counties, Kentucky.<sup>1</sup>

2. Judy Water Association proposes to execute an agreement with Butler County to borrow \$1,655,000, subject to a 10 percent adjustment. The proposed loan

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

will have a 25-year term with interest rates that vary from 2.250 percent to 4.50 percent per annum.<sup>2</sup>

3. Judy Water Association will use proceeds from the proposed loan, together with \$32,525 from its debt service reserve fund and a \$6,207 reoffering premium, to retire two outstanding promissory notes<sup>3</sup> that Rural Development<sup>4</sup> holds and to pay bond issuance costs.<sup>5</sup>

4. Judy Water Association estimates that its proposed refinancing will result in total gross savings and net present value savings of \$182,303 and \$145,415, respectively.<sup>6</sup>

5. Judy Water Association's proposed loan from Butler County 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 Judy Water Association's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

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<sup>2</sup> Application at 3.

<sup>3</sup> The basic characteristics of the promissory notes are set forth below. For the outstanding principal amount of each promissory note, see *Annual Report* at 22.

<b>Date of Issuance</b>	<b>Outstanding Principal</b>	<b>Interest Rate</b>
10/19/1990	\$ 489,384	5.00
06/14/2000	1,142,142	5.00
<b>Total</b>	<b>\$1,631,526</b>	

<sup>4</sup> Rural Development is an agency of the United States Department of Agriculture.

<sup>5</sup> Application at Exhibit B. \$17,272 (Total Underwriter's Discount) + \$28,980 (Cost of Issuance) + \$1,644,057 (Deposit to Current Refunding Fund) + \$3,423 (Rounding Amount) = \$1,693,732.

<sup>6</sup> *Id.* at Exhibit C.

6. Judy Water Association 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.”<sup>7</sup> It has provided its financial statements for calendar year 2009 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

7. Judy Water Association has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Judy Water Association’s motion to deviate from 807 KAR 5:00 1, Section 11(2)(a), is granted.

2. Judy Water Association’s application is considered filed as of October 25, 2010.

3. Judy Water Association is authorized to enter into an agreement with Butler County to borrow no more than \$1,820,500<sup>8</sup> 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 agreement with Butler County differ from those set forth in its application, Judy Water Association shall, within 30 days of executing the loan agreement, file with the Commission amortization

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<sup>7</sup> 807 KAR 5:001, Section 6. 807 KAR 5:001, Section 11(2)(a), refers to Section 6. While Judy Water Association 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 Judy Water Association’s request as a motion to deviate from 807 KAR 5:001, Section 11(2)(a).

<sup>8</sup> \$1,655,000 x 110% = \$1,820,500.

schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

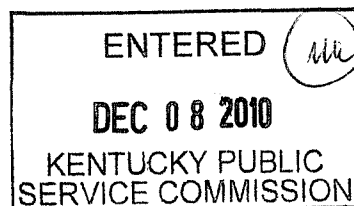
5. Within 30 days of executing the proposed agreement with Butler County, Judy Water Association shall file a statement with the Commission setting forth the date on which the Agreement was entered, the actual interest rates, and the principal amount.

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

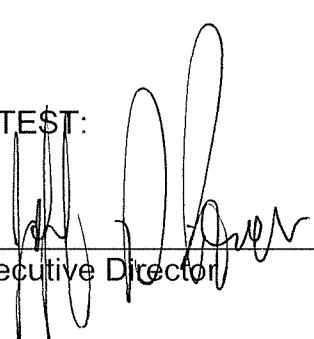
7. Any documents filed pursuant to ordering paragraphs 4 and 5 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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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Executive Director

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