

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF KENTON COUNTY WATER)
DISTRICT NO. 1 FOR AUTHORITY TO)
ISSUE BONDS IN THE APPROXIMATE AMOUNT) CASE NO. 9408
OF \$14,955,000 AND TO DEFEASE NOW)
EXISTING REVENUE BONDS IN THE AMOUNT)
OF \$13,050,000)

O R D E R

On August 21, 1985, Kenton County Water District No. 1 ("Kenton County") filed an application requesting approval of issuing \$14,955,000 in Water District Revenue Bonds for the purpose of defeasing the outstanding Water District Revenue Bonds in the amount of \$13,050,000.

No motions to intervene in this matter were filed nor were there any requests for a public hearing.

COMMENTARY

Kenton County provides retail water service in Kenton County, Kentucky, and also wholesale water supply service to certain water distribution systems in that area. Kenton County serves approximately 29,780 general customers and 10 wholesale customers.

DISCUSSION OF ISSUES

Kenton County investigated the issue of defeasance for possible savings due to the change in interest rates. Three proposals from various investment firms were received and the

proposal, submitted by Fox, Reusch & Co., which maximized savings by minimizing the issuance costs, was selected.

The savings to be realized resulted from lowering Kenton County's interest costs from the 11.13 percent average interest rate on the \$13,050,000 outstanding 1981 Series A Water District Revenue Bonds to an anticipated 8.81 percent average interest rate for the proposed issuance of Water District Revenue Bonds. The total amount of the savings over the 25-year period is \$5,481,893. The present value of the savings, using a discount rate of 9.157884 percent, is \$704,858.81.

SUMMARY

The Commission, having considered the evidence of record and being advised, is of the opinion and finds that:

1. The proposed borrowing of \$14,955,000 is for lawful objects within the corporate purposes of Kenton County; is necessary and appropriate for and consistent with the proper performance of services to the public, and will not impair Kenton County's ability to perform these services.

2. Kenton County will realize savings pursuant to the proposed defeasance program and said defeasance program as described further in the record herein should be approved.

3. Kenton County has investigated several proposals and has selected the one most beneficial to all parties concerned.

IT IS THEREFORE ORDERED that:

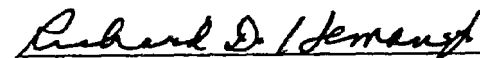
1. Kenton County is hereby authorized to issue Water District Revenue Bonds in the approximate amount of \$14,955,000 at an average interest rate of 8.81 percent to defease the

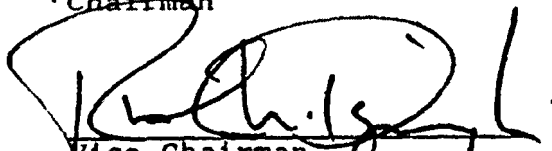
outstanding Water District Revenue Bonds in the amount of \$13,050,000.

2. Kenton County shall file, within 10 days after the completion of the financing approved herein, details of the financing, including the average interest rate obtained, actual issuance costs incurred, the net present value savings resulting from the actual interest rate obtained, amortization schedules reflecting the annual maturities and interest payable on the bonds, and the actual uses of the proceeds of the issue.

Done at Frankfort, Kentucky, this 21st day of October, 1985.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:

Secretary