

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF EAST KENTUCKY	)	
UTILITIES, INC. FOR AN ORDER	)	
AUTHORIZING THE ISSUANCE OF	)	CASE NO. 91-156
REVENUE BONDS UNDER THE PROVISIONS	)	
OF KRS 278.300	)	

O R D E R

On May 21, 1991, East Kentucky Utilities, Inc. ("East Kentucky") applied for Commission approval of Floyd County, Kentucky's issuance of approximately \$912,000 in Gas System Utility Revenue Bonds, Series A and Series B, and of East Kentucky's assumption of certain liabilities in conjunction with that issuance. Based upon East Kentucky's inability to provide assurances that its existing rates were adequate to meet its current operating expenses and these liabilities, the Commission continued this case. East Kentucky has now advised the Commission that its current revenues, when normalized at the rates established in Case No. 90-002,<sup>1</sup> are adequate to cover its operating expenses and the financial obligations to be assumed.

After considering the evidence of record and being otherwise sufficiently advised, the Commission finds that:

---

<sup>1</sup> Case No. 90-002, The Application of East Kentucky Utilities, Inc. for Adjustments of Rates for Changes in Rules and Regulations and Approval of Indebtedness Pursuant to KRS 278.300.

1. Floyd County, Kentucky proposes to issue approximately \$912,000 in Gas System Utility Revenue Bonds - \$620,000 in Series A bonds and \$292,000 in Series B bonds. The proceeds of these issuances will be used to refund and redeem outstanding Water and Gas Refunding Revenue Bonds, and pay outstanding loans to the First Commonwealth Bank of Prestonsburg, Kentucky, the First Guaranty National Bank of Martin, Kentucky, and the Department of Local Government.

2. The proposed bond issuance will be payable from a first pledge of East Kentucky's gross revenues and secured by a first mortgage and security interest in East Kentucky's tangible properties. Under the terms of the proposed issuance, East Kentucky will be obligated to repay the Series A Bonds over a 20-year period in substantially equal installments of principal and interest at an interest rate not to exceed the "Bond Buyer's Index of 20 Municipal Bonds" as established on the Thursday immediately preceding the date of sale, plus 2.00 percent. The Series B Bonds will bear a stated coupon rate of 6.5 percent and have an average life of 18.514 years.

3. The proposed bond issuance and assumption of liabilities are for lawful objects within the corporate purposes of Floyd County and East Kentucky, are necessary and appropriate for and consistent with the proper performance by Floyd County and East Kentucky of their service to the public, and will not impair their ability to perform that service.

4. The proceeds from the proposed loans should be used only for the lawful purposes specified in East Kentucky's application.

IT IS THEREFORE ORDERED that:

1. Floyd County is authorized to issue and sell the proposed Gas System Utility Revenue Bonds, Series A and Series B, under the terms set forth in East Kentucky's application.

2. East Kentucky is authorized to pledge as a source of payment for proposed Gas System Utility Revenue Bonds the gross revenues of its gas distribution system, to grant a first mortgage and security interest on its tangible assets as security for payment of the proposed bonds, and to agree to repay the indebtedness represented by the Series A Bonds under the terms set forth in its application.

3. East Kentucky shall, within 30 days after the issuance of the proposed securities, advise the Commission in writing of the date or dates of issuance of the proposed securities, the price paid, the interest rate, the terms, and all fees and expenses involved in the issuance and distribution.

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

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 issuance authorized herein.

Done at Frankfort, Kentucky, this

21st day of August, 1991.

**PUBLIC SERVICE COMMISSION**

  
Chairman

  
Vice Chairman

\_\_\_\_\_  
Commissioner

**ATTEST:**

  
Executive Director