

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF BUFFALO TRAIL)	
WATER ASSOCIATION, INC. OF)	
ROBERTSON COUNTY, KENTUCKY, FOR AN)	
ORDER APPROVING ISSUANCE OF)	
EVIDENCE OF INDEBTEDNESS AND FOR AN)	CASE NO. 93-464
ORDER MODIFYING THE ORDER RELATIVE)	
TO CONSTRUCTION FINANCING IN PUBLIC)	
SERVICE COMMISSION CASE NUMBER)	
91-241)	

O R D E R

Buffalo Trail Water Association, Inc. ("Buffalo Trail") has applied for authorization to enter a loan agreement with the County of Robertson, Kentucky ("Robertson County") and to issue a promissory note to it in the approximate amount of \$540,000. The proceeds from the proposed issuance are to refinance an outstanding promissory note and finance certain water system improvements. Buffalo Trail also requests modification of the Commission's final Order in Case No. 91-241¹ to reflect certain changes in an earlier financing plan.

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

¹ Case No. 91-241, The Application of Buffalo Trail Water Association, Inc. of Robertson County, Kentucky, for a Certificate of Public Convenience and Necessity, for Order Approving Construction Financing, and Order Approving Increased Rates (Sept. 6, 1991).

1. Robertson County intends to issue approximately \$540,000 in Industrial Revenue Bonds pursuant to KRS Chapter 103. Under the terms of a proposed loan agreement with Buffalo Trail, the proceeds will be loaned to Buffalo Trail. Buffalo Trail proposes to issue a promissory note in the approximate amount of \$540,000 to Robertson County as security for the bonds.

2. Under the terms of the proposed promissory note, Buffalo Trail will make all required debt service payments on the Industrial Revenue Bonds.

3. Debt service payments will be made over a 20 year period. The estimated interest rate on the proposed Industrial Revenue Bonds is six percent. Buffalo Trail's estimated total debt service payments are \$932,250.

4. Buffalo Trail has pledged its revenues as security for the proposed promissory note.

5. Approximately \$230,000 of the proceeds of the proposed issuance will be used to retire a promissory note to Farmers and Traders Bank of Mount Olivet which was incurred to provide interim financing for the construction of a 200,000 gallon water storage tank and 6.6 miles of water line. A Certificate of Public Convenience and Necessity for these facilities has been issued.² Buffalo Trail originally proposed, and obtained Commission authorization, to finance the construction of these facilities through a \$220,000 loan from the Kentucky Association of Counties

² Id.

Leasing Trust Program. When such funding became unavailable, Buffalo Trail sought interim financing from Farmers and Traders.

6. Of the remaining \$310,000 of proceeds, Buffalo Trail proposes to use \$249,200 to finance the construction of certain system improvements, \$10,800 for closing costs, \$3,775 for accrued bond interest and \$50,000 to fund its debt service reserve.

7. The proposed system improvements to be financed from the proceeds of the bond issuance consist of 25 miles of scattered 4-inch water lines. Buffalo Trail has yet to apply for a Certificate of Public Convenience and Necessity for these improvements, but intends to make such application within 90 days of the date of this Order.

8. Buffalo Trail represents in its Application that the proceeds of the bond issuance will be placed in an escrow account and that no disbursements will be made from such account pending a final Commission action on its application for a Certificate of Public Convenience and Necessity for the proposed system improvements.

9. The proposed bond issuance is for a lawful object within Buffalo Trail's corporate purposes, is necessary and appropriate for and consistent with Buffalo Trail's proper performance of its service to the public and will not impair Buffalo Trail's ability to perform that service and is reasonably necessary and appropriate for such purpose.

10. Nothing contained herein shall be considered as a finding that the public convenience and necessity require the proposed system improvements referred to in Finding Paragraph 7.

11. The Commission's Order of September 6, 1991 in Case No. 91-241 should be modified to reflect the changes in Buffalo Trail's financing arrangements.

IT IS THEREFORE ORDERED that:

1. Subject to the conditions stated below, Buffalo Trail is authorized to enter the proposed loan agreement with Robertson County and to issue the proposed promissory note in the approximate amount of \$540,000.

2. Within 90 days of the date of this Order, Buffalo Trail shall file with the Commission an application for a Certificate of Public Convenience and Necessity for the system improvements described in paragraph 6 of Buffalo Trail's application.

3. Upon its receipt of the bond proceeds, Buffalo Trail shall place all proceeds in an escrow account. No funds shall be disbursed from that account until the Commission has taken final action on Buffalo Trail's application for a Certificate of Public Convenience and Necessity for the system improvements described in paragraph 6 of Buffalo Trail's application. Should the Commission deny such application, Buffalo Trail shall immediately return approximately \$249,200 to Robertson County and take all other appropriate actions, including redemption of a portion of the industrial revenue bonds, to satisfy any outstanding obligations no longer required.

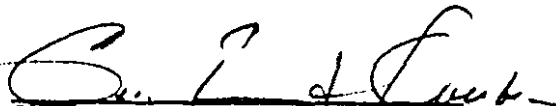
4. Buffalo Trail shall use the proceeds of the proposed bond issuance and promissory note only for the purposes set forth in its application.


5. The Commission's Order of September 6, 1991 in Case No. 91-241 is amended to reflect changes to Buffalo Trail's previous financing plan.

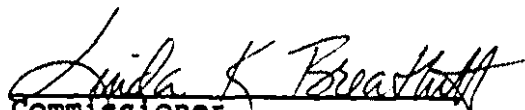
Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 14th day of December, 1993.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director