COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE JOINT APPLICATION OF FERN LAKE

COMPANY AND THE CITY OF MIDDLESBORO,

KENTUCKY PURSUANT TO THE PROVISIONS OF

KRS 278.300 SEEKING APPROVAL FOR THE

ISSUANCE OF SECURITIES IMPLEMENTING A

REFINANCING PLAN FOR SECURITIES

PREVIOUSLY ISSUED BY THE CITY ON BEHALF

OF FERN LAKE COMPANY

)

ORDER

On April 27, 1994, the Commission authorized the Fern Lake Company ("Fern Lake") and the city of Middlesboro, Kentucky ("Middlesboro") to issue \$1,025,000 of City of Middlesboro (Kentucky) Industrial Building Refunding Revenue Bonds, Series of 1994 ("Series 1994 Bonds"). The proceeds of this issuance were to be used to refund the outstanding City of Middlesboro (Kentucky) Industrial Building Revenue Bonds, dated December 1, 1983.

On April 29, 1994, Middlesboro sold the Series 1994 Bonds for \$1,025,000. The 1994 Series Bonds have an interest rate of 6.20 percent per annum and were issued and delivered on May 23, 1994. Middlesboro also called for redemption of the 1983 Series Bonds on June 1, 1994.

According to Fern Lake and Middlesboro, the refinancing has reduced monthly debt service payments from \$18,700 to \$13,400, or approximately \$5,300 per month, or \$63,600 annually over the life of the Series 1994 Bonds. Fern Lake has requested that its

surcharge be reduced from \$18,700 to \$13,400 monthly or \$0.4216 per 1,000 gallons, to reflect these savings.

Having considered the evidence of record and being otherwise sufficiently advised, the Commission finds that the proposed surcharge of \$13,400 per month accurately reflects Fern Lake's present debt service cost, is fair, just, and reasonable, and should be charged for all billings commencing with the month of June 1994.

IT IS THEREFORE ORDERED that:

1. The monthly surcharge authorized in Case No. 7982² is hereby reduced from \$18,700 to \$13,400. Fern Lake shall commence assessing the lower surcharge rate with its billings for the month of June 1994.

This rate is based upon Fern Lake's annual sales for 1992 calendar year.

Case No. 7982, Notice of Application of Fern Lake Company Pursuant to KRS 278.180, 278.190 and Related Statutes and 807 KAR 25:010, Sections 5 Through 9, and Related Sections, That on December 1, 1980, Fern Lake Company Will Place Into Effect a Tariff Increasing the Wholesale Cost of Water to Kentucky Water Service Company, Inc., Application for Following: 1. Order Placing Into Effect the New Tariff Adjusting Its Wholesale Rates to its Sole Customer, Kentucky Water Service Company, Inc. 2. Application for Authority to Borrow the Sum of \$1,700,000.00 from the City of Middlesboro, Kentucky to Perform Remedial Work Required by the Bureau of Natural Resources, on Fern Lake Company's Lake and Dam in Middlesboro, Kentucky, and to Amortize the Loan by Including in the Tariff a Surcharge Entailed and Encumbered for the Specific Purpose of the Debt Service Applied for Herein. (Jan. 26, 1984) at 2-3.

All other provisions of the Commission's Order of January
 1984 in Case No. 7982 shall continue in full force and effect.
 Done at Frankfort, Kentucky, this 23rd day of June, 1994.

PUBLIC SERVICE COMMISSION

Chairman

Vice Chairman

Commissioner

ATTEST:

Executive Director