

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HENRY COUNTY)	
WATER DISTRICT NO. 2 TO ISSUE SECURITIES)	
IN THE APPROXIMATE PRINCIPAL AMOUNT OF)	
\$8,470,000 FOR THE PURPOSE OF REFUNDING)	CASE NO. 98-506
CERTAIN OUTSTANDING REVENUE BONDS OF)	
THE DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On September 25, 1998, the Henry County Water District No. 2 ("Henry County") submitted its application for authority to issue certain securities, as required by KRS 278.300, in the approximate principal amount not to exceed \$8,470,000, subject to adjustment of up to \$850,000, for the purpose of refunding certain outstanding waterworks revenue bonds and an interim loan from the Kentucky Infrastructure Authority ("KIA"). The bond proceeds will be used to refinance Henry County's Waterworks Refunding and Improvement Revenue Bonds, Series B, dated April 1, 1967 ("1967 Bonds"); Waterworks System Revenue Bonds of 1986, dated June 29, 1987 ("1986 Bonds"); Waterworks Revenue Bonds of 1987, dated October 28, 1988 ("1987 Bonds"); and a KIA Interim Loan made in 1997 ("KIA Interim Loan"). Hereinafter, the 1967 Bonds, 1986 Bonds, 1987 Bonds and the KIA Interim Loan will collectively be referred to as the "Prior Bonds." Henry County estimates the refunding will result in total gross savings of approximately \$1,332,049, which represents a net present value savings of \$440,984. The savings do not include the

payoff of the KIA Interim Loan. The Series 1998 Bonds mature in various annual amounts from 1999 through 2028 and bear interest at rates varying from 3.85 to 5.3 percent per annum. Henry County stated the issuance of the securities will not impair its ability to perform its services and is reasonably necessary and appropriate for the stated purpose.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Henry County's proposal to issue these bonds for purposes of refinancing its Prior Bonds is for a lawful object within Henry County's corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Henry County is authorized to issue bonds for an approximate principal amount not to exceed \$9,320,000, at an interest rate between 3.85 percent and 5.3 percent per annum.

2. Henry County shall issue its proposed Series 1998 Bonds only on such terms that will result in a positive net present value savings and which are consistent with its application.

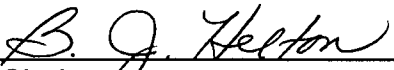
3. Henry County shall, within 30 days after issuance of the securities, advise the Commission in writing of the date or dates of the securities, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commissions, or other compensation involved in the issuance and distribution.

4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes specified in Henry County's 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 securities authorized herein.

Done at Frankfort, Kentucky, this 2nd day of November, 1998.

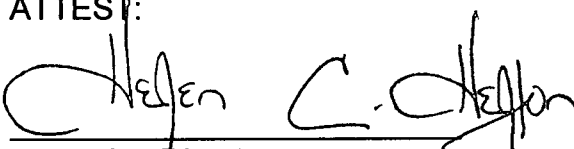
PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ATTEST:


Executive Director