

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)	
WATER DISTRICT FOR APPROVAL TO)	CASE NO.
REFINANCE REVENUE BONDS IN THE)	2001-198
APPROXIMATE AMOUNT OF \$38,425,000)	

O R D E R

On June 27, 2001, Northern Kentucky Water District (Northern Kentucky) submitted its application seeking Commission approval to issue bonds in the amount of \$38,425,000 for the purpose of refinancing: (1) the Kenton County Water District No. 1 Revenue Bonds 1992, Series A (Series A Bonds); and (2) the Kenton County Water District No. 1 Revenue Bonds 1992, Series B (Series B Bonds). The application was considered filed on August 7, 2001, the date the deficiencies in the application were cured.

Pursuant to several requests made by Northern Kentucky, the case was held in abeyance until December 5, 2001, at which time Northern Kentucky filed a notice of intent to amend its application. On December 17, 2001, Northern Kentucky amended its application to reflect a proposed bond issuance of \$46,045,000, an increase of \$7,620,000 over its original requested level of \$38,425,000. Northern Kentucky proposed to use \$28,945,000 of the bond proceeds to refinance the Series A Bonds and the remaining \$17,100,000 to fund its acquisition of the City of Newport s water facilities

(Newport facilities).¹ Because, Northern Kentucky is still negotiating the final details of the acquisition of the Newport facilities, there is a possibility that an agreement cannot be reached. In the event that the transfer agreement is not finalized, Northern Kentucky proposed, in the alternative, to use the \$17,100,000 in bond proceeds to fund a number of projects that are included in its 5-year construction plan.

Northern Kentucky estimates that the interest rates for the proposed bonds will vary between 2.7 to 5.0 percent per annum and will have a 15-year term. Using its estimated interest rates, Northern Kentucky determined that the refinancing of the Series A Bonds will result in total gross savings and net present value savings of \$2,483,000 and \$1,790,590, respectively.

On January 2, 2002, Northern Kentucky filed a second amendment to its application. At this time, Northern Kentucky proposes to use the \$17,100,000 of bond proceeds to permanently fund the existing Bond Anticipation Notes (BANS) with an outstanding principal amount of \$16,891,000. However, if the agreement to acquire the Newport facilities is consummated prior to the retirement of the BANS, Northern Kentucky requests that it be given the opportunity to petition the Commission for approval to use the bond proceeds for the acquisition of the Newport facilities.

Northern Kentucky provided the Commission with a list of the construction projects funded by the BANS it proposes to redeem. Northern Kentucky states that not all of these construction projects have received Commission approval. Therefore, the Commission finds that Northern Kentucky must adequately plan for any possible decision by the Commission concerning these projects. Northern Kentucky should

¹ Northern Kentucky s amended application did not include a request to refinance the Series B Bonds.

include all necessary provisions in its bond documents that will enable it to call bonds should the Commission deny approval of any of the listed construction projects.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Northern Kentucky's proposal to issue bonds in the amount of \$46,045,000 to refinance its Series A Bonds and to permanently fund the existing BANS is for a lawful object within its corporate purpose, is necessary or appropriate for and consistent with the proper performance of its service to the public, and should be approved. Northern Kentucky should be permitted to request the Commission's approval to use the bond proceeds for the acquisition of the Newport facilities.

IT IS THEREFORE ORDERED that:

1. Northern Kentucky is authorized to issue bonds in the amount of \$46,045,000 at an interest rate that will vary between 2.7 percent and 5.0 percent per annum for the purpose of refinancing the Series A Bonds and to permanently fund the existing BANS.

2. Northern Kentucky shall agree only to such terms that will result in a positive net present value saving and which are consistent with the parameters set out in its December 17, 2001 filing.

3. Northern Kentucky shall include all necessary provisions in its bond documents that will enable it to call bonds should the Commission deny approval of any of the projects listed to be funded by the BANS proposed for redemption herein.

4. Northern Kentucky shall obtain approval from the Commission prior to using its bond proceeds for any purpose not expressly authorized by this Order.

5. Northern Kentucky shall, within 30 days of issuing the bonds authorized herein, file with the Commission a statement setting forth the date the bonds were issued, the actual interest rates, and the principal amount.

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 8th day of January, 2002.

By the Commission

ATTEST:


Executive Director