

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF MUHLENBERG COUNTY)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,248,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2004-00062
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

ORDER

On February 26, 2004, Muhlenberg County Water District ("Muhlenberg District") applied to the Commission for the authority to obtain a loan from the Kentucky Rural Water Finance Corporation ("KRWFC") in the principal amount of \$1,248,000, subject to an adjustment of up to 10 percent. Muhlenberg District estimates that the proposed KRWFC loan will have a 14-year term with interest rates varying from 1.31 to 4.10 percent per annum.

As part of its application, Muhlenberg District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, "[w]henever in these rules it is provided that a financial exhibit shall be annexed to the application, the said exhibit shall cover operations for a twelve (12) month period, said period ending not more than ninety (90) days prior to the date the application is filed." However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request, Muhlenberg District states that there has been no change that is material in nature in the financial condition or operation of Muhlenberg District since December 31, 2002. In its application, Muhlenberg District uses the financial data for the 12-month period ending December 31, 2002, the most recent published financial data available. Furthermore, because of the volatility of the bond market, Muhlenberg District claims that it cannot run the risk of delaying the closing of the 2004 KRWFC loan while more current financial data is compiled. Having considered Muhlenberg District's requested deviation, the Commission has determined that good cause for granting the deviation has been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed KRWFC loan.

The proceeds of the KRWFC loan will be used to refinance the Muhlenberg District Water System Revenue Bonds, Series 1979, which are currently being held by the U.S. Department of Agriculture acting through Rural Development ("RD Bonds"). These bonds have an outstanding principal balance of approximately \$1,567,817. Muhlenberg District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$132,905 and \$70,742, respectively.¹

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Muhlenberg District's proposal to obtain the KRWFC loan, as described herein, for the purpose of refinancing its RD Bonds is for a lawful object within its corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

¹ Application, Exhibit C, Debt Service Comparison.

IT IS THEREFORE ORDERED that:

1. Muhlenberg District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Muhlenberg District is authorized to obtain the KRWFC loan for the purpose of refinancing its RD Bonds, but only under such terms and conditions that will produce both positive gross savings and net present value savings from the refinancing.

3. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, Muhlenberg District shall, within 30 days of obtaining the loan authorized in this proceeding, file with the Commission amortization schedules and workpapers showing the actual gross savings and net present value savings that result from the refinancing.

4. Muhlenberg District shall, within 30 days of obtaining the KRWFC loan authorized herein, file with the Commission a statement in this proceeding setting forth the date the bonds were issued, the actual interest rates, and the principal amount.

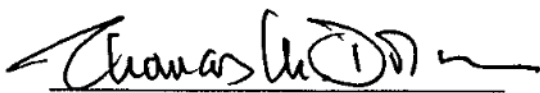
5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

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 as to the securities authorized herein.

Done at Frankfort, Kentucky, this 24th day of March, 2004.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas H. (D)", written over a horizontal line.

Executive Director