

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HARDIN COUNTY)	
WATER DISTRICT NO. 2 TO ISSUE SECURITIES)	
IN THE APPROXIMATE PRINCIPAL AMOUNT OF)	
\$1,775,000 FOR THE PURPOSE OF ADVANCE)	CASE NO.
REFUNDING CERTAIN OUTSTANDING)	2005-00158
REVENUE BONDS OF THE DISTRICT)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.300 AND 807 KAR 5:001)	

ORDER

On April 13, 2005, Hardin County Water District No. 2 (“Hardin No. 2”) applied to the Commission for approval to issue bonds in the principal amount of \$1,775,000. Hardin No. 2’s Water System Refunding Revenue Bonds, Series 2005B (“Series 2005B Bonds”) will have a 20-year term with an interest rate 4.10 percent per annum.

As part of its application, Hardin No. 2 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 its application, Hardin No. 2 includes the financial statements for the 12-month period ending December 31, 2004,¹ the most recent published financial data available.

¹ Exhibit 7, Hardin County Water District No. 2 Independent Auditor’s Report on Financial Statements and Supplementary Information Years Ended December 31, 2004 and 2003.

In support of its request, Hardin No. 2 states that there has been no change that is material in nature in its financial condition or operation since December 31, 2004. Hardin No. 2 points to the volatility of the bond market and claims that it cannot run the risk of delaying the sale of the Series 2005B Bonds while more current financial data is compiled. According to Hardin No. 2, the favorable market conditions could disappear overnight.

Having considered Hardin No. 2'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 to render a decision regarding the proposed bond refinancing.

The bond proceeds will be used to refinance the unrefunded portion of the Water System Revenue Bonds, 1995 Series A ("1995 Series A Bonds") bearing interest rates varying from 5.50 to 5.90 percent per annum and an outstanding principal balance of \$1,680,000. Using the competitive bids received on March 23, 2004, Hardin No. 2 determined that its proposed refinancing would result in total gross savings and net present value savings of \$299,119 and \$126,794, respectively. According to Hardin No. 2, the proposed refinancing represents a net present value saving of approximately 7.55 percent.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Hardin No. 2's proposal to issue the Series 2005B Bonds, as described herein, for the purpose of refinancing the 1995 Series A 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.

IT IS THEREFORE ORDERED that:

1. Hardin No. 2's motion for permission to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Hardin No. 2 is authorized to issue the Series 2005B Bonds to refinance the 1995 Series A Bonds but only under such terms and conditions that will produce both positive gross savings and net present value savings.

3. If the actual terms and conditions of the Series 2005B Bonds differ from those set forth in the application, Hardin No. 2 shall, within 30 days of issuing the bonds authorized in this proceeding, file with the Commission amortization schedules and workpapers showing the actual gross savings and net present value savings that resulted from the refinancing of the Outstanding Revenue Bonds.

4. Hardin No. 2 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.

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 thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 28th day of April, 2005.

By the Commission

ATTEST:

A handwritten signature in black ink, consisting of several overlapping loops and a long horizontal stroke at the bottom.

Executive Director