

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BULLOCK PEN WATER)	
DISTRICT FOR APPROVAL TO ENTER INTO A)	
LEASE AGREEMENT WITH THE COUNTY OF)	
GRANT, KENTUCKY IN A PRINCIPAL AMOUNT)	CASE NO.
NOT TO EXCEED \$1,250,000 FOR THE PURPOSE)	2010-00072
OF REFINANCING CERTAIN OUTSTANDING)	
SUBLEASE AGREEMENTS WITH THE COUNTY OF)	
GRANT, KENTUCKY)	

ORDER

On February 18, 2010, Bullock Pen Water District (“Bullock Pen”) applied to the Commission for the authority to enter into a Lease Agreement with the County of Grant, Kentucky (“Grant”) in an amount not to exceed \$1,250,000.¹ Bullock Pen estimates that the proposed Lease Agreement will have a 10-year term with an interest rate of 3.179 percent per annum.²

As part of its application, Bullock Pen moves for a deviation from the provision of 807 KAR 5:001, Section 6, requiring that “[w]hensoever 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.

¹ Application at 1-2.

² Id., Exhibit 3, Preliminary Plan of Finance.

In support of its request for a deviation from 807 KAR 5001, Bullock Pen states that there has been no change that is material in nature in its financial condition or operation since December 31, 2008, the most recent published financial data available. Due to the volatility of the bond market, Bullock Pen claims that it cannot run the risk of delaying the closing of the Lease Agreement while more current financial data is gathered.

The Commission has determined that good cause for granting Bullock Pen's requested deviation has been presented and that there is sufficient financial information in the record to render a decision regarding the proposed financing.

The proceeds of the Lease Agreement will be used to refund the outstanding Sublease Agreement between Bullock Pen and Grant dated September 7, 1995 bearing an interest rate of 6.474 percent per annum with an outstanding principal balance of \$942,000; and the outstanding Sublease Agreement between Bullock Pen and Grant dated October 17, 1996 and bearing an interest rate of 6.13 percent per annum with an outstanding principal balance of \$189,000 (collectively, "Outstanding Subleases").³ The district estimates that its proposed refinancing will result in total gross savings and net present value savings of \$120,733 and \$105,285, respectively.⁴

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Bullock Pen's proposal to enter into the Lease Agreement with Grant, as described herein, for the purpose of refinancing the Outstanding

³ Id., Exhibit 1, The Annual Report of Bullock Pen to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2008 at 22.

⁴ Id., Exhibit 3, Preliminary Plan of Finance.

Subleases 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.

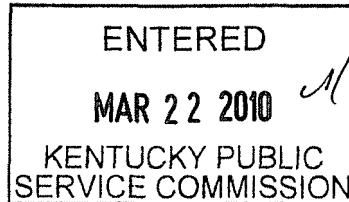
IT IS THEREFORE ORDERED that:

1. Bullock Pen's motion to deviate from 807 KAR 5:001, Section 6, is granted.
2. Bullock Pen's application shall be considered filed as of the date of this Order.
3. Bullock Pen is authorized to enter into a Lease Agreement with Grant that is not to exceed \$1,250,000.
4. Bullock Pen is to use the proceeds of the Lease Agreement to refinance the Outstanding Subleases but only under terms and conditions that will produce both positive gross savings and net present value savings.
5. If the actual terms and conditions of the Lease Agreement differ from those set forth in the application, Bullock Pen shall, within 30 days of issuing the Lease Agreement authorized in this proceeding, file amortization schedules and workpapers with the Commission showing the actual gross savings and net present value savings that resulted from the refinancing of the Outstanding Subleases.
6. Bullock Pen shall, within 30 days of obtaining the Lease Agreement authorized herein, file a statement with the Commission setting forth the date the Lease Agreement is entered into, the actual interest rate, and the principal amount.
7. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

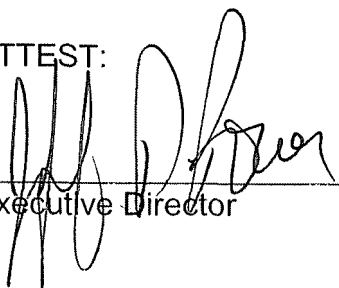
8. Any documents filed in the future pursuant to ordering paragraphs 5 or 6 herein shall reference this case number and shall be retained in the utility's general correspondence file.

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.

By the Commission



ATTEST:



Executive Director

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