

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HENRY COUNTY WATER)	
DISTRICT NO. 2 TO ISSUE SECURITIES IN THE)	
APPROXIMATE PRINCIPAL AMOUNT OF)	
\$5,700,000 FOR THE PURPOSE OF REFUNDING)	CASE NO.
CERTAIN OUTSTANDING REVENUE BONDS OF)	2010-00132
THE DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On March 29, 2010, Henry County Water District No. 2 (“Henry District”) applied to the Commission for the authority to obtain a Kentucky Rural Water Finance Corporation (“KRWFC”) loan in the principal amount of \$5,700,000, subject to an adjustment of up to 10 percent. Henry District estimates that the proposed KRWFC loan will have an 18-year term with interest rates varying from 2.500 to 4.375 percent per annum.¹

The proceeds of the KRWFC loan will be used to refund the outstanding revenue bonds designated as the Henry County Water District No. 2 Waterworks Refunding Revenue Bonds, Series 1998 (“1998 Series Bonds”) bearing interest rates that vary from 4.65 to 4.75 percent per annum with an outstanding principal balance of

¹ Application, Exhibit A, Debt Service Schedule.

\$6,105,000.² The district estimates that its proposed refinancing will result in net present value savings of \$234,728.³

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Henry District's proposal to obtain the KRWFC loan, as described herein, for the purpose of refinancing the 1998 Series Bonds is for a lawful object within its corporate purpose and is necessary, appropriate for and consistent with the proper performance of its service to the public. We further find that the financing will not impair the utility's ability to perform its service and is reasonably necessary and appropriate for such purpose. The financing should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Henry District is authorized to enter an Assistance Agreement with KRWFC to borrow up to \$6,270,000⁴ to refinance the 1998 Series Bonds but only under such terms and conditions as will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, Henry District shall, within 30 days of issuing the KRWFC loan 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 1998 Series Bonds.

² Id. Exhibit D, Total Refunded Debt Schedule 1998 Series Bonds.

³ Id. Exhibit C, Debt Service Comparison.

⁴ $\$5,700,000 \times 10\% = \$570,000 + 5,700,000 = \$6,270,000$.

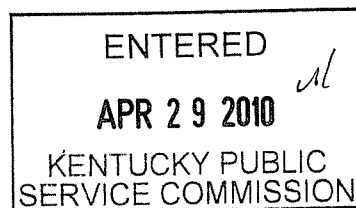
3. Henry District shall, within 30 days of obtaining the KRWFC loan authorized herein, file with the Commission a statement setting forth the date the loan was obtained, the actual interest rates, and the principal amount.

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

5. Any documents filed in the future pursuant to ordering paragraphs 2 or 3 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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