

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HARDIN COUNTY WATER	)	
DISTRICT NO. 2 TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF	)	
\$5,625,000 FOR THE PURPOSE OF ADVANCE	)	CASE NO.
REFUNDING OF CERTAIN OUTSTANDING	)	2010-00256
REVENUE BONDS OF THE DISTRICT	)	
PURSUANT TO THE PROVISIONS OF KRS	)	
278.300 AND 807 KAR 5:001	)	

ORDER

On June 28, 2010, Hardin County Water District No. 2 ("Hardin No. 2") applied to the Commission for approval to issue bonds in the principal amount of \$5,625,000. Hardin No. 2's Water System Refunding Revenue Bonds, Series 2010A ("Series 2010A Refunding Bonds") will have a 20-year term with interest rates varying from 2.0 to 4.125 percent per annum.<sup>1</sup>

As part of its application,<sup>2</sup> Hardin No. 2 moves for a deviation from the provision of 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." Section 14 of that regulation, however, permits a deviation upon the showing of good cause.

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<sup>1</sup> Application, Exhibit 1, Series 2010A Refunding Bonds Debt Service Schedule.

<sup>2</sup> Id. at page 5.

In support of its request for a deviation from 807 KAR 5:001, Hardin No. 2 states that there has been no change that is material in nature in its financial condition or operation since December 31, 2009, the date from which the most recently published financial data is available. Due to the volatility of the bond market, Hardin No. 2 claims that it cannot run the risk of delaying the sale or the closing of the Series 2010A Refunding Bonds while more current financial data is gathered. Any delay in the process could cause Hardin No. 2 to lose the favorable market conditions.<sup>3</sup>

The Commission has determined that good cause exists for granting Hardin No. 2's requested deviation and that there is sufficient financial information in the record to render a decision regarding the proposed financing.

Hardin No. 2 will combine the \$5,625,000 in the proceeds of the Series 2010A Refunding Bonds with the current balance of \$1,346,005<sup>4</sup> in its debt service reserve fund. The combined proceeds of \$6,971,004 will be used to refund the outstanding revenue bonds designated as the Water System Revenue Bonds, 1999 Series A ("1999 Series A Bonds") bearing interest rates varying from 4.75 to 5.00 percent per annum and an outstanding principal balance of \$5,861,092 and to pay the \$1,109,913 in bond issuance costs.<sup>5</sup> Using the competitive bids received on June 24, 2010, Hardin No. 2 determined that its proposed refinancing would result in total gross savings and net

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<sup>3</sup> Id. at page 6.

<sup>4</sup> Id. Exhibit 2, Sources and Uses.

<sup>5</sup> Id. Exhibit 2. \$9,362 (Original Issue Discount) + \$28,998 (Total Underwriter's Discount) + \$30,000 (Financial Advisor) + \$30,000 (Bond Counsel) + \$30,000 (Local Counsel) + \$3,500 (Trustee Origination) + \$12,600 (Rating Agency Fee) + \$2,000 (Publication and Bond Counsel Expenses) + \$962,326 (Deposit to Debt Service Reserve Fund) + \$5,861,092 (Deposit Current Refunding Fund) + \$1,127 (Rounding Amount) = \$6,971,005.

present value savings of \$1,283,778 and \$536,176, respectively.<sup>6</sup> According to Hardin No. 2, the proposed refinancing represents a net present value saving of approximately 9.23 percent.<sup>7</sup>

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Hardin No. 2's proposal to issue the Series 2010A Refunding Bonds, as described herein, for the purpose of refinancing the 1999 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 to deviate from 807 KAR 5:001, Section 6, is granted.

2. Hardin No. 2 is authorized to issue the Series 2010A Refunding Bonds to refinance the 1999 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 2010A Refunding 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.

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<sup>6</sup> Id. at page 4.

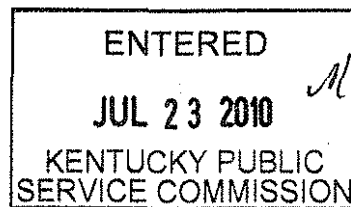
<sup>7</sup> Id.

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.

By the Commission



ATTEST:

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Executive Director

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