

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE LAKE VILLAGE WATER	)	
ASSOCIATION, INC. TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF	)	CASE NO.
\$1,175,000 FOR THE PURPOSE OF REFUNDING	)	2010-00430
CERTAIN OUTSTANDING INDEBTEDNESS OF THE	)	
ASSOCIATION PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On November 5, 2010, Lake Village Water Association, Inc. ("Lake Village") applied to the Commission for approval to enter into an agreement with the County of Butler, Kentucky ("Butler County") to borrow approximately \$1,175,000 to refinance existing long-term debt.

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Lake Village, a Kentucky corporation organized pursuant to KRS Chapter 273, owns and operates facilities that distribute water to approximately 2,045 customers in Boyle and Mercer counties, Kentucky.<sup>1</sup>
2. Lake Village proposes to execute an agreement with Butler County to borrow \$1,175,000, subject to a 10 percent adjustment. The proposed loan will have a

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<sup>1</sup> *Report of Lake Village Water Association to the Kentucky Public Service Commission for the Year Ended December 31, 2009* (hereinafter "Annual Report") at 5 and 21.

25-year term with interest rates that vary from 2.250 percent to 4.50 percent per annum.<sup>2</sup>

3. Lake Village will use proceeds from the proposed loan, together with \$57,365 from its debt service reserve fund and a reoffering premium of \$4,061, to retire three outstanding promissory notes<sup>3</sup> that Rural Development<sup>4</sup> holds and to pay \$73,717 in bond issuance costs.<sup>5</sup>

4. Lake Village estimates that its proposed refinancing will result in total gross savings and net present value savings of \$257,085 and \$194,119, respectively.<sup>6</sup>

5. Lake Village's proposed loan is for a lawful object within its corporate purpose, is necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Lake Village's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

6. Lake Village has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering "operations for a twelve

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<sup>2</sup> Application at 3.

<sup>3</sup> The basic characteristics of the promissory notes are set forth below. For the outstanding principal amount of each promissory note as of December 31, 2009, see *Annual Report* at 22.

<b>Date of Issuance</b>	<b>Outstanding Principal</b>	<b>Interest Rate</b>
02/13/1986	\$ 246,439	8.375
04/12/1994	699,025	5.500
04/12/1994	217,246	5.375
<b>Total</b>	<b>\$1,162,710</b>	

<sup>4</sup> Rural Development is an agency of the United States Department of Agriculture.

<sup>5</sup> Application at Exhibit B. \$12,258 (Total Underwriter's Discount) + \$21,300 (Cost of Issuance) + \$1,201,545 (Deposit to Current Refunding Fund) + \$1,324 (Rounding Amount) = \$1,236,427.

<sup>6</sup> *Id.* at Exhibit C.

(12) month period . . . ending not more than ninety (90) days prior to the date the application is filed.”<sup>7</sup> It has provided its financial statements for calendar year 2009 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

7. Lake Village has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Lake Village’s motion to deviate from 807 KAR 5:001, Section 11(2)(a), is granted.

2. Lake Village’s application is considered filed as of November 5, 2010.

3. Lake Village is authorized to enter into a loan agreement with Butler County to borrow no more than \$1,292,500<sup>8</sup> for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

4. If the actual terms and conditions of the proposed loan differ from those set forth in its application, Lake Village shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

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<sup>7</sup> 807 KAR 5:001, Section 6. 807 KAR 5:001, Section 11(2)(a), refers to Section 6. While Lake Village requests a deviation from 807 KAR 5:001, Section 6, its requested relief requires a deviation from 807 KAR 5:001, Section 11(2)(a). The Commission will consider Lake Village’s request as a motion to deviate from 807 KAR 5:001, Section 11(2)(a).

<sup>8</sup>  $\$1,175,000 \times 110\% = \$1,292,500$ .

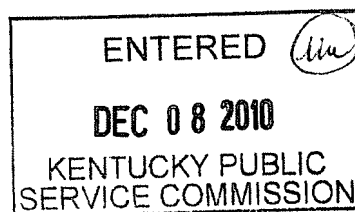
5. Within 30 days of executing the proposed loan agreement, Lake Village shall file with the Commission a statement setting forth the date on which the agreement was entered, the actual interest rates, and the principal amount.


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

7. Any documents filed pursuant to ordering paragraphs 3 and 4 of this Order shall reference the number of this case 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:  
  
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Executive Director

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