

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BOONE COUNTY WATER)	
DISTRICT FOR AUTHORIZATION TO ISSUE)	CASE NO.
WATER DISTRICT REFUNDING REVENUE)	2011-00180
BONDS, SERIES 2011)	

ORDER

On May 25, 2011, Boone County Water District ("Boone District") applied to the Commission for authorization to issue Water District Refunding Revenue Bonds, Series 2011 ("2011 Refunding Bonds") in the principal amount of \$1,900,000¹ to refund and retire the outstanding Water District Refunding Bonds dated September 15, 2001 ("2001 Refunding Bonds").²

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

¹ Because the proposed Bonds must be issued at an advertised competitive sale, the issuing entity has historically requested a 10 percent variance in the par amount of the bonds to ensure that the refunding can be completed at the lowest possible cost. Boone District is requesting Commission approval of a bond issuance in an amount not to exceed \$1,900,000 to accommodate the potential variance. It expects that the actual amount of the bond issue will equal or closely approximate the amount shown in Exhibit A of the Application (\$1.72 million). Electronic mail message from Ian F. Koffler, counsel for Boone County Water District, to Gerald Wuetcher, legal counsel, Kentucky Public Service Commission (July 20, 2011).

² Application at 1.

1. Boone District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximately 23,468 customers in Boone County, Kentucky.³

2. Boone District proposes to issue bonds in an amount not to exceed \$1,900,000 and that the final principal amount will be adjusted based upon the lowest bid received.⁴ The proposed bonds will have a 10-year term with interest rates that vary from 0.50 percent to 3.25 percent per annum.⁵

3. Boone District will use the proceeds from the proposed bonds, together with \$230,153 from its existing debt service reserve fund, to retire the 2001 Refunding Bonds⁶ and to pay bond issuance costs.⁷

4. Boone District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$121,215 and \$108,971 respectively.⁸

5. Boone District's proposed bond issuance is for a lawful object within its corporate purpose, is necessary, and appropriate for and consistent with the proper

³ *Report of Boone County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2010* at 5 and 27.

⁴ Application at 2.

⁵ *Id.*, Exhibit A at 5.

⁶ *Id.* at 8. The 2001 Refunding Bonds bear interest rates that vary from 4.00 percent to 4.75 percent per annum with a current outstanding principal balance of \$1,655,000.

⁷ *Id.* at 2. \$12,900 (Total Underwriter's Discount) + \$29,900 (Cost of Issuance) + \$195,000 (Deposit to Debt Reserve Fund) + \$1,708,787 (Deposit to Net Cash Escrow Fund) + \$3,566 (Rounding Amount) = \$1,950,153.

⁸ *Id.* at 2.

performance of its service to the public, will not impair Boone District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Boone District is authorized to issue the 2011 Refunding Bonds in an amount not to exceed \$1,900,000 for the purpose of refunding the outstanding 2001 Refunding 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 proposed 2011 Refunding Bonds differ from those proposed 2011 Refunding Bonds of \$1,708,787 as set forth in its application, Boone District shall, within 30 days of issuing the 2011 Refunding Bonds, 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.


3. Within 30 days of issuing the 2011 Refunding Bonds, Boone District shall file with the Commission a statement setting forth the date on which the bonds were issued, 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 pursuant to ordering paragraphs 2 and 3 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

ENTERED 
JUL 25 2011
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director

Case No. 2011-00180

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