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DAMON R. TALLEY

March 25, 2004

ATTORNEY AT LAW

Mr. Thomas M. Dorman  
Executive Director  
Public Service Commission  
P.O. Box 615  
Frankfort, KY 40602

**RECEIVED**

MAR 25 2004

PUBLIC SERVICE  
COMMISSION

RE: Hardin County Water District No. 2  
Bond Refunding

Case 2004-00102

Dear Mr. Dorman:

Enclosed are the original and ten (10) copies of the Application of the Hardin County Water District No. 2 to issue securities pursuant to KRS 278.300 for the purpose of refunding certain high interest Bonds of the Applicant.

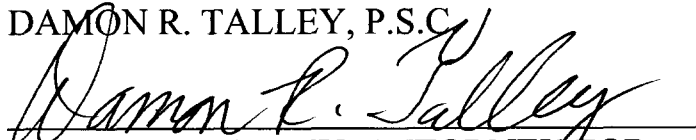
**No rate increase will be required.**

The tentative closing date is **April 21, 2004.**

Should you need any additional information, please let me know.

Yours truly,

DAMON R. TALLEY, P.S.C.

  
DAMON R. TALLEY, ATTORNEY FOR  
HARDIN COUNTY WATER DISTRICT  
NO. 2

DRT/ln

Enclosures

cc: Hardin County Water District No. 2

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION OF KENTUCKY**

IN THE MATTER OF:

THE APPLICATION OF THE HARDIN )  
COUNTY WATER DISTRICT NO. 2 TO )  
ISSUE SECURITIES IN THE APPROXIMATE )  
PRINCIPAL AMOUNT OF \$2,940,000 FOR )  
THE PURPOSE OF ADVANCE REFUNDING )  
CERTAIN OUTSTANDING REVENUE )  
BONDS OF THE DISTRICT PURSUANT )  
TO THE PROVISIONS OF KRS 278.300 )  
AND 807 KAR 5:001 )

**RECEIVED**  
MAR 25 2004  
PUBLIC SERVICE  
COMMISSION  
CASE NO. 2004-00102

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**APPLICATION**

The Applicant, Hardin County Water District No.2, (the "District"), files this Petition and Application, pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Public Service Commission of Kentucky (the "Commission") enter an Order authorizing the District to issue certain securities in the approximate principal amount of \$2,940,000 for the purpose of advance refunding certain outstanding water system revenue bonds of the District. In support of the Petition and Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established by the Order of the County Court of Hardin County entered on June 23, 1965, pursuant to the provisions of KRS Chapter 74. The District is now, and has been since its inception, regulated by the Commission, and all records and proceedings of the Commission with reference to the District are incorporated in this Application by reference.

2. The governing body of the District is its Commission which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purposes as provided in KRS 74.070 and all other applicable laws.

3. The mailing address of the District is as follows:

Hardin County Water District No.2  
360 Ring Road  
P.O. Box 970  
Elizabethtown, KY 42702  
Attn: Barry DeWitt, Manager  
Telephone: (270) 737-1056

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2002 which is on file with the Commission. The Annual Report is incorporated herein by reference. The District's 2003 Annual Report is being prepared and will be filed on or before March 31, 2004.

5. The District proposes to issue new securities, to be designated as Water System Refunding Revenue Bonds, Series 2004A (the "2004A Bonds"), in the principal amount of \$2,940,000 for the purpose of advance refunding certain of the following revenue bonds:

Water System Revenue Bonds, 1995 Series A in the outstanding principal amount of \$4,350,000 (the "1995 Bonds") which bear interest at rates ranging from 5.50% to 5.90% per annum.

6. The actual Debt Service Schedule for the proposed 2004A Bonds is shown in **Exhibit 1**, which is attached hereto and incorporated herein by reference. **Exhibit 1** also shows the actual coupon rate for each maturity and the actual average coupon rate. **Exhibit 1** was prepared after competitive bids for the proposed 2004A Bonds were received on March 23, 2004. Consequently, **Exhibit 1** reflects the actual interest rates and the actual Debt Service Schedule for the proposed 2004A Bonds. The 2004A Bonds were sold pursuant to public advertisement soliciting competitive bids according to Kentucky law.

7. As shown in **Exhibit 1**, the proposed 2004A Bonds will bear interest at rates ranging from **2.00%** to **4.00%**.

8. The issuance of the 2004A Bonds will provide the District with the funds necessary: (a) to allow it to advance refund certain of the 1995 Bonds; and (b) to pay the fees and expenses incident to the issuance of the 2004A Bonds.

9. The Sources and Uses of the funds to be obtained from the issuance of the 2004A Bonds are detailed in **Exhibit 2**, which is attached hereto and incorporated herein by reference.

10. The proposed refinancing of a portion the 1995 Bonds will result in total gross savings of approximately \$414,257 and a net present value savings of \$210,819. This represents a net present value savings of approximately 8.00%. These savings are shown in the Gross Debt Service Comparison schedule, which is attached hereto and incorporated herein by reference as **Exhibit 3**.

11. The Debt Service Schedule of the portion of the 1995 Bonds which are being advance refunded is set forth in **Exhibit 4**, which is attached hereto and incorporated herein by reference.

12. The District represents that the issuance of the 2004A Bonds will be in the public interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing substantial debt service savings. This is a lawful object within the corporate purposes of the District's utility operations.

The issuance of the 2004A Bonds is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.

13. The District represents that it will, as soon as reasonably possible after the issuance of the 2004A Bonds, file with the Commission a statement setting forth the date of issuance of the 2004A Bonds, the price paid, the fees and expenses incurred in the issuance of the 2004A Bonds, and the terms and interest rates of the 2004A Bonds.

14. The detailed Income Statement and Balance Sheet for the twelve (12) month period ending on December 31, 2003 are attached hereto and incorporated herein by reference as **Exhibits 5 and 6** respectively.

15. The remaining financial schedules and other information necessary for the Financial Exhibit required by 807 KAR 5:001, Section 6 and Section 11 (2) (a) are contained in the 2002 Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference. The 2003 Annual Report is scheduled to be completed, and will be filed with the Commission, on or before March 31, 2004.

16. Pursuant to KAR 5:001, the District hereby states as follows:
  - A. Section 6(4) Mortgages: The District does not have any mortgages in effect as of the date hereof;
  - B. Section 6(5) Bonds: The 2004A Bonds will be secured by a pledge of the revenues of the District's System;
  - C. Section 11(2)(b): The District does not have any trust deeds in effect as of the date hereof; and
  - D. Section 11(2)(c): No property is being acquired as the proceeds of the securities are being used for the purpose of advance refunding a portion of the 1995 Bonds.

17. A copy of the District's audited financial statements for the years ended December 31, 2003 and 2002 is attached hereto and incorporated herein by reference as **Exhibit 7**.

18. The sale of the proposed 2004A Bonds was held on March 23, 2004, and the closing is tentatively scheduled for **April 21, 2004**.

19. No rate adjustment will be necessary.

WHEREFORE, the District respectfully requests that the Commission take the following actions:

1. Place this Application to issue securities at the head of the docket as provided by KRS 278.300 (2);


2. Authorize the issuance of the securities requested in the Application prior to the proposed closing date of **April 21, 2004**; and

3. Process this Application without a formal hearing in order to save time and expense. The District will promptly respond to any inquiries or information requests by the Commission's staff.

This March 24<sup>th</sup>, 2004.

Respectfully submitted,  
HARDIN COUNTY WATER  
DISTRICT NO. 2

BY:   
MICHAEL L. BELL, CHAIRMAN

  
DAMON R. TALLEY, P.S.C.  
Counsel for Applicant  
112 N. Lincoln Blvd.  
P.O. Box 150  
Hodgenville, KY 42748-0150  
(270) 358-3187 FAX (270) 358-9560



COMMONWEALTH OF KENTUCKY )  
 ) SS:  
COUNTY OF HARDIN )

The undersigned, MICHAEL L. BELL, being first duly sworn, deposes and states that he is the Chairman of the Commission of the Hardin County Water District No. 2 of Hardin County and LaRue County Kentucky; that he has read the foregoing Application and has noted the contents thereof; and that the statements of fact set forth therein are true and correct.

IN TESTIMONY WHEREOF, witness the signature of the undersigned on this March 24<sup>th</sup>, 2004.

HARDIN COUNTY WATER  
DISTRICT NO. 2

BY:   
MICHAEL L. BELL, CHAIRMAN

Subscribed and sworn to before me by Michael L. Bell, in his capacity as Chairman of the Commission of the Hardin County Water District No. 2, on this March 24<sup>th</sup>, 2004.

  
NOTARY PUBLIC, STATE AT LARGE

MY COMMISSION EXPIRES: 6-9-2007

## **EXHIBIT LIST**

1. DEBT SERVICE SCHEDULE FOR 2004A BONDS
2. SOURCES AND USES FOR 2004A BONDS
3. GROSS DEBT SERVICE COMPARISON  
(2004A AND PRIOR BONDS BEING REFUNDED)
4. DEBT SERVICE SCHEDULE FOR 1995A BONDS BEING  
REFUNDED
5. INCOME STATEMENT
6. BALANCE SHEET
7. 2003 AUDIT