

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

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| THE APPLICATION OF CUMBERLAND COUNTY) | |
| WATER DISTRICT TO ISSUE SECURITIES) | |
| IN THE APPROXIMATE PRINCIPAL AMOUNT) | CASE NO. |
| OF \$107,000 FOR THE PURPOSE OF FINANCING) | 2005-00412 |
| THE ACQUISITION OF CERTAIN EQUIPMENT) | |
| FOR THE DISRICT PURSUANT TO THE) | |
| PROVISIONS OF KRS 278.300) | |

ORDER

On October 5, 2005, Cumberland County Water District ("Cumberland") submitted its application seeking Commission authority to obtain a Kentucky Rural Water Finance Corporation ("KRWFC") loan in the amount of \$107,000, subject to an adjustment of up to 10 percent. The application was considered filed on October 26, 2005, when all filing deficiencies were cured. Cumberland estimates the KRWFC loan will have a 25-year term with an effective variable interest rate of 3.25 to 4.79 percent per annum. However, Cumberland states that the KRWFC loan may vary from the present assumptions based upon market conditions and other business judgment factors. The loan proceeds will be used to fund the purchase of the following items:

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|---------------------|------------------|
| Backhoe | \$70,000 |
| Air Compressor | 8,000 |
| Road Boar Machine | 15,000 |
| Air Mole | <u>7,000</u> |
| Total Purchases | 100,000 |
| Debt issuance costs | <u>7,000</u> |
| Total Financed | <u>\$107,000</u> |

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Cumberland's proposed KRWFC 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 its ability to perform that service, is reasonably necessary and appropriate for such purpose, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Cumberland is authorized to enter into a loan agreement with KRWFC in the amount of \$107,000 maturing over a 25-year period with variable rates of interest ranging from 3.25 percent to 4.79 percent.
2. Cumberland 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.
3. 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.

Done at Frankfort, Kentucky, this 14th day of November, 2005.

By Commission

ATTEST:

Executive Director

Case No. 2005-00412