

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRACKEN COUNTY WATER)	
DISTRICT FOR AN ORDER APPROVING)	CASE NO.
THE ISSUANCE OF SECURITIES)	2007-00301
PURSUANT TO KRS 278.300)	

ORDER

On July 6, 2007, Bracken County Water District ("Bracken") applied for Commission authority to obtain a Kentucky Rural Water Finance Corporation ("KRWFC") loan in the amount of \$3,355,000. Bracken subsequently supplemented its application.¹

The proposed KRWFC loan will mature over 20 years and carry coupon interest rates ranging from 4.125 percent to 4.875 percent per annum. The proceeds from the loan will be used to pay the issuance costs of the proposed loan and to refund two interim KRWFC loans in the original amounts of \$2,790,000 and \$300,000, the proceeds of which Bracken used to finance the construction of a water system improvements project² and a 1,500 square foot office building,³ respectively. Both interim KRWFC loans mature and become payable in full on August 1, 2007.

¹ Letter from Diana Moran, Office Manager, Bracken County Water District to Beth O'Donnell, Executive Director, Public Service Commission (July 13, 2007).

² See Case No. 2006-00053, The Application of Bracken County Water District For a Certificate of Public Convenience and Necessity to Construct an Improvements Project Pursuant to KRS 278.020 (Ky. PSC April 19, 2006) (approving the construction of 27 miles of transmission main, a 300,000 gallon elevated storage tank, and a booster pumping station).

³ As the cost of this project is less than \$500,000, it is exempt from KRS 298.020(1). See 2006 Ky. Acts ch. 252.

Interim financing for the office building was obtained in 2006 when Bracken anticipated construction to begin. Due to project bids greatly exceeding expectations, Bracken delayed construction to re-bid the project.⁴ Bracken has now obtained a more reasonable bid of \$252,864 and expects construction to begin in August 2007. The 2006 interim financing will expire prior to the start of construction. To fund construction costs, Bracken requests permission to refund the interim financing with the proposed long-term, permanent financing.

As part of its application, Bracken moves for a deviation from Administrative Regulation 807 KAR 5:001, Section 6, which provides that, “[w]henver 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 of application is filed.” However, Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request, Bracken states that there has been no material change in its financial condition or operation since the publication of the 2006 annual financial statements in its application. Bracken further states that its current computer reporting system is not able to generate up-to-date financial information in a timely manner.

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

⁴ In response to its first request for bids, Bracken received only one bid in the amount of \$850,000. Bracken rejected this bid, dismissed its architect, and redesigned its proposed office building. See supra note 1.

1. Bracken'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 Bracken's ability to perform that service, is reasonably necessary and appropriate for such purpose, and should therefore be approved.

2. Good cause exists to permit Bracken to deviate from Administrative Regulation 807 KAR 5:001, Section 6 and such deviation should be granted.

IT IS THEREFORE ORDERED that:

1. Bracken is authorized to borrow the KRWFC loan in the amount of \$3,355,000 with coupon interest rates ranging from 4.125 percent to 4.875 percent per annum, maturing over 20 years.

2. Bracken 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 and the actual interest rates, term, and principal amount of the loan.

3. The proceeds from the KRWFC loan shall be used only for the lawful purpose specified in the application.

4. Bracken is authorized to deviate from Administrative Regulation 807 KAR 5:001, Section 6 and its application shall be considered as filed as of July 6, 2007.

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 31st day of July, 2007.

By Commission

ATTEST

Executive Director

Case No. 2007-00301