

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

IN THE MATTER OF THE APPLICATION OF)
CASE ENTERPRISES, INC. FOR AN ORDER)
AUTHORIZING DEBT IN THE AMOUNT OF)
\$87,993.44 AND THE CONCOMITANT) CASE NO. 90-340
EXECUTION OF A PROMISSORY NOTE,)
SECURITY AGREEMENT AND MORTGAGE)

O R D E R

On October 31, 1990, Case Enterprises, Inc. ("Case") applied for authority to borrow \$87,993.44 from the Department of Local Government ("DLG"). Case proposes to use the proceeds of this loan to reimburse the Pike County Fiscal Court for some \$30,181.44 of emergency construction undertaken in December 1989. This work became necessary when the well supplying Case's Lyda distribution system failed. The Pike County Fiscal Court provided equipment, labor and materials on an emergency basis to lay 6,350 feet of line to connect the nearest alternate source of supply. This debt is unsecured, and is not accruing interest. The remainder of the proceeds will be used to pay off a \$57,812 five-year note from Pikeville National Bank bearing interest at 12.375 percent.

After reviewing the evidence of record and being otherwise sufficiently advised, the Commission finds that:

1. Case proposes to borrow \$87,993.44 from the DLG to be repaid over a 30-year period at a rate of 6 percent compounded annually.

2. According to the affidavit of Jean Ann Case, the current rates approved for Case do not produce sufficient revenues to meet its existing operating expenses and service its debt.

3. Upon execution of the proposed loan and the subsequent retirement of the current debts, Case will be incurring approximately \$2,145 less in interest expense.

4. The projected savings in interest expense does not in any way offset the lack of sufficient revenues to meet existing operating expenses.

5. The assumption of the obligations set forth in the proposed loan agreement is for a lawful object within Case's corporate purposes, is necessary and appropriate for and consistent with the proper performance by Case of its service to the public and is reasonably necessary and appropriate for such purpose.

6. KRS 278.300 prohibits Commission authorization of a utility's issuance of securities or evidence of indebtedness where such issuance will impair that utility's ability to properly perform its service to the public.

7. Where a utility lacks rates capable of producing revenues sufficient to meet its existing expenses and the debt service requirements of its outstanding loans, its ability to properly perform its service to the public is threatened.

8. Given the evidence filed in this case, the proposed loan will threaten Case's ability to properly perform its service to the public.

IT IS THEREFORE ORDERED that:

1. Case's application for authority to borrow \$87,993.44 from DLG shall be granted without further Order of the Commission upon Case's filing of an application for rates sufficient to meet the additional debt service requirements created by the proposed loan.

2. In the alternative, Case may submit evidence for the Commission's consideration which clearly demonstrates that its existing rates will produce sufficient revenues to meet its existing expenses and the additional debt service requirements created by the proposed loan.

3. Case shall use the proceeds of the proposed loan only for the purposes set forth in its application.

4. Within 10 days of the execution of its loan agreement with DLG, Case shall file with the Commission a copy of the executed agreement.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

Done at Frankfort, Kentucky, this 19th day of December, 1990.

PUBLIC SERVICE COMMISSION

Chairman


Vice Chairman

ATTEST:


Executive Director


Commissioner