

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE SOUTHERN MADISON )	
WATER DISTRICT TO ISSUE SECURITIES IN )	
THE APPROXIMATE PRINCIPAL AMOUNT OF )	
\$860,000 FOR THE PURPOSE OF REFUNDING )	CASE NO.
AN OUTSTANDING REVENUE BOND OF THE )	99-310
DISTRICT AND FINANCE CERTAIN SYSTEM )	
IMPROVEMENTS PURSUANT TO THE )	
PROVISIONS OF KRS 278.300 AND 807 KAR 5:001 )	

ORDER

On August 20, 1999, Southern Madison Water District ( Southern Madison ) filed an application for authority to issue Southern Madison Water District Waterworks Refunding and Improvement Revenue Bonds, Series 1999 ( 1999 Bonds ), as required by KRS 278.300, in the principal sum not to exceed \$860,000. Bond proceeds in the amount of \$756,300 will be used to refund outstanding revenue bonds designated as Southern Madison Water District Waterworks Revenue Bonds, Series 1987 ( 1987 Bonds ). The remaining bond proceeds will be used to fund \$53,700 in bond issuance costs and \$50,000 in system improvements. The 1987 Bonds carry an annual interest rate of 6.875 percent. The 1999 Bonds mature in various annual amounts from 2000 through 2025 and will bear coupon rates ranging from 4.7 to 5.75 percent. The proposed improvements consist of a Highway 21 water main extension at a total cost of \$127,000. Southern Madison stated that the refunding of the 1987 Bonds is in the public interest and is intended to strengthen the financial condition of the District by producing substantial debt service savings. It further stated that the proposed improvements do

not require a Certificate of Public Convenience and Necessity as it is within the ordinary course of business as defined by 807 KAR 5:001, Section 9(3).

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

1. The primary purpose of the 1999 Bonds is to refund the 1987 Bonds.
2. Issuing the 1999 Bonds in an amount sufficient to refund the 1987 Bonds and pay the bond issuance costs will result in a present value savings of approximately \$43,000.
3. Subsequent to the issuance of the 1999 Bonds, Southern Madison's total long-term debt will total approximately \$1,220,000. The proposed financing related to the system improvements will then represent 4 percent of Southern Madison's total long-term debt.
4. In its 1998 annual report filed with the Commission Southern Madison reported \$1,051,850 and \$409,812 in annual operating revenues and cash, respectively.
5. After the addition of the proposed improvements gross plant in service will total \$3,933,923. The cost of the improvements is estimated to be \$127,000 or 3.2 percent of the gross plant in service.
6. Pursuant to 807 KAR 5:001, Section 9(3), an extension is within the ordinary course of business if it does not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved or result in increased charges to its customers.
7. Southern Madison's proposed improvements do not involve sufficient capital outlay to materially affect its existing financial condition and will not result in

increased charges to its customers. Therefore, the proposed improvements are considered to be within the ordinary course of business and do not require a Certificate of Public Convenience and Necessity.

8. Southern Madison's proposal to issue the 1999 Bonds is for a lawful object within Southern Madison's corporate purpose, is reasonably necessary, appropriate for and consistent with the proper performance of its service to the public, will not impair its ability to perform that service, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Southern Madison is authorized to issue bonds for an amount not to exceed \$860,000, with coupon rates ranging from 4.7 to 5.75 percent.

2. Southern Madison shall issue its proposed 1999 Bonds only on such terms that will result in a positive net present value savings and which are consistent with its application.

3. Southern Madison shall, within 30 days after issuance of the securities, advise the Commission in writing of the date or dates of issuance of the securities, the price paid, the interest rate, the purchasers, and all fees and expenses, including underwriting discounts or commissions, or other compensation involved in the issuance and distribution.

4. The proceeds from the transactions authorized herein shall be used only for the lawful purposes specified in Southern Madison's 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 1<sup>st</sup> day of September, 1999.

By the Commission

ATTEST:

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Executive Director