

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE)	
CANNONSBURG WATER DISTRICT TO)	
ISSUE SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$415,000 FOR THE)	CASE NO.
PURPOSE OF REFUNDING CERTAIN)	2001-168
OUTSTANDING REVENUE BONDS OF THE)	
DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On June 5, 2001, the Cannonsburg Water District (“Cannonsburg”) submitted its application seeking Commission authority to obtain a loan from the Kentucky Rural Water Finance Corporation (“KRWFC”) in the amount of \$415,000, subject to an adjustment of up to 10 percent. Cannonsburg proposed to use the loan proceeds to refund the Waterworks Revenue Bonds of 1989, dated February 6, 1991 (“Bonds of 1989”), and to finance the installation of a telemetry system. In its Interim Order of June 26, 2001, the Commission determined that it required additional information regarding the telemetry system and the associated financing to determine if the project is reasonable and if a Certificate will be required. Therefore, Cannonsburg was only authorized to obtain a KRWFC loan in the amount of \$313,000 for the express purpose of refunding the Bonds of 1989.

In its application, Cannonsburg showed that the refinancing would result in total gross savings of approximately \$230,589 and net present day savings of \$67,184. In its response to the Commission’s June 7, 2001, First Data Request, Cannonsburg

contends that this savings will assist the District in making the debt service payments on the telemetry loan by freeing up revenues which would otherwise been used to make the higher principal and interest payment on the Bonds of 1989.

However, the amortization schedule provided in Cannonsburg's June 14, 2001 letter demonstrates that Cannonsburg's assumption is incorrect. First, according to that schedule, the total debt service for the KWFC loan for the for the period of 2001 through 2021 would be \$586,160 while the debt service for the Bonds of 1989 is \$410,378, an increase of \$175,782. Second, Cannonsburg will not realize the bulk of its savings from its refinancing until after 2026, 5 years after the telemetry debt has been retired. Third, Cannonsburg is unaware of the actual cost of the telemetry system. Cannonsburg has not advertised for bids but has received several estimates ranging from \$97,000 to \$117,400. Therefore, Cannonsburg has not provided sufficient evidence of the actual cost of its proposed telemetry system or shown that the savings resulting from the refinancing will be sufficient to pay for the financing of the telemetry system.

Based upon the foregoing and being otherwise sufficiently advised, IT IS THEREFORE ORDERED that the proposed financing related to the telemetry system is denied without prejudice.

Done at Frankfort, Kentucky, this 27th day of August, 2001.

By the Commission

ATTEST:

W. H. Bowen
Deputy Executive Director