

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY	)	
WATER DISTRICT FOR APPROVAL TO	)	CASE NO.
REFINANCE REVENUE BONDS IN THE	)	2001-198
APPROXIMATE AMOUNT OF \$38,425,000	)	

ORDER

On June 28, 2001, Northern Kentucky Water District ("Northern Kentucky") submitted its application seeking Commission approval to issue bonds in the amount of \$38,425,000. The application was considered filed on August 7, 2001, the date the deficiencies in the application were cured. Northern Kentucky estimates that the proposed bonds will have an effective interest rate that will vary from 3.7 to 5.1 percent per annum and will have a 15-year term.

Northern Kentucky proposed to use its bond proceeds to refund the Kenton County Water District No. 1 Revenue Bonds 1992, Series A ("Series A Bonds") with an outstanding principal balance of \$26,565,000 and the Kenton County Water District No. 1 Revenue Bonds 1992, Series B ("Series B Bonds") with an outstanding principal balance of \$9,945,000. Northern Kentucky calculated total gross savings and net present value savings of \$2,453,000 and \$1,706,572, respectively.

In a December 17, 2001 filing, Northern Kentucky amended its application to increase its proposed bond issuance of \$38,425,000 by \$7,620,000 to a revised level of \$46,045,000. Northern Kentucky now proposes to use the bond proceeds to refinance the Series A Bonds and to finance the cost of the acquisition of the City of Newport

water facilities in the amount of \$17,100,000.<sup>1</sup> The amended bonds will have effective interest rates that will vary from 2.7 to 5.0 percent per annum and will have a 15-year term. Using the amended interest rates, Northern Kentucky estimates that the refinancing of the Series A Bonds will result in total gross savings and net present value savings of \$2,483,000 and \$1,790,590, respectively.

Northern Kentucky states that the Series A Bonds have a limited call provision requiring the refinancing to be executed by February 1, 2002 and that an order approving the refinancing is therefore needed by January 1, 2002. According to Northern Kentucky, it is still negotiating the final details of the acquisition of the City of Newport's water facilities. Northern Kentucky also states that there is a possibility that an agreement cannot be reached. In the event that the transfer agreement is not finalized, Northern Kentucky proposes, in the alternative, to use the \$17,100,000 in bond proceeds to fund a number of projects that are included in its 5-year construction plan.

The deadline that is imposed by the refinancing of the Series A Bonds does not allow the Commission sufficient time to review Northern Kentucky's proposed financing of the acquisition of the City of Newport facilities nor its alternate plan. Given this time constraint, coupled with the uncertainties surrounding the transfer of the City of Newport facilities, the Commission finds that it has neither adequate evidence nor adequate time to render a decision on the proposed issuance of the \$17,100,000 of bonds. Accordingly, the petition for authorization of \$17,100,000 of additional bonds must be denied.

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<sup>1</sup> Northern Kentucky is no longer requesting approval to refinance its \$9,945,000 of Series B Bonds.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Northern Kentucky's proposal to issue bonds in the amount of \$28,205,000 to refinance its Series A Bonds is for a lawful object within its corporate purpose, is necessary or appropriate for and consistent with the proper performance of its service to the public, and should be approved.

IT IS THEREFORE ORDERED that:

1. Northern Kentucky's proposal to issue bonds in the amount of \$17,100,000 is denied without prejudice.

2. Northern Kentucky is authorized to issue bonds in the amount of \$28,205,000 at an interest rate that will vary between 2.7 percent and 5.0 percent per annum for the purpose of refinancing the Series A Bonds.

3. Northern Kentucky shall agree only to such terms that will result in a positive net present value saving and which are consistent with the parameters set out in its December 17, 2001 filing.

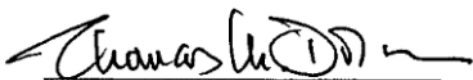
4. Northern Kentucky shall, within 30 days of issuing the bonds authorized herein, file with the Commission a statement setting forth the date the bonds were issued, the actual interest rates, and the principal amount.

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 21<sup>st</sup> day of December, 2001.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Thomas M. Dixon", written over a horizontal line.

Executive Director