

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF ESTILL COUNTY)	
WATER DISTRICT NO. 1 TO ISSUE)	
SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$230,000 FOR THE)	CASE NO.
PURPOSE OF REFUNDING CERTAIN)	2002-00268
OUTSTANDING REVENUE BONDS OF THE)	
DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On July 3, 2002, Estill County Water District No. 1 (Estill District) submitted its application seeking Commission authority to obtain a loan from the Kentucky Rural Water Finance Corporation (KRWFC) in the amount of \$230,000, subject to an adjustment of up to 5 percent. Estill District estimates the KRWFC loan will have a 19-year term with an effective variable interest rate of 4.55 to 5.4 percent per annum. However, Estill District states that the KRWFC loan may vary from the present assumptions based upon market conditions and other business judgment factors.

As part of its application, Estill District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring 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 the application is filed. However, Section 14 of the Administrative Regulation permits a deviation upon the showing of good cause.

In support of its request, Estill District states that there has been no change that is material in nature in the financial condition or operation of Estill District since December 31, 2000. Because the audit for the calendar year 2001 has yet to be completed, Estill District has included in its application the financial data for the 12-month period ending December 31, 2000, the most recent published financial data available. Furthermore, because of the volatility of the bond market, Estill District claims that it cannot run the risk of delaying the closing of the 2001 KRWFC loan while more current financial data is compiled. Having considered Estill District's requested deviation, the Commission has determined that good cause for granting the deviation has been presented, and that there is sufficient financial information in the record for it to render a decision regarding the proposed KRWFC loan.

The loan proceeds will be used to refund Estill District's Waterworks Revenue Bonds of 1984 (1984 Revenue Bonds), dated March 14, 1985, bearing an interest rate of 7.375 percent per annum, with an outstanding principal balance of \$217,000. The 1984 Revenue Bonds are currently being serviced by GMAC Commercial Mortgage.

Estill District originally estimated that its proposed refinancing would result in total gross savings and net present value savings of \$84,713 and \$32,578, respectively. In its July 24, 2001 filing, Estill District revised its application to reflect the finalized loan amount of \$229,490 and a variable interest rate of 3.15 to 4.90 percent. Using these final amounts, Estill District calculates total gross savings and a net present value saving of \$108,619 and \$51,417, respectively.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Estill District's proposed loan of \$229,490 from the

KRWFC is for a lawful object within its corporate purpose, is necessary, appropriate for and consistent with the proper performance of its service to the public, and should therefore be approved.

IT IS THEREFORE ORDERED that:

1. Estill District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Estill District is authorized to borrow \$229,490 from the KRWFC at an interest rate that will vary between 3.15 and 4.90 percent per annum.

3. Estill District is authorized to obtain the proposed KRWFC loan only if the total gross savings and net present value savings of the refinancing of its 1984 Revenue Bonds are \$108,619 and \$51,417, respectively.

4. Estill District shall, within 30 days of executing the agreement for the proposed KRWFC loan, file with the Commission a statement setting forth the date of the loan, the actual interest rate, and the actual principal amount.

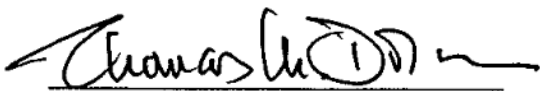
5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

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 as to the securities authorized herein.

Done at Frankfort, Kentucky, this 25th day of July, 2002.

By the Commission

ATTEST:

A handwritten signature in black ink, appearing to read "Charles H. [unclear]", written over a horizontal line.

Executive Director