

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF WEBSTER COUNTY	)	
WATER DISTRICT TO ISSUE SECURITIES	)	
IN THE APPROXIMATE PRINCIPAL	)	
AMOUNT OF \$1,385,000 FOR THE	)	CASE NO.
PURPOSE OF REFUNDING CERTAIN	)	2002-00356
OUTSTANDING REVENUE BONDS OF THE	)	
DISTRICT PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On September 27, 2002, the Webster County Water District ( Webster District ) submitted its application seeking Commission authority to obtain a loan from the Kentucky Rural Water Finance Corporation ( KRWFC ) in the amount of \$1,385,000, subject to an adjustment of up to 5 percent. Webster District estimates the KRWFC loan will have a 12-year term with an effective variable interest rate of 1.59 to 3.95 percent per annum. However, Webster 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, Webster District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]henever 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, Webster District states that there has been no change that is material in nature in the financial condition or operation of Webster District since December 31, 2001. In its application, Webster District uses the financial data for the 12-month period ending December 31, 2001, the most recent published financial data available. Furthermore, because of the volatility of the bond market, Webster District claims that it cannot run the risk of delaying the closing of the 2002 KRWFC loan while more current financial data is compiled. Having considered Webster 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 to render a decision regarding the proposed KRWFC loan.

The loan proceeds will be used to refund Webster District's Water System Revenue Bonds, Series of 1994, dated May 1, 1994, bearing an interest rate that varies from 5.9 to 6.75 percent per annum. Webster District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$342,972 and \$80,706, respectively. However, if the proposed KRWFC loan is increased by the 5 percent adjustment to \$1,454,250, Webster District estimates that the total gross savings and net present value savings will decrease to \$259,100 and \$78,941, respectively.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Webster District's proposed loan in a principal amount that will not exceed \$1,454,250 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. Webster District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.

2. Webster District is authorized to borrow an amount not to exceed \$1,454,250 from the KRWFC at an interest rate that will vary between 1.59 to 3.95 percent per annum

3. Webster 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 Prior Bonds are at a minimum \$259,100 and \$78,941, respectively.

4. Webster 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 21<sup>st</sup> day of October, 2002.

By the Commission

ATTEST:



Executive Director