

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF THE HARDIN COUNTY)	
WATER DISTRICT NO. 2 TO ISSUE)	
SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$2,205,000 AND)	
\$3,050,000 FOR THE PURPOSE OF)	CASE NO.
REFUNDING CERTAIN OUTSTANDING)	2002-00404
REVENUE BONDS OF THE DISTRICT)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.300 AND 807 KAR 5:001)	

ORDER

On November 7, 2002, the Hardin County Water District No. 2 (Hardin District No. 2) submitted its application seeking Commission approval to issue the following bonds: (1) Water System Refunding Bonds, Series 2002B (2002B Refunding Bonds) in the principal amount of \$2,205,000; and (2) Water System Refunding Bonds, Series 2002C (2002C Refunding Bonds) in the principal amount of \$3,050,000. Hardin District No. 2 received the competitive bids for its proposed 2002B Refunding Bonds and 2002C Refunding Bonds on November 20, 2002. On November 26, 2002, Hardin District No. 2 filed its Amended Application to reflect the actual principal and interest rates for both of its proposed bond issues.

As part of its application, Hardin District No. 2 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 that regulation permits a deviation upon the showing of good cause.

In support of its request, Hardin District No. 2 states that there has been no change that is material in nature in the financial condition or operation of Hardin District No. 2 since December 31, 2001. In its application, Hardin District No. 2 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, Hardin District No. 2 claims that it cannot run the risk of delaying the sale of the 2002B Refunding Bonds or the 2002C Refunding Bonds while more current financial data is compiled. Having considered Hardin District No. 2'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 bonds.

Hardin District No. 2 amended its application to reflect a reduction in the proposed principal balance of its 2002B Refunding Bonds from \$2,205,000 to \$2,190,000. The amended 2002B Refunding Bonds will have a 9-year term with an effective variable interest rate of 1.75 to 3.50 percent per annum. Hardin District No. 2 will use the proceeds from this bond issuance to refund its Water System Revenue Bonds, Series of 1991 (1991 Revenue Bonds) bearing an interest rate that varies from 6.50 to 6.90 percent per annum and an outstanding principal balance of \$2,085,000. Hardin District No. 2's proposed refinancing will result in total gross savings and net present value savings of \$268,818 and \$205,405, respectively.

In its Amended Application, Hardin District No. 2 reduced the requested principal balance of its 2002C Refunding Bonds from \$3,050,000 to \$3,020,000. The amended 2002C Refunding Bonds will have a 12-year term with an effective variable interest rate of 2.00 to 3.75 percent per annum. Hardin District No. 2 will use the proceeds from this bond issuance to refund its Water System Revenue Bonds, Series of 1994B (1994B Revenue Bonds) bearing an interest rate of 5.7 percent per annum and an outstanding principal balance of \$3,505,000. Hardin District No. 2 s proposed refinancing will result in total gross savings and net present value savings of \$173,952 and \$109,267, respectively.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Hardin District No. 2 s proposal to issue the 2002B Refunding Bonds in the amount of \$2,190,000 for the purpose of refinancing the 1991 Revenue Bonds, and the 2002C Refunding Bonds in the amount of \$3,020,000 for the purpose of refinancing the 1994B Revenue Bonds, 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. Hardin District No. 2 s motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.
2. Hardin District No. 2 is authorized to issue the 2002B Refunding Bonds in the amount of \$2,190,000 at an interest rate that will vary between 6.50 to 6.90 percent per annum for the purpose of refinancing the 1991 Revenue Bonds.

3. Hardin District No. 2 is authorized to issue the proposed 2002B Refunding Bonds only if the total gross savings and net present value savings of the refinancing of its 1991 Revenue Bonds are at least \$268,818 and \$205,405, respectively.

4. Hardin District No. 2 is authorized to issue the 2002C Refunding Bonds in the amount of \$3,020,000 at an interest rate that will vary between 2.00 to 3.75 percent per annum for the purpose of refinancing the 1994B Revenue Bonds.

5. Hardin District No. 2 is authorized to issue the proposed 2002C Refunding Bonds only if the total gross savings and net present value savings of the refinancing of its 1994B Revenue Bonds are at least \$173,952 and \$109,267, respectively.

6. Hardin District No. 2 shall agree only to such terms that will result in a positive net present value savings and are consistent with the parameters set out in its Amended Application filed November 26, 2002.

7. Hardin District No. 2 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.

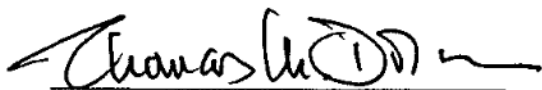
8. The proceeds from the transactions authorized herein shall be used only for the lawful purposes specified in the application.

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 6th day of December, 2002.

By the Commission

ATTEST:

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

Executive Director