

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF KNOTT COUNTY WATER)	
AND SEWER DISTRICT FOR APPROVAL OF THE)	CASE NO.
ISSUANCE OF SECURITIES PURSUANT TO THE)	2003-00359
PROVISIONS OF KRS 278.023)	

O R D E R

On September 22, 2003, Knott County Water and Sewer District (Knott District) applied for Commission authorization to issue securities, pursuant to provisions of KRS 278.023. Knott District proposes to issue \$185,000 of its Water and Sewer Revenue Bonds (2003 Revenue Bonds) and to obtain an \$85,000 grant from U.S. Department of Agriculture's Rural Development (RD). RD has committed to purchase the 2003 Revenue Bonds maturing over a 40-year period at an interest rate not exceeding 4.5 percent per annum. Knott District will use the proceeds of the 2003 Revenue Bonds and grant to payoff the management contract with U.S. Filter, refinance outstanding debt obligations, and purchase equipment.

KRS 278.023 applies only to projects that involve construction. Knott District's intended use of its financing does not include construction; consequently, the provisions of KRS 278.023 do not apply.

On October 23, 2003, Knott District submitted its amended application, pursuant to the provisions of KRS 278.300 and the filing requirements contained in Administrative Regulation 807 KAR 5:001, Section 11.

As part of its application, Knott District moves for a deviation from the provision of Administrative Regulation 807 KAR 5:001, Section 6, requiring that, [w]hensoever 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, Knott District states that there has been no change that is material in nature in the financial condition or operation of Knott District since December 31, 2002. In its application, Knott District uses the financial data for the 12-month period ending December 31, 2002, the most recent published financial data available. According to Knott District, its computer system cannot generate the required financial data in a timely and efficient manner. Requiring it to generate updated financial statements, Knott District claims, would cause it to continue to pay the higher interest rate on the outstanding debt obligation, thereby lowering Knott District's net income. Having considered Knott District's request for 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 2003 Revenue Bonds.

The Commission, having reviewed the evidence of record and being otherwise sufficiently advised, finds that Knott District's proposal to issue the 2003 Revenue Bonds, for the purpose as described herein, 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. Knott District's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.
2. Knott District is authorized to issue the 2003 Revenue Bonds for an amount not to exceed \$185,000.
3. Knott District shall, within 30 days of issuing the bonds authorized herein, file with the Commission a statement in this proceeding setting forth the date the bonds were issued, the actual interest rates, and the principal amount.
4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in the application.

Nothing contained herein shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing herein accepted.

Done at Frankfort, Kentucky, this 16th day of December, 2003.

By the Commission

ATTEST:


Executive Director