

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

|  |   |            |
|--|---|------------|
| THE APPLICATION OF GREEN RIVER VALLEY    | ) |            |
| WATER DISTRICT TO ISSUE SECURITIES       | ) |            |
| IN THE APPROXIMATE PRINCIPAL AMOUNT OF   | ) | CASE NO.   |
| \$2,165,900 FOR THE PURPOSE OF REFUNDING | ) | 2003-00388 |
| CERTAIN OUTSTANDING REVENUE BONDS OF     | ) |            |
| THE DISTRICT PURSUANT TO THE PROVISIONS  | ) |            |
| OF KRS 278.300 AND 807 KAR 5:001         | ) |            |

ORDER

On October 3, 2003, Green River Valley Water District ( Green River ) submitted its application seeking Commission authority to obtain a Kentucky Rural Water Finance Corporation ( KRWFC ) loan in the amount of \$2,165,900, subject to an adjustment of up to 10 percent. Green River estimates the KRWFC loan will have a 16-year term with an effective variable interest rate of 2.150 to 3.753 percent per annum. However, Green River states that the KRWFC loan may vary from the present assumptions based upon market conditions and other business judgement factors.

As part of its application, Green River 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 that regulation permits a deviation upon the showing of good cause.

In support of its request, Green River states that there has been no change that is material in nature in the financial condition or operation of Green River since June 30,

2002. In its application, Green River uses the financial data for the 12-month period ending June 30, 2002, the most recent published financial data available. Furthermore, because of the volatility of the bond market, Green River claims that it cannot run the risk of delaying the closing of the proposed KRWFC loan while more current financial data is compiled. Having considered Green River'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 of \$2,165,900 and internal funds of \$149,192 will be used to pay all issuance costs and refund: (1) Green River Valley Water District Water System Revenue Bonds of 1976, dated October 20, 1977, in the original principal amount of \$680,000; (2) Green River Valley Water District Water System Revenue Bonds of 1977, dated August 16, 1978, in the original principal amount of \$624,000; and (3) Green River Valley Water District Water System Revenue Bonds of 1980, dated May 12, 1981, in the original principal amount of \$1,873,000. All Bond Series to be refunded are currently held by the U.S. Department of Agriculture, acting through Rural Development, and bear interest at the rate of 5 percent per annum. Green River estimates that the proposed refunding will result in net present value savings of \$121,162.

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Green River's proposed KRWFC loan is for a lawful object within its corporate purpose, is necessary and 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. Green River's motion to deviate from Administrative Regulation 807 KAR 5:001, Section 6, is granted.
2. Green River is authorized to obtain the KRWFC loan, but only under such terms and conditions that will produce positive net present value savings.
3. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, Green River shall, within 30 days of obtaining the loan authorized in this proceeding, file with the Commission amortization schedules and workpapers showing the gross and net present value savings that resulted from refinancing of the outstanding revenue bonds.
4. Green River shall, within 30 days of obtaining the KRWFC loan authorized herein, file with the Commission a statement setting forth the date the loan was obtained, the actual interest rates, and the 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 thereof as to the securities authorized herein.

Done at Frankfort, Kentucky, this 24<sup>th</sup> day of October, 2003.

By the Commission

ATTEST:

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

Executive Director

Case No. 2003-00388