

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY )  
WATER DISTRICT FOR APPROVAL OF ) CASE NO. 2003-00429  
FINANCING THE ACQUISITION OF )  
PROPERTY AND BUILDING FOR OFFICES )

O R D E R

On November 21, 2003, Northern Kentucky Water District ("Northern District") applied to the Commission for approval to issue Bond Anticipation Notes ("BANs") to finance the acquisition of property and an existing building for use as offices. The application did not meet the minimum filing requirements, but all deficiencies were cured and the application was deemed filed as of December 10, 2003.

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention ("Attorney General"), was granted full intervenor status in this action.

In Case No. 2002-00105,<sup>1</sup> Northern District submitted its 5-year construction plan, which included the acquisition of land for the building of a new office complex. In an Interim Order in that case, the Commission found that the land purchase did not require a Certificate of Public Convenience and Necessity. However, the \$30 million

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<sup>1</sup> Case No. 2002-00105, Application of Northern Kentucky Water District for (A) An Adjustment of Rates; (B) A Certificate of Public Convenience and Necessity for Improvements to Water Facilities if Necessary; and (C) Issuance of Bonds (April 30, 2003).

bond issuance that was approved by the Commission included \$1.5 million for the proposed land acquisition.

In the present proceeding, Northern District proposes to supplement the \$1.5 million with \$3.4 million of BANs to purchase the office, warehouse, and storage facilities of the Cincinnati Steel Treating Company ("Cincinnati Steel property"). In addition to the acquisition costs, Northern District will also incur closing and remodeling costs, both of which will be financed with BANs.

Pursuant to a request of Northern District, an informal conference was held on December 10, 2003 at the Commission's offices in Frankfort, Kentucky. At the informal conference, Northern District stated that it plans to convert the BANs proposed herein to long-term debt at the time it files its next rate case in 2005.

While KRS 278.300(1) requires a public utility to obtain Commission authorization prior to the issuance of indebtedness, KRS 278.300(8) expressly exempts notes that "[a]re payable at periods of not more than two (2) years from the date" of issuance. In this instance, Northern District has stated that it intends to convert the BANs into long-term debt in 2005, a period which is less than the 2-year statutory cutoff. The Commission finds that Northern District's plan of financing the acquisition and remodeling of the Cincinnati Steel property falls within the exemption of KRS 278.300(8); therefore, Commission authorization of the proposed BANs is not required. However, prior to the issuance of any long-term evidences of indebtedness that will refund or retire the proposed BANs, Northern District should seek Commission authorization for such action.

Northern District expressed at the informal conference that it would like the Commission's Order herein to include a finding that the acquisition of the Cincinnati Steel property, and the remodeling thereof, are reasonable. Northern District stated that it is unable to provide the Commission information on the costs that will be incurred to convert the Cincinnati Steel property to meet its needs. The record is devoid of information necessary for the Commission to determine the reasonableness or the prudence of Northern District's decision to acquire and remodel the Cincinnati Steel property to fit its office needs. Therefore, Commission is unable to make a finding on the reasonableness of the acquisition.

Based on the record and being otherwise sufficiently advised, the Commission finds that Commission approval of the proposed BANs is not required and this case should be dismissed.

IT IS THEREFORE ORDERED that:

1. Commission approval of the BANs proposed herein is not required.
2. Prior to the issuance of any long-term evidences of indebtedness that will refund or retire the subject BANs, Northern District shall seek Commission authorization for such action.
3. This case is dismissed and is removed from the Commission's docket.

Done at Frankfort, Kentucky, this 24<sup>th</sup> day of March, 2004.

By the Commission

ATTEST:

  
Executive Director