

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF FARMDALE)	
DEVELOPMENT CORPORATION FOR)	CASE NO.
AUTHORIZATION TO ENTER INTO)	2007-00331
PROMISSORY NOTE)	

ORDER

On July 25, 2007, Farmdale Development Corporation ("Farmdale") applied to the Commission for approval pursuant to KRS 278.300 to issue a promissory note to Old National Bank, Louisville, Kentucky for \$150,000 for a term of five years from June 15, 2007 at an interest rate of 7.75 percent. The requested financing included proceeds of \$148,500 and a loan commitment fee of \$1,500. Carroll F. Cogan, the President and sole stockholder of Farmdale Utilities, Inc., which is the sole stockholder of Farmdale, has issued a person guarantee of payment for this note.

Farmdale will use the loan proceeds to fund system improvements that the Commission identified in Case No. 2006-00028¹ as necessary to maintain the continuity and reliability of Farmdale's service. In that case, the Commission established a monthly surcharge of \$9.92 for a period of five years, or the collection of \$146,307, whichever comes first, to allow recovery of the system improvement costs which Farmdale now proposes to finance in this application.

¹ Case No., 2006-00028, Application to Request Commission Approval for an Increase in Farmdale Development Corporation Sewage Treatment Plant's Rate Pursuant to the Alternative Rate Filing Procedure for Small Utilities (Ky. PSC April 11, 2007).

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that Farmdale's issuance of the proposed promissory note is for a lawful object within Farmdale's corporate purposes, is necessary, appropriate for and consistent with the proper performance of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Farmdale is authorized to borrow \$150,000 from Old National Bank in Louisville for a 5-year term at a rate of 7.75 percent for various system improvements.
2. Farmdale shall, within 30 days of executing the agreement for the proposed Old National Bank loan, file with the Commission a statement setting forth the date of the loan, the actual interest rate, and the actual principal amount.
3. 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 27th day of September, 2007.

By the Commission

ATTEST:



Executive Director