

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH MERCER WATER	)	
DISTRICT TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF	)	
\$1,785,000 FOR THE PURPOSE OF REFUNDING	)	CASE NO.
CERTAIN OUTSTANDING REVENUE BONDS OF	)	2010-00154
THE DISTRICT PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On April 15, 2010, North Mercer Water District (“North Mercer”) applied to the Commission for the authority to obtain a Kentucky Rural Water Finance Corporation (“KRWFC”) loan in the principal amount of \$1,785,000, subject to an adjustment of up to 10 percent. North Mercer estimates that the proposed KRWFC loan will have a 22-year term with interest rates varying from 2.25 to 4.75 percent per annum.<sup>1</sup>

As part of its application, North Mercer moves for a deviation from the provision of 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.” Section 14 of that regulation permits a deviation upon the showing of good cause.

In support of its request for a deviation from 807 KAR 5:001, North Mercer states that there has been no change that is material in nature in its financial condition or

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<sup>1</sup> Application, Exhibit A, Debt Service Schedule.

operation since December 31, 2009, the most recently published financial data available. Due to the volatility of the bond market, North Mercer claims that it cannot run the risk of delaying the closing of the KRWFC loan while more current financial data is gathered.

The Commission has determined that good cause for granting North Mercer's requested deviation has been presented and that there is sufficient financial information in the record to render a decision regarding the proposed financing.

The proceeds of the KRWFC loan will be used to refund the outstanding revenue bonds designated as (1) the North Mercer County Water District Waterworks Revenue Bonds of 1994 bearing an interest rate of 5.375 percent per annum with an outstanding principal balance of \$1,033,000 and (2) the North Mercer County Water District Waterworks Refunding Revenue Bonds of 1996 bearing interest rates that vary from 5.375 to 5.600 percent per annum with an outstanding principal balance of \$810,000 (collectively, "Outstanding Revenue Bonds").<sup>2</sup> North Mercer estimates that its proposed refinancing will result in total gross savings and net present value savings of \$407,938 and \$152,065, respectively.<sup>3</sup>

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that North Mercer's proposal to obtain the KRWFC loan, as described herein, for the purpose of refinancing the Outstanding Revenue Bonds is for a lawful object within its corporate purpose and is necessary, appropriate for and consistent with the proper performance of its service to the public. We further find that

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<sup>2</sup> Id. Exhibit D, Amortization Schedules for Outstanding Revenue Bonds.

<sup>3</sup> Id. Exhibit C, Debt Service Comparison.

the financing will not impair the utility's ability to perform its service and is reasonably necessary and appropriate for such purpose. The financing should therefore be approved.

IT IS THEREFORE ORDERED that:

1. North Mercer's motion to deviate from 807 KAR 5:001, Section 6, is granted.

2. North Mercer is authorized to enter an Assistance Agreement with KRWFC to borrow up to \$1,963,500<sup>4</sup> to refinance the Outstanding Revenue Bonds but only under such terms and conditions as will produce both positive gross savings and net present value savings.

3. If the actual terms and conditions of the KRWFC loan differ from those set forth in the application, North Mercer shall, within 30 days of issuing the KRWFC loan authorized in this proceeding, file amortization schedules and workpapers with the Commission showing the actual gross savings and net present value savings that resulted from the refinancing of the Outstanding Revenue Bonds.

4. North Mercer shall, within 30 days of obtaining the KRWFC loan authorized herein, file a statement with the Commission 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.

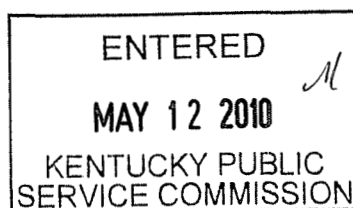
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<sup>4</sup>  $\$1,785,000 \times 10\% = \$178,500 + \$1,785,000 = \$1,963,500.$


6. Any documents filed in the future pursuant to ordering paragraph 3 or 4 herein shall reference this case number and shall be retained in the utility's general correspondence file.

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.

By the Commission



ATTEST:



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Executive Director

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