

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH HOPKINS WATER	)	
DISTRICT TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF	)	
\$1,280,000 FOR THE PURPOSE OF REFUNDING	)	CASE NO.
CERTAIN OUTSTANDING REVENUE BONDS OF	)	2010-00303
THE DISTRICT PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On July 20, 2010, North Hopkins Water District (“North Hopkins”) applied to the Commission for approval to enter into an Assistance Agreement with the Kentucky Rural Water Finance Corporation to obtain a loan (“KRWFC loan”) of \$1,280,000, subject to adjustment of up to 10 percent. North Hopkins estimates that the proposed KRWFC loan will have a 12-year term with interest rates that vary from 3.2 percent to 4.2 percent per annum.<sup>1</sup>

As part of its application, North Hopkins has requested 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.”<sup>2</sup> Section 14 of that regulation permits a deviation upon the showing of good cause.

---

<sup>1</sup> Application at 2.

<sup>2</sup> Id. at 4.

In support of its request for a deviation from 807 KAR 5:001, North Hopkins states that there has been no change that is material in nature in its financial condition or operation since December 31, 2009, the date from which the most recently published financial data is available. Due to the volatility of the bond market, North Hopkins claims that it cannot run the risk of delaying the sale or the closing of the KRWFC loan while more current financial data is gathered. Any delay in the process could cause North Hopkins to lose the favorable market conditions.<sup>3</sup>

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

North Hopkins will combine the \$1,280,000 in its KRWFC loan proceeds with the current balance of \$206,463 in its debt service reserve fund and a \$10,534 reoffering premium.<sup>4</sup> The combined \$1,496,997 in "Sources of Funds" will be used to refund the outstanding revenue bonds designated as the North Hopkins Water District Waterworks Refunding Revenue Bonds, Series 1998, dated March 1, 1998 ("Series 1998 Refunding Bonds") bearing interest rates varying from 5.0 to 5.3 percent per annum and an outstanding principal balance of \$1,450,016 and to pay the \$46,981 in bond issuance

---

<sup>3</sup> Id. at 5.

<sup>4</sup> Id. Exhibit B, Sources and Uses.

costs.<sup>5</sup> North Hopkins estimates that its proposed refinancing would result in total gross savings and net present value savings of \$291,472 and \$52,046, respectively.<sup>6</sup>

The Commission, having considered the evidence of record and being otherwise sufficiently advised, finds that North Hopkins' proposal to obtain the KRWFC loan, as described herein, for the purpose of refinancing the 1998 Series Refunding Bonds 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. North Hopkins' motion to deviate from 807 KAR 5:001, Section 6, is granted.

2. North Hopkins is authorized to enter into an Assistance Agreement with the KRWFC to borrow up to \$1,408,000<sup>7</sup> for the purpose of refinancing the 1998 Series Refunding Bonds, but only under such terms and conditions that 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 Hopkins shall, within 30 days of issuing the bonds authorized in this proceeding, file with the Commission amortization schedules and

---

<sup>5</sup> Id. \$22,400 (Total Underwriter's Discount) + \$24,260 (Cost of Issuance) + \$1,450,016 (Deposit to Current Refunding Fund) + \$321 (Rounding Amount) = \$1,496,997.

<sup>6</sup> Id. Exhibit C, Debt Service Comparison.

<sup>7</sup>  $\$1,280,000 \times 10\% = \$128,000 + \$1,280,000 = \$1,408,000.$

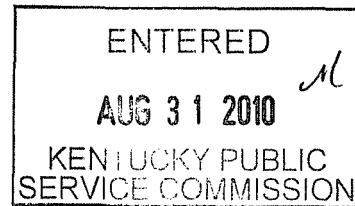
workpapers showing the actual gross savings and net present value savings that will result from the refinancing of the 1998 Series Refunding Bonds.

4. North Hopkins shall, within 30 days of issuing the KRWFC loan authorized herein, file with the Commission a statement setting forth the date the bonds were issued, 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.

By the Commission



ATTEST:

  
Executive Director

Honorable W. Randall Jones  
Attorney at Law  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, KY 40202

Betsy Sellers  
Office Manager  
North Hopkins Water District  
1580 Neelie Webb Road  
Madisonville, KY 42431