

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SOUTH ANDERSON WATER)
DISTRICT TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF)
\$2,000,000 FOR THE PURPOSE OF) CASE NO. 2012-00055
REFUNDING CERTAIN OUTSTANDING)
REVENUE BONDS OF THE DISTRICT)
PURSUANT TO THE PROVISIONS OF)
KRS 278.300 AND 807 KAR 5:001)

ORDER

On March 9, 2012, South Anderson Water District ("South Anderson") applied to the Commission for approval to enter into a loan agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$2,000,000 to refinance existing long-term debt.¹

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. South Anderson, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce and distribute water to approximately 3,577 customers in Anderson County, Kentucky.²

¹ South Anderson District tendered its Application on February 15, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On March 9, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

² *Report of South Anderson Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2010* (hereinafter "Annual Report") at 5 and 27.

2. South Anderson proposes to execute an Assistance Agreement with the KRWFC to borrow \$2,000,000, subject to a 10 percent adjustment. The proposed loan will have a 29-year term with interest rates that vary from 2.20 percent to 4.575 percent per annum.³

3. South Anderson proposes to use the proceeds from the loan agreement to refund the outstanding revenue bonds designated as South Anderson Water District Water System Revenue Bonds, Series of 1993 ("1993 Bonds"),⁴ South Anderson Water District Water System Refunding Bonds, Series 1999A ("1999A Bonds"),⁵ and South Anderson Water District Water System Revenue Bonds, Series 2002 ("2002 Bonds").⁶

4. Approximately \$520,000 of the Series 1993 Bonds remains outstanding. These bonds bear interest at a rate of 5.5 percent per annum and are held by Rural Development.⁷

5. Approximately \$550,000 of the Series 1999A Bonds remains outstanding. These bonds bear interest at a rate that varies from 5.0 percent to 5.125 percent per annum and are held in the open market.

³ Application, App. A.

⁴ See Case No. 93-331, *The Application of South Anderson Water District, Anderson County, Kentucky (1) For a Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements To Its Water Distribution System; (2) Seeking Approval of Revised Water Service Rates and Charges; and (3) Seeking Approval of The Issuance of Certain Securities* (Ky. PSC Oct. 4, 1993) (authorizing bond issuance).

⁵ See Case No. 99-134, *The Application of the South Anderson Water District To Issue Securities in the Approximate Principal Amount of \$865,000 For the Purpose of Refunding An Outstanding Revenue Bond of The District Pursuant To The Provisions of KRS 278.300 and KAR 5:001* (Ky. PSC May 12, 1999) (authorizing bond issuance).

⁶ See Case No. 2001-00090, *The Application of South Anderson Water District, Anderson County, Kentucky, (1) For a Certificate of Public Convenience and Necessity Authorizing Construction of Major Additions and Improvements To Its Water System; (2) Seeking Approval of Revised Water Service Rates and Charges; and (3) Seeking Approval of The Issuance of Certain Securities* (Ky. PSC May 3, 2001) (authorizing bond issuance).

⁷ Rural Development is an agency of the U.S. Department of Agriculture.

6. Approximately \$942,000 of the Series 2002 Bonds remains outstanding. These bonds bear interest at 5.125 percent per annum and are held by Rural Development

7. South Anderson will expend \$2,094,002 to refund the outstanding bonds and to pay bond issuance costs.⁸

8. South Anderson estimates that its proposed refinancing will result in total gross savings and net present value savings of \$280,712 and \$189,379, respectively.⁹

9. South Anderson's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair South Anderson's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. South Anderson is authorized to enter into an agreement with KRWFC to borrow no more than \$2,200,000¹⁰ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions as will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its application, South Anderson shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers

⁸ Application at Exhibit B. \$25,000 (Total Underwriter's Discount) + \$35,000 (Cost of Issuance) + \$2,033,547 (Deposit to Current Refunding Fund) + \$455 (Rounding Amount) = \$2,094,002. The sources of these funds are: Par Amount of Bonds (\$2,000,000), Reoffering Premium (\$2,214), Prior Issue Debt Service Funds (\$27,970), and Prior Issue Debt Service Reserve Funds (\$63,818).

⁹ *Id.* at Exhibit C.

¹⁰ \$2,000,000 x 110% = \$2,200,000.

showing the actual gross savings and net present value savings that will result from the refinancing.

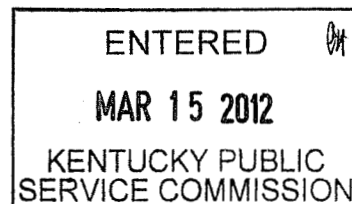
3. Within 30 days of executing the proposed agreement, South Anderson shall file a written statement with the Commission setting forth the date on which the agreement was entered, the actual interest rates, and the principal amount.

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in South Anderson's application.

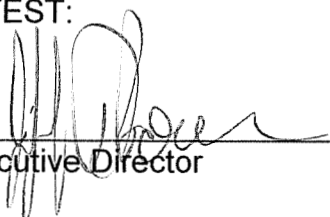
5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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:



Executive Director

Honorable W. Randall Jones
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