

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY	)	CASE NO.
WATER DISTRICT FOR APPROVAL OF RE-	)	2012-00113
FINANCING OF OUTSTANDING BONDS	)	

O R D E R

Northern Kentucky Water District ("Northern District") has applied for authorization to issue revenue bonds in the principal amount of \$64,125,000 to refinance existing bonds.<sup>1</sup> Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Northern District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 80,369 customers in Kenton and Campbell counties, Kentucky and wholesale water service to Bullock Pen Water District, Pendleton County Water District, and the city of Walton, Kentucky.<sup>2</sup>

2. Northern District proposes to issue Refunding Revenue Bonds, Series 2012 ("2012 Refunding Bonds") in the principal amount of \$64,125,000. The proposed bonds will have a 16-year term with interest rates that vary between 2.5 percent and 3.1 percent per annum.<sup>3</sup>

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<sup>1</sup> Northern District tendered its application to the Commission on March 22, 2012. It supplemented its initial filing on April 2, 2012. The Commission accepted the application, as supplemented, for filing on April 2, 2012. No party has sought to intervene in this proceeding.

<sup>2</sup> *Annual Report of Northern Kentucky Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2010* at 5, 27 and 30.

<sup>3</sup> Ross, Sinclair & Associates, LLC, "Northern Kentucky Water District Refunding Revenue Bonds, Series 2012 (EST) (Draft Plan of Finance)" [hereinafter "Draft Plan of Finance"] at 6 (Apr. 1, 2012).

3. Northern District proposes to use the proceeds of the 2012 Refunding Bonds to retire all outstanding maturities of the revenue bonds designated as Northern Kentucky Water Service District Refunding Revenue Bonds, Series 1997 (“Series 1997”),<sup>4</sup> Northern Kentucky Water Service District Revenue Bonds, Series 1998 (“Series 1998”),<sup>5</sup> Northern Kentucky Water District Revenue Bonds, Series 2001A (“Series 2001A”),<sup>6</sup> and Northern Kentucky Water District Refunding and Revenue Bonds, Series 2002A (“Series 2002A”)<sup>7</sup> (collectively “Outstanding Revenue Bonds”).

4. Approximately \$770,000 of the Series 1997 Bonds remain outstanding. These bonds bear an interest rate of 4.75 percent per annum.<sup>8</sup>

5. Approximately \$7,795,000 of the Series 1998 Bonds remain outstanding. These bonds bear interest rates that vary between 4.750 percent and 4.875 percent per annum.<sup>9</sup>

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<sup>4</sup> Case No. 97-330, *The Application of Northern Kentucky Water Service District to Issue Revenue Bonds in the Approximate Principal Amount of \$9,630,000, Series 1997, for The Purpose of: Defeating in Advance of Maturity the 1989, 1991, and 1992 Series Revenue Bonds of the Merged Campbell County Kentucky Water District* (Ky. PSC Sept. 2, 1997) (authorizing bond issuance).

<sup>5</sup> Case No. 98-417, *The Application of Northern Kentucky Water Service District to Issue Revenue Bonds in the Approximate Principal Amount of \$33,645,000 (+ Or - \$3,360,000) for the Purpose of Refinancing A Portion of Certain Outstanding Bonds of the System, to Pay the Cost of Issuing the Bonds and to Fund Approximately \$10,360,000 of Projects which the Commission Has Determined Are Not Subject to Approval as to a Certificate of Public Convenience and Necessity; and, to Fund Project K* (Ky. PSC Dec. 7, 1998) (authorizing bond issuance).

<sup>6</sup> Case No. 2001-198, *Application of Northern Kentucky Water District for Approval to Refinance Revenue Bonds in the Approximate Amount of \$38,425,000* (Ky. PSC Jan. 7, 2002) (authorizing bond issuance).

<sup>7</sup> Case No. 2002-00066, *Application of Northern Kentucky Water District for Approval of Financing the Acquisition of the City of Newport Waterworks* (Ky. PSC Apr. 16, 2002) (authorizing bond issuance).

<sup>8</sup> Draft Plan of Finance at 1.

<sup>9</sup> *Id.*

6. Approximately \$14,360,000 of the Series 2001A bonds remain outstanding. These bonds bear interest rates varying from 4.3 percent and 5.0 percent per annum.<sup>10</sup>

7. Approximately \$40,425,000 of the Series 2002A Bonds remain outstanding. These bonds bear interest rates varying from 4.5 percent and 5.0 percent per annum.<sup>11</sup>

8. Northern District will expend \$64,651,720 to refund the outstanding bonds and to pay bond issuance costs.<sup>12</sup>

9. Northern District estimates that the proposed refinancing will result in total gross savings and net present value savings of \$13,458,446 and \$11,194,147, respectively.<sup>13</sup>

10. Northern District's proposed bond issuance is for a lawful object within Northern District's corporate purpose, is reasonably necessary, appropriate for and consistent with the proper performance of its service to the public, will not impair Northern District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

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<sup>10</sup> *Id.*

<sup>11</sup> *Id.*

<sup>12</sup> *Id.* at 5. \$641,250 (Total Underwriters Discount) + \$108,000 (Costs of Issuance) + \$63,900,208 (Deposit to Current Refunding Fund) + \$2,262 (Rounding Account) = \$64,651,720. The sources of these funds: \$64,125,000 (Par Amount of Bonds) + \$26,720 (Reoffering Premium) = \$64,651,720.

<sup>13</sup> *Id.* at 3-4.

IT IS THEREFORE ORDERED that:

1. Northern District is authorized to issue its proposed 2012 Refunding Bonds in a principal amount not to exceed \$64,125,000 for the purpose of refinancing the Outstanding Revenue Bonds, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the 2012 Refunding Bonds differ from those set forth in the application, Northern District shall, within 30 days of the issuance of those bonds, file with the Commission amortization schedules and workpapers showing the actual gross savings and net present value savings that resulted from the refinancing of the Outstanding Revenue Bonds.

3. Within 30 days of issuing the 2012 Refunding Bonds, Northern District shall file with the Commission a written report that sets forth the date of the bond issuance, the actual interest rates, and the principal amount.

4. The proceeds from Northern District's issuance of the 2012 Refunding Bonds shall be used only for the lawful purposes specified in the application.

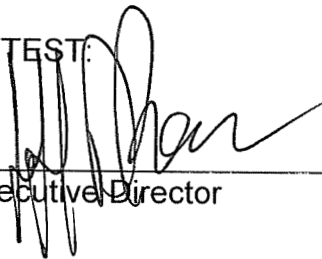
5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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

ENTERED *PA*  
**APR 24 2012**  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



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Executive Director

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