

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF LARUE COUNTY WATER	)	
DISTRICT NO. 1 TO ISSUE SECURITIES IN THE	)	
APPROXIMATE PRINCIPAL AMOUNT OF \$2,830,000	)	CASE NO.
FOR THE PURPOSE OF REFUNDING CERTAIN	)	2012-00387
OUTSTANDING REVENUE BONDS OF THE	)	
DISTRICT PURSUANT TO THE PROVISIONS OF	)	
KRS 278.300 AND 807 KAR 5:001	)	

ORDER

Larue County Water District No. 1 (“Larue District”) has applied to the Commission for authorization to enter into an Assistance Agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$2,830,000 to refund certain outstanding waterworks revenue bonds.<sup>1</sup>

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

1. Larue District proposes to execute an Assistance Agreement with KRWFC to borrow \$2,830,000 subject to an adjustment of up to 10 percent. The proposed loan will have a 28-year term with interest rates that vary from 3.25 percent to 4.4 percent per annum.<sup>2</sup>

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<sup>1</sup> Larue District tendered its Application to the Commission on August 29, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On September 17, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

<sup>2</sup> App., Ex. A.

2. Larue District proposes to use the proceeds from the loan to refund the outstanding revenue bonds held by Rural Development<sup>3</sup> that are designated as Larue County Water District No. 1 Waterworks Revenue Bonds of 1991 (“1991 Bonds”); Larue County Water District No. 1 Waterworks Revenue Bonds, Series 1996 (“1996 Bonds”); Larue County Water District No. 1 Waterworks Revenue Bonds, Series 1997A (“1997A Bonds”); Larue County Water District No. 1 Waterworks Revenue Bonds, Series 1997B (“1997B Bonds”); and Larue County Water District No. 1 Waterworks Revenue Bonds, Series 2000 (“2000 Bonds”).

3. Approximately \$331,000 of the 1991 Bonds remain outstanding.<sup>4</sup> These Bonds bear interest at a rate of 5 percent per annum.

4. Approximately \$730,500 of the 1996 Bonds remain outstanding.<sup>5</sup> These Bonds bear interest at a rate of 5 percent per annum.

5. Approximately \$527,500 of the 1997A Bonds remain outstanding.<sup>6</sup> These Bonds bear interest at a rate of 4.75 percent per annum.

6. Approximately \$201,200 of the 1997B Bonds remain outstanding.<sup>7</sup> These Bonds bear interest at a rate of 4.75 percent per annum.

7. Approximately \$982,000 of the 2000 Bonds remain outstanding.<sup>8</sup> These Bonds bear interest at a rate of 4.75 percent per annum.

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<sup>3</sup> Rural Development is an agency of the U.S. Department of Agriculture.

<sup>4</sup> App., Ex. D.

<sup>5</sup> *Id.*

<sup>6</sup> *Id.*

<sup>7</sup> *Id.*

<sup>8</sup> *Id.*

8. Larue District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$295,861 and \$145,525, respectively.<sup>9</sup>

9. Larue District will expend \$2,936,072 to refund the outstanding bonds and to pay bond issuance costs.<sup>10</sup>

10. Larue District'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 Larue District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Larue District is authorized to enter into an agreement with KRWFC to borrow no more than \$3,113,000<sup>11</sup> for the purpose of refunding the outstanding indebtedness, 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 agreement with KRWFC differ from those set forth in its Application, Larue District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

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<sup>9</sup> In Ex. C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

<sup>10</sup> App., Ex. B. \$2,515 (Original Issue Discount) + \$49,525 (Total Underwriter's Discount) + \$49,950 (Cost of Issuance) + \$2,832,277 (Deposit to Current Refunding Fund) + \$1,805 (Rounding) = \$2,936,072. The Sources of the Funds are \$2,830,000 (Par Amount of Bonds) + \$1,516 (Reoffering Premium) + \$104,556 (Transfers from Prior Issue Debt Service Funds) = \$2,936,072.

<sup>11</sup> \$2,830,000 x 110% = \$3,113,000.

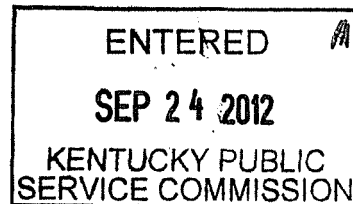
3. Within 30 days of executing the proposed agreement, Larue District shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that Larue District has not previously filed with the Commission.

4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in Larue District'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:

  
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Executive Director

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