

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BUTLER COUNTY	)	
WATER SYSTEM, INC. TO ISSUE	)	
SECURITIES IN THE APPROXIMATE	)	
PRINCIPAL AMOUNT OF \$3,085,000	)	CASE NO.
FOR THE PURPOSE OF REFUNDING CERTAIN	)	2012-00474
OUTSTANDING INDEBTEDNESS OF THE	)	
ASSOCIATION PURSUANT TO THE PROVISION	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On October 23, 2012,<sup>1</sup> Butler County Water System, Inc. (“Butler County”) applied to the Commission for approval to enter into a loan agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$3,085,000 to refund certain outstanding promissory notes.

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

1. Butler County proposes to execute an Assistance Agreement with KRWFC to borrow \$3,085,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 22-year term with interest rates that vary from 0.780 percent to 4.94 percent per annum.<sup>2</sup>

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<sup>1</sup> Butler County tendered its application on October 23, 2012. In its application, it requested a deviation from 807 KAR 5:001, Section 14 and KAR 5:001, Section 11(2)(a). On November 7, 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> Application, Ex. A.

2. Butler County proposes to use the proceeds from the loan to refund outstanding promissory notes held by Rural Development.<sup>3</sup> The notes that Butler County proposes to refund, their interest rate, and amount outstanding are set forth in Table 1 below.

Table 1 <sup>4</sup>		
Notes	Amount Outstanding	Interest Rate
Butler County Water Association Promissory Note, (6/27, 1977)	\$ 93,086	5.0
Butler County Water Association Promissory Note, (8/18, 1987)	226,014	5.0
Butler County Water Association Promissory Note, (4/21, 1989)	619,337	5.0
Butler County Water Association Promissory Note, (2/19, 1992)	547,608	5.0
Butler County Water Association Promissory Note, (2/10, 1994)	1,541,321	5.0
TOTAL	\$3,027,366	

3. Butler County estimates that its proposed refinancing will result in total gross savings and net present value savings of \$138,327 and \$115,505, respectively.<sup>5</sup>

4. Butler County will expend \$3,231,069 to refund the outstanding bonds and to pay bond issuance costs.<sup>6</sup>

5. Butler County's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper

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

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

<sup>5</sup> App. Ex. C. In Exhibit C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively

<sup>6</sup> App. Ex. B. \$53,988 (Total Underwriter's Discount) + \$51,275 (Cost of Issuance) + \$3,122,643 (Deposit to Current Refunding Fund) + \$3,163 (Rounding Amount) = \$3,231,069. The sources of these funds are \$3,085,000 (Par Amount of Bonds) + \$146,069 (Transfers from Prior Issue Debt Service Funds) = \$3,231,069.

performance of its service to the public, will not impair Butler County's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Butler County is authorized to enter into an agreement with KRWFC to borrow no more than \$3,393,500<sup>7</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, Butler County 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.

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

4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in Butler County'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.

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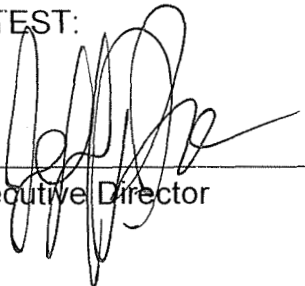
<sup>7</sup> \$3,085,000 x 110% = \$3,393,500

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 <sup>A</sup>  
NOV 09 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:



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Executive Director

Case No. 2012-00474

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