

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF HYDEN-LESLIE COUNTY)	
WATER DISTRICT TO ISSUE SECURITIES IN)	
THE APPROXIMATE PRINCIPAL AMOUNT OF)	
\$2,720,000 FOR THE PURPOSE OF)	CASE NO.
REFINANCING A CERTAIN SHORT-TERM)	2018-00411
OUTSTANDING OBLIGATION OF THE)	
DISTRICT TO LONG-TERM OBLIGATIONS)	
PURSUANT TO KRS 278.300 AND 807 KAR)	
5:001)	

ORDER

On December 10, 2018, Hyden-Leslie County Water District (Hyden-Leslie District) filed an application, pursuant to KRS 278.300 and 807 KAR 5:001, seeking Commission approval to issue a 30-year note in the amount of \$2,720,000,¹ for the purpose of refinancing a short-term outstanding obligation with a maturity date of February 1, 2019. On January 7, 2019, Hyden-Leslie District amended their application to revise the request from approval of a 30-year note to approval of short-term financing with a one-year maturity and to increase the requested amount to \$2,780,000. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

The Commission notes that Hyden-Leslie District reported a water loss of 35.7395 percent in its 2017 Annual Report. Commission regulation 807 KAR 5:066(6)(3) states that, for ratemaking purposes, a utility's unaccounted-for water loss shall not exceed 15

¹ Subject to an adjustment of up to 10%. See Application at 1.

percent of the total water produced and purchased, excluding water consumed by a utility in its own operations. The Commission is placing greater emphasis on monitoring utilities that consistently exceed the 15 percent unaccounted-for water loss threshold and strongly encourages Hyden-Leslie District to pursue reasonable actions to reduce its unaccounted-for water loss. Failure by Hyden-Leslie District to make significant progress towards reducing unaccounted-for water loss may cause the Commission to pursue additional action with the utility. Additionally, the Commission recommends that Hyden-Leslie District evaluate its financial state in light of its need to refinance this debt multiple times. Hyden-Leslie District should consider submitting an application for an alternative rate filing case to examine and adjust current rates to ensure Hyden-Leslie District's ability to meet its financial obligations.

Hyden-Leslie District intends to use the proceeds from the proposed Kentucky Rural Water Finance Corporation (KRWFC) Assistance Agreement to refinance an outstanding short-term loan from KRWFC in the original principal amount of \$2,625,000, dated January 30, 2018, at an annual interest rate of 4.0 percent, and maturing on February 1, 2019 (2018 Loan). In its amended application, Hyden-Leslie District requests to borrow funds from KRWFC with a one-year maturity in the amount of \$2,780,000 with an interest rate of 3.2 percent and maturity on February 1, 2019, in order to refinance the 2018 Loan.²

KRS 278.300(1) requires a utility to obtain Commission approval prior to issuing any securities or evidence of indebtedness. However, KRS 278.300(8) provides that prior Commission approval is not required for notes payable at a period of not more than two

² Motion to Amend Application, paragraphs 4 and 5.

years or notes issued to pay in whole or in part such notes, not exceeding in the aggregate six years from the date of issue of the original notes. Here, Hyden-Leslie District's proposed financing is requested to pay a note payable at a period of not more than two years, and the six-year aggregate has not been exceeded. Therefore, the Commission finds that approval of the requested short-term financing is not required at this time, and the application should be denied a moot. However, pursuant to KRS 278.300, Hyden-Leslie District should seek Commission approval before issuing any long-term revenue notes.

The Commission notes that Hyden-Leslie District amended its request because it was unable to timely complete the loan process for the 30-year note prior to the maturity of the existing one-year note. The Commission further notes that Hyden-Leslie District requested a Commission decision by January 23, 2019, which is 16 days shorter than the statutory period for the Commission to render a decision set forth in KRS 278.300(2). The Commission strongly encourages Hyden-Leslie District to be cognizant of the time frames relevant to obtaining financing, especially refinancing of short-term notes, and of the statutory time frames under which the Commission operates. Although the Commission made significant efforts to timely issue this Order, it may not do so in the future. Hyden-Leslie District is advised that its failure to timely file an application for approval of financing in the future may be at its own peril.

IT IS THEREFORE ORDERED that:

1. Hyden-Leslie District's application seeking Commission approval to issue certain securities for the purpose of refinancing a short-term outstanding obligation to the District is denied as moot.

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2. This case is now closed and removed from the Commission's docket.

By the Commission

ENTERED
JAN 23 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00411

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