

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GREEN-TAYLOR WATER)	
DISTRICT FOR APPROVAL TO ENTER INTO A)	
LEASE AGREEMENT WITH THE KENTUCKY)	
ASSOCIATION OF COUNTIES LEASING)	CASE NO.
TRUST FOR AN APPROXIMATE PRINCIPAL)	2019-00071
AMOUNT OF \$2,530,000 FOR THE PURPOSE)	
OF REFINANCING ALL OUTSTANDING)	
OBLIGATIONS)	

ORDER

On February 28, 2019, Green-Taylor Water District (Green-Taylor District) filed an application (Application) seeking Commission authority to refinance certain debt of up to \$2,530,000 via a lease agreement with the Kentucky Association of Counties Finance Corporation (KACOFC). The filing was rejected due to filing deficiencies. Green-Taylor District filed additional information on March 11, 2019, that cured these deficiencies and the application was deemed as filed as of March 11, 2019. Commission Staff issued and Green-Taylor District responded to one Staff Request for Information. There are no Intervenor in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Green-Taylor District intends to use the proceeds from the proposed KACOFC lease to refinance and discharge \$2,530,000 of outstanding indebtedness to the U.S. Department of Agriculture, acting through Rural Development (RD), and the outstanding Kentucky Rural Water Association Bonds (KRWA Bonds). The outstanding RD balance consists of three fixed-rate debts with original principal amounts of \$466,000, \$675,000,

and \$673,000 with two of the loans having identical interest rates of 4.500 percent and the third RD loan carrying an interest rate of 4.875 percent.¹ The outstanding KRWA Bonds balance consists of one variable interest issuance with the original principal amount of \$2,610,000. Green-Taylor District proposes to refinance the RD indebtedness and the KRWA Bonds. The outstanding principal amounts of the RD indebtedness is approximately \$287,000, \$439,000, and \$544,000. The outstanding balance for the KRWA Bonds is approximately \$1,241,000. The total refinancing amount is \$2,530,000 with one lease agreement with a 25-year term subject to interest rates that will vary between 3.5 percent and 5.0 percent per annum.² Due to the time sensitivity of the transaction involving KACOFC and the bond market, Green-Taylor District requested that a decision be rendered as expeditiously as possible so to avoid jeopardizing the potential interest cost savings.³

Green-Taylor District stated that the KACOFC loan will provide the funds necessary to refund the RD indebtedness and the KRWA Bonds and pay the fees and expenses incident to the issuance of the loan.⁴ Green-Taylor District provided a cash flow analysis that indicates that the refinancing would save \$137,355.63 over the life of the proposed loan, resulting in a positive net present value (NPV) cash flow of \$104,037.45.⁵

¹ Application Exhibit C.

² *Id.*, Exhibit A.

³ *Id.*

⁴ Application Paragraph 7.

⁵ Green-Taylor District's response to Staff's First Request for Information Exhibit A.

The Commission has reviewed the proposed refinancing and finds Green-Taylor District's proposal to be reasonable due to the lower effective interest rate and cash flow savings Green-Taylor District would see over the period of the loan. However, should the new interest rate on the proposed refinancing be higher than the range of interest rates set forth in the Application, Green-Taylor District should not proceed with the refinancing unless the NPV of the refinancing results in positive cash flow. The Commission commends Green-Taylor District for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its customers.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The proposed loan from KACOFB is for lawful objects within the corporate purposes of Green-Taylor District, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.
2. Green-Taylor District should execute its note as security for the proposed loan in the manner described in its Application.
3. The final amounts of the RD and KRWA Bond payoff, the legal fees, and the new KACOFB loan will not be known until the refinancing transaction is finalized. Therefore, Green-Taylor District should provide the Commission an updated version of the response to Staff's First Request, Exhibit A, reflecting the cash flow analysis of the new KACOFB loan within ten days of finalizing the transaction.

4. Within ten days of the execution of the new KACOFC loan documents, Green-Taylor District should file with the Commission one copy in paper medium and an electronic version of the loan documents.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Green-Taylor District's Application.

6. The terms and conditions of the new KACOFC loan should be consistent with the KACOFC refinancing program as described in Green-Taylor District's Application.

IT IS THEREFORE ORDERED that:

1. Green-Taylor District is authorized to borrow from KACOFC up to \$2,530,000, but no more than the total amount needed to pay off the RD and KRWA Bond indebtedness proposed to be refinanced as identified in the Application on the condition that the final NPV of the savings, determined upon closing, generate positive cash flow. The loan maturity date and interest rate shall be in accordance with the KACOFC refinancing program as described in Green-Taylor District's application.

2. Green-Taylor District shall execute the KACOFC loan documents as authorized herein.

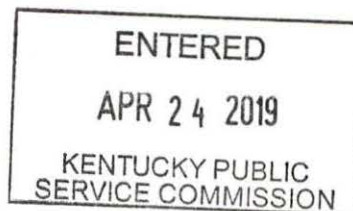
3. Green-Taylor District shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the post case correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

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By the Commission



ATTEST:


Executive Director

Case No. 2019-00071

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