

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF SIMPSON COUNTY WATER)
DISTRICT TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,565,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2011-00445
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

ORDER

On November 7, 2011, Simpson County Water District ("Simpson District") applied to the Commission for approval to enter into a loan agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$1,565,000 to refinance existing long-term debt.

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

1. Simpson District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that produce and distribute water to approximately 3,182 customers in Simpson County, Kentucky.¹
2. In 1993, the Commission approved Simpson District's issuance of \$1,998,000 of revenue bonds to the Farmers Home Administration, the proceeds of which were to finance a waterworks improvement project.²

¹ Report of Simpson County Water District to the Kentucky Public Service Commission for the Year Ended December 31, 2010 (hereinafter "Annual Report") at 5 and 27.

² The Application of Simpson County Water District, Simpson County, Kentucky, (1) For a Certificate of Public Convenience and Necessity Authorizing Construction of Major Improvements and Additions to Its Existing Municipal Distribution System; (2) Seeking Approval of Revised Water Service Rates and Charges; and (3) Seeking Approval of The Issuance of Certain Securities (Ky. PSC Mar. 11, 1993).

3. In 1993, Simpson District issued \$1,998,000 of revenue bonds, designated as Simpson County Water District System Revenue Bonds, Series of 1993 (“1993 Series”) to Farmers Home Administration.³ These bonds bore an interest rate of five percent per annum.

4. Simpson District proposes to execute an Assistance Agreement with KRWFC to borrow \$1,565,000, subject to a 10 percent adjustment. The proposed loan will have a 21-year term with interest rates that vary from 2.50 percent to 4.650 percent per annum.⁴

5. KRWFC is a non-profit corporation organized pursuant to KRS Chapter 273 whose purpose is to finance the public projects of the members of the Kentucky Rural Water Association.⁵

6. Simpson District will use proceeds from the proposed loan agreement, the reoffering premium, and the 1993 Series debt service funds to retire outstanding 1993 Series bonds and to pay bond issuance costs and the bond issuance underwriter’s discount.⁶

7. Rural Development,⁷ an agency of the U.S. Department of Agriculture, currently holds all outstanding 1993 Series bonds.

³ *Annual Report* at 23.

⁴ Application, Exhibit A.

⁵ Articles of Incorporation of Kentucky Rural Water Finance Corporation (May 18, 1995), <https://app.sos.ky.gov/corpscans/47/0401747-09-99999-19950614-ART-3673729-PU.pdf>.

⁶ Application, Exhibit B. Total Sources of Funding = \$1,565,000 (Par Amount of Bonds) + \$2,091 (Reoffering Premium) + \$70,083 (Transfers from Prior Issue Debt Service Funds) = \$1,637,174. Total Uses of Funding = \$1,592,500 (Deposit to Current Refunding Fund) + 23,475 (Costs of Issuance) + \$19,562 (Underwriter’s Discount) + \$1,637 (Rounding Amount) = \$1,637,174.

⁷ In 1994, Congress authorized the reorganization of the Department of Agriculture, which included the abolishment of the Farmers Home Administration and transfer of its lending functions to the newly created Rural Development.

8. Simpson District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$149,980 and \$74,947, respectively.⁸

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

10. Simpson District has requested a deviation from 807 KAR 5:001, Section 11(2)(a), which requires the filing of a financial exhibit covering "operations for a twelve (12) month period . . . ending not more than ninety (90) days prior to the date the application is filed."⁹ It has provided its financial statements for calendar year 2010 and represents that there has been no change that is material in nature in its financial condition or operation since the publication of these statements.

11. Simpson District has demonstrated good cause to permit its deviation from 807 KAR 5:001, Section 11(2)(a).

IT IS THEREFORE ORDERED that:

1. Simpson District's motion to deviate from 807 KAR 5:001, Section 11(2)(a), is granted.

2. Simpson District's application is considered filed as of November 7, 2011. Simpson District is authorized to enter into an agreement with KRWFC to borrow no more than \$1,721,500¹⁰ for the purpose of refunding the outstanding 1993 Series

⁸ Application, Exhibit C.

⁹ 807 KAR 5:001, Section 6. 807 KAR 5:001, Section 11(2)(a), refers to Section 6. While Simpson District requests a deviation from 807 KAR 5:001, Section 6, its requested relief requires a deviation from 807 KAR 5:001, Section 11(2)(a). The Commission will consider Simpson District's request as a motion to deviate from 807 KAR 5:001, Section 11(2)(a).

¹⁰ $\$1,565,000 \times 110\% = \$1,721,500$.

revenue bonds, but only under such terms and conditions that will produce both positive gross savings and net present value savings.

3. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its application, Simpson 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.

4. Within 30 days of executing the proposed agreement, Simpson District shall file a statement with the Commission setting forth the date on which the agreement was entered, the actual interest rates, and the principal amount.

5. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in Simpson District's application.

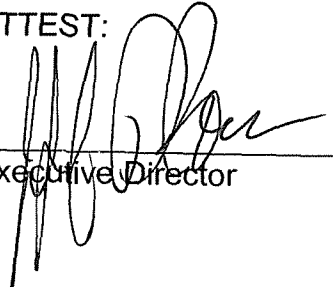
6. Any documents filed pursuant to ordering paragraphs 3 and 4 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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}
DEC 06 2011
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

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