

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST LOGAN WATER)	
DISTRICT TO ISSUE SECURITIES IN THE)	
APPROXIMATE PRINCIPAL AMOUNT OF)	
\$915,000 FOR THE PURPOSE OF REFUNDING)	CASE NO. 2012-00175
CERTAIN OUTSTANDING REVENUE BONDS OF)	
THE DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On May 14, 2012, East Logan Water District (“East Logan”) applied to the Commission for approval to execute an agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$915,000 to refund certain outstanding revenue bonds.¹

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

1. East Logan proposes to execute an Assistance Agreement with KRWFC to borrow \$915,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 23-year term with interest rates that vary from 2.35 percent to 4.35 percent per annum.²

¹ East Logan tendered its Application on May 7, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On May 14, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

² Application, Ex. A.

2. East Logan proposes to use the loan proceeds to refund the outstanding revenue bonds designated as East Logan Water District Water System Revenue Bonds of 1990 ("1990 Bonds") and East Logan Water District Water System Revenue Bonds, Series 1995 ("1995 Bonds").

3. Approximately \$340,000 of the 1990 Bonds remain outstanding.³ These bonds bear interest at a rate of 5 percent per annum and are held by Rural Development.⁴

4. Approximately \$539,500 of the 1995 Bonds remain outstanding.⁵ These bonds bear interest at a rate of 4.875 percent per annum and are held by Rural Development.

5. East Logan will expend \$934,351 to refund the outstanding bonds and to pay bond issuance costs.⁶

6. East Logan estimates that its proposed refinancing will result in total gross savings and net present value savings of \$79,961 and \$59,004, respectively.⁷

³ *Id.*, Ex. D.

⁴ Rural Development is an agency of the U.S. Department of Agriculture.

⁵ Application, Ex. D.

⁶ *Id.*, Ex. B. \$16,012 (Total Underwriter's Discount) + \$21,225 (Cost of Issuance) + \$893,212 (Deposit to Current Refunding Fund) + \$3,902 (Rounding Amount) = \$934,351. The sources of these funds are: \$915,000 (Par Amount of Bonds) + \$2,901 (Reoffering Premium) + \$16,450 (Transfers from Prior Issue Debt Service Funds) = \$934,351.

⁷ *Id.*, 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.

7. East Logan'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 East Logan's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. East Logan is authorized to execute the Assistance Agreement with KRWFC to borrow no more than \$1,006,500⁸ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions as will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the Assistance Agreement differ from those set forth in its Application, East Logan shall, within 30 days of executing the 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 Assistance Agreement, East Logan shall file a written statement with the Commission setting forth the date on which the Agreement was executed, the actual interest rates, and the principal amount.

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in East Logan'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.

⁸ $\$915,000 \times 110\% = \$1,006,500$.

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 *PA*
MAY 30 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director

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