

COMMONWEALTH OF KENTUCKY

BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MORGAN COUNTY WATER)	
DISTRICT TO ISSUE SECURITIES IN THE)	
APPROXIMATE PRINCIPAL AMOUNT OF)	
\$1,320,000 FOR THE PURPOSE OF REFUNDING)	CASE NO.
CERTAIN OUTSTANDING REVENUE BONDS OF)	2016-00342
THE DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On September 26, 2016, Morgan County Water District (“Morgan County”) applied to the Commission for approval to enter into an assistance agreement with the Kentucky Rural Water Finance Corporation (“KRWFC”) to issue securities in the approximate principal amount of \$1,320,000 for the purpose of refunding certain outstanding revenue bonds. Having no deficiencies in their application, the case was considered filed on September 26, 2016. Subsequent to the filing of its application, on October 3, 2016, Morgan County filed a motion to amend its application, wherein it requested to change its approximate principal amount to \$1,310,000, subject to an adjustment of up to 10 percent. The motion to amend also included revised schedules with a request that they be substituted for the schedules filed with the initial application.

The Commission notes that in its 2015 Annual Report, Morgan County reported a water loss of 37.0904 percent. Commission regulation 807 KAR 5:066(6)(3) states that for rate making purposes a utility’s unaccounted-for water loss shall not exceed fifteen

(15) percent of total water produced and purchased, excluding water used by a utility in its own operations. Reduction of Morgan County's water loss to 15 percent would result in a potential annual reduction to purchased water expense of approximately \$150,093.¹

The Commission strongly encourages Morgan County to pursue reasonable actions to reduce its water loss.

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

1. The revised schedules and updated principal amount in Morgan County's amended application result in a positive cash flow savings for the water district. Having considered the amended application, good cause exists to grant Morgan County's request to amend the initial application.

2. Morgan County proposes to execute an assistance agreement with KRWFC to borrow \$1,310,000 subject to an adjustment of up to 10 percent. The proposed loan will have a 27-year term subject to interest rates that range from 2.60 percent to 3.40 percent.²

3. Morgan County proposes to use the proceeds from the assistance agreement to refund the outstanding revenue bonds designated as Revenue Bonds,

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	Purchased Water from 2015 Annual Report Times: Water Loss Above 15 Percent	\$ 679,447 <u>22.0904%</u>
	Purchased Water Expense Reduction	<u>\$ 150,093</u>

² Amended Application, Exhibit A.

Series 1993A, Series 1993B, Series 1995, Series 1999, Series 2002, and Series 2003.³

4. Morgan County estimates that its proposed refinancing will result in total gross savings and net present value savings of \$198,397 and \$134,618, respectively.⁴

5. Morgan County will expend \$1,363,477 to refund the outstanding bonds and to pay bond issuance costs.⁵

6. Morgan County's proposed loan is for a lawful object within its corporate purposes, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Morgan County's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Morgan County's motion to amend is granted.

2. Morgan County is authorized to enter into an agreement with KRWFC to borrow no more than \$1,441,000⁶ 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.

3. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its amended application, Morgan County shall, within 30 days of

³ *Id.*, Page 2 and 3.

⁴ *Id.*, Ex. C. The utility identifies "gross savings" and "net present value savings" as "net benefit" and "net present value benefit", respectively.

⁵ *Id.*, Ex. B. \$19,650 (Total Underwriter's Discount) + \$30,425 (Cost of Issuance) + \$1,312,994 (Deposit to Current Refunding Fund) + \$408 (Rounding) = \$1,363,477. The Sources of the Funds are \$1,310,000 (Par Amount of Bonds) + \$13,142 (Reoffering Premium) + \$40,335 (Transfers from Prior Issue Debt Service Funds) = \$1,363,477.

⁶ \$1,310,000 x 110% = \$1,441,000.

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.

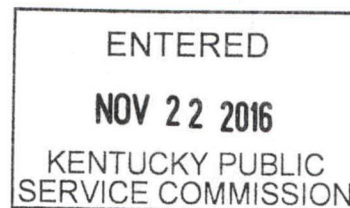
4. Within 30 days of executing the proposed agreement, Morgan County shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that Morgan County has not previously filed with the Commission.

5. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in Morgan County's application as amended.

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



ATTEST:


Executive Director

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