

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF SOUTHERN	)	CASE NO.
WATER & SEWER DISTRICT FOR APPROVAL	)	2019-00243
OF FINANCING PURSUANT TO KRS 278.300	)	

ORDER

On July 26, 2019, Southern Water and Sewer District (Southern District) tendered an application (Application) seeking Commission authority to enter into a loan agreement with Community Trust Bank (Community Trust) in the approximate principal amount of \$150,000 for the purpose of refinancing an outstanding obligation of Southern District to the Floyd County Fiscal Court (Floyd Fiscal Court). After filing deficiencies were cured, the application was deemed filed as of July 30, 2019. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Southern District intends to use the proceeds from the proposed Community Trust Loan to refinance and discharge \$150,000 of outstanding indebtedness to the Floyd Fiscal Court. Pursuant to the loan agreement and promissory note, the outstanding Floyd Fiscal Court loan in the principal amount of \$150,000 states that in the event Southern District does not repay the loan on or before July 16, 2019, Southern District will be obligated to pay liquidated damages in the amount of \$100 per day until the full amount of \$150,000 plus all costs and reasonable attorney fees are repaid to the Floyd Fiscal

Court.<sup>1</sup> On August 12, 2019, an informal telephonic conference (IC) was held regarding the matter of the liquidated damages Southern District would be expected to pay. Southern District's Chairman, Jeff Prater, stated at the IC that currently Southern District is not expected to pay liquidated damages of \$100 per day as set out in the loan agreement. However, if it is later found that the money is owed, Southern District will pay the damages out of its operating account.<sup>2</sup> As of the date of this Order, the outstanding balance of the Floyd Fiscal Court loan is \$150,000. The total refinancing amount is \$150,000 and is comprised of one loan agreement with an 84-month term at an interest rate that is the Wall Street Journal prime rate minus 0.50 percent, which at the time of the loan application was 5.00 percent.<sup>3</sup>

Southern District stated that the Community Trust loan is in the public's interest and is intended to accomplish the purpose of strengthening the financial condition of Southern District by replacing the short-term debt with long-term financing.<sup>4</sup>

The Commission has reviewed the proposed refinancing and finds Southern District's proposal to be reasonable due to the precarious situation in which Southern District would find itself by not repaying the Floyd Fiscal Court loan. However, the Commission notes that it is disconcerting that Southern District's situation has reached such dire financial circumstances that it had to rely on short-term financing from the Floyd Fiscal Court in order to continue operating.

---

<sup>1</sup> Application, Exhibit A.

<sup>2</sup> Case No. 2019-00243, Informal Conference Memo, (Ky. PSC Aug. 12, 2019).

<sup>3</sup> *Id.*, Exhibit B.

<sup>4</sup> *Id.*, paragraph 9.

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

1. The proposed loan from Community Trust is for lawful objects within the corporate purposes of Southern 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. Southern District should execute its note as security for the proposed loan in the manner described in its Application.

3. Within ten days of the execution of the new Community Trust loan documents, Southern District should file with the Commission one copy in paper medium and an electronic version of the loan documents, with financial account numbers redacted pursuant to 807 KAR 5:001, Section 4(10).

4. The proceeds from the proposed loan should be used only for the lawful purposes set out in Southern District's Application.

5. The terms and conditions of the new Community Trust loan should be consistent with the letter of conditions as described in Southern District's Application.

IT IS THEREFORE ORDERED that:

1. Southern District is authorized to borrow from Community Trust an amount up to \$150,000, but no more than the total amount needed to pay off the Floyd Fiscal Court indebtedness proposed to be refinanced as identified in the Application. The loan maturity date and interest rate shall be in accordance with the Community Trust letter of conditions as described in Southern District's Application.

2. Southern District shall execute the Community Trust loan documents as authorized herein.

3. Southern District shall comply with all matters set out in finding paragraphs 3 through 5 as if they were individually so ordered.

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

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

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.

By the Commission

ENTERED  
AUG 14 2019  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

Case No. 2019-00243

\*Steven P. Bailey  
Attorney  
Bailey Law Office, P.S.C.  
181 East Court Street  
Prestonsburg, KENTUCKY 41653

\*Southern Water & Sewer District  
245 Kentucky Route 680  
P. O. Box 610  
McDowell, KY 41647