

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF OHIO)	
COUNTY WATER DISTRICT TO ISSUE)	
SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$7,555,000 FOR THE)	CASE NO.
PURPOSE OF REFUNDING CERTAIN)	2019-00403
OUTSTANDING OBLIGATIONS OF THE)	
DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On November 7, 2019, Ohio County Water District (Ohio District) filed an application (Application) seeking Commission authority to refinance certain debt of up to \$7,550,000 via an Assistance Agreement (KRWFC Loan) with the Kentucky Rural Water Finance Corporation (KRWFC). There are no Intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record. Ohio District intends to use the proceeds from the proposed KRWFC Loan to refinance and discharge \$7,550,000 of outstanding indebtedness to the U.S. Department of Agriculture, acting through Rural Development (RD). The outstanding RD balance consists of two fixed-rate debts with the original principal amounts of \$7,000,000 carrying an interest rate of 4.125 percent per annum and \$1,200,000 carrying an interest rate of 4.125 percent per annum, respectively.¹ The outstanding balance for the prior bonds held by RD is approximately \$7,550,000.² The total refinancing amount is \$7,550,000 that is comprised

¹ Application, paragraph 5.

² *Id.*, Exhibit B.

of one lease agreement with a 32-year term funded by bonds that will be issued at interest rates that will vary between 2.6 percent and 3.05 percent per annum.³

Ohio District stated that the KRWFC loan would provide the funds necessary to refund the RD indebtedness and pay the fees and expenses incident to the issuance of the loan.⁴ Ohio District provided a cash flow analysis that indicates that the refinancing would save \$1,781,749 over the life of the proposed loan, resulting in a positive net present value (NPV) cash flow of \$1,055,908.⁵

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

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

1. The proposed loan from KRWFC is for lawful objects within the corporate purposes of Ohio 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

³ *Id.*, Exhibit A.

⁴ *Id.*, paragraph 7.

⁵ *Id.*, Exhibit C.

that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. Ohio 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 payoff, the legal fees, and the new KRWFC loan will not be known until the refinancing transaction is finalized. Therefore, Ohio District should provide the Commission an updated version the Application, Exhibit C, reflecting the cash flow analysis of the new KRWFC loan within ten days of finalizing the transaction.

4. Within ten days of the execution of the new KRWFC loan documents, Ohio 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 Ohio District's Application.

6. The terms and conditions of the new KRWFC loan should be consistent with the KRWFC assistance program as described in Ohio District's Application.

IT IS THEREFORE ORDERED that:

1. Ohio District is authorized to borrow from KRWFC an amount up to \$7,550,000, but no more than the total amount needed to pay off the RD 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 KRWFC assistance program as described in Ohio District's Application.

2. Ohio District shall execute the KRWFC loan documents as authorized herein.

3. Ohio 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.

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
DEC 20 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2019-00403

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