

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN	)	
KENTUCKY WATER DISTRICT FOR	)	CASE NO.
APPROVAL OF REFINANCING	)	2020-00284
OUTSTANDING BONDS	)	

ORDER

On August 31, 2020, Northern Kentucky Water District (Northern Kentucky District) filed an application (Application) seeking Commission authority pursuant to KRS 278.300 for the purpose of refinancing existing bonds. Northern Kentucky District requests permission to issue \$25,195,000 for the purpose of refinancing outstanding bond obligations and pay the costs associated with the issuance of the refinancing bonds (2020 Refunding Bonds). There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Northern Kentucky District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 84,133<sup>1</sup> customers in Boone, Campbell, and Kenton counties, Kentucky.<sup>2</sup>

Northern Kentucky District proposes to issue the 2020 Refunding Bonds in an approximate amount of \$25,195,000, with a proposed 15-year term subject to interest

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<sup>1</sup> *Annual Report of Northern Kentucky Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar year Ended December 31, 2019* (2019 Annual Report) at 53.

<sup>2</sup> *Id.* at 15.

rates that will vary from 1.7 percent to 3.0 percent.<sup>3</sup> Northern Kentucky District proposes to use the proceeds from the loan to fully refund the Waterworks Revenue Bonds of the District, Series 2000, with an original principal amount of \$2,287,000 and an interest rate of 5.0 percent,<sup>4</sup> and Series 2011, with an original principal amount of \$30,830,000 and varying interest rates of 4.0 to 5.0 percent,<sup>5</sup> as well as related debt service costs.<sup>6</sup> Northern District provided a Debt Service Comparison that indicates that the refinancing would save \$3,454,645<sup>7</sup> over the life of the proposed bond issuance, resulting in a net present value (NPV) cash flow savings of \$2,717,174.<sup>8</sup>

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

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<sup>3</sup> Application, Exhibit 1 at 6.

<sup>4</sup> *Id.*, Exhibit 2b and Exhibit 1 at 4.

<sup>5</sup> *Id.*, Exhibit 2b and Exhibit 1 at 3.

<sup>6</sup> *Id.*, Exhibit 1 at 1. Uses of Funds: \$503,900 (Total Underwriter's Discount) + \$109,000 (Costs of Issuances) + \$24,579,446.35 (Deposit to Current Refunding Fund) + \$2,653.65 (Rounding Amount) = \$25,495,000. Sources of Funds: \$25,495,000 (Par Amount of Bonds).

<sup>7</sup> *Id.*, Exhibit 1 at 11 and Exhibit 8.

<sup>8</sup> *Id.*, Exhibit 1 at 11.

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

1. The proposed bond issuance is for lawful objects within the corporate purposes of Northern Kentucky District, and should be approved.

2. Northern Kentucky District request to be authorized to issue its proposed 2020 Refunding Bonds in a principal amount not to exceed \$25,195,000 for the purpose of refinancing outstanding Waterworks Revenue Bonds of the District, Series 2000 and Series 2011, but only under such terms and conditions that will produce positive gross savings and net present value savings, should be approved.

3. Northern Kentucky District should be required to file with the Commission a statement setting forth the 2020 Refunding Bonds' date of issuance, principal amount, and interest rates.

4. Northern Kentucky District should be required to file a copy of the Official Statement of the 2020 Refunding Bonds bond resolution and any documents referenced in the bond resolution.

5. Northern Kentucky District should file with the Commission its application to and any approval from the State Local Debt officer.

6. Northern Kentucky District should reference the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085<sup>9</sup> regarding filings with the Commission.

IT IS THEREFORE ORDERED that:

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<sup>9</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

1. The proposed bond issuance is for lawful objects within the corporate purposes of Northern Kentucky 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 is approved.

2. Northern Kentucky District is authorized to issue its proposed 2020 Refunding Bonds in a principal amount not to exceed \$25,195,000 for the purpose of refinancing the outstanding Waterworks Revenue Bonds of the District, Series 2000 and Series 2011, but only under such terms and conditions that will produce positive gross savings and net present value savings.

3. The proceeds from the transactions authorized herein shall be used only for the lawful purposes set out in the Application.

4. Northern Kentucky District shall agree only to such terms and prices as are consistent with the parameters set out in the Application.

5. Within 30 days of the issuance of the 2020 Refunding Bonds, Northern Kentucky District shall file with the Commission a statement setting forth the 2020 Refunding Bonds' date of issuance, principal amount, and interest rates.

6. Within 30 days of the sale and delivery of the proposed bonds, Northern Kentucky District shall file a copy of the Official Statement of the 2020 Refunding Bonds bond resolution, any documents referenced in the bond resolution that Northern Kentucky District has not previously filed with the Commission, and its Application to and any approval from State Local Debt officer.

7. The Commission directs Northern Kentucky District to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085<sup>10</sup> regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency.

8. Any documents filed in the future pursuant to ordering paragraphs 5 and 6 shall reference this case number and shall be retained in the post-case correspondence file.

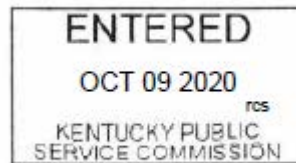
9. This case is hereby closed and will be removed from the Commission's docket.

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.

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<sup>10</sup> *Id.*

By the Commission



ATTEST:

  
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Acting Executive Director

\*Alex Mattingly  
Northern Kentucky Water District  
2835 Crescent Springs Road  
P. O. Box 18640  
Erlanger, KY 41018-0640

\*Honorable John N Hughes  
Attorney at Law  
124 West Todd Street  
Frankfort, KENTUCKY 40601

\*Lindsey Rehtin  
Northern Kentucky Water District  
2835 Crescent Springs Road  
P. O. Box 18640  
Erlanger, KY 41018-0640

\*Northern Kentucky Water District  
2835 Crescent Springs Road  
P. O. Box 18640  
Erlanger, KY 41018-0640

\*Stacey Kampsen  
Northern Kentucky Water District  
2835 Crescent Springs Road  
P. O. Box 18640  
Erlanger, KY 41018-0640