

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN	)	CASE NO.
KENTUCKY WATER DISTRICT FOR	)	2021-00373
APPROVAL OF REFINANCE BONDS	)	

ORDER

On September 20, 2021, Northern Kentucky Water District (Northern District) filed an application seeking Commission authority pursuant to KRS 278.300 for the purpose of refinancing existing bonds. Northern District requests permission to issue securities up to \$32,395,000 in the form of Refunding Revenue Bonds, Series 2021B (2021 Refunding Bonds) for the purpose of refunding and retiring its outstanding Revenue Refunding Bonds, Series 2012 (2012 REF Bonds),<sup>1</sup> and to pay the costs associated with the issuance of the 2021 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.

BACKGROUND

Northern District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 84,998 customers in Boone, Campbell, and Kenton counties, Kentucky.<sup>2</sup>

---

<sup>1</sup> Case No. 2012-00113, *Application of Northern Kentucky Water District for Approval of Re-Financing of Outstanding Bonds*, (Ky. PSC Apr. 24, 2012).

<sup>2</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, 2020* at 15 and 53.

Northern District proposes to issue the 2021 Refunding Bonds in an approximate amount of \$32,395,000, with a proposed five-year term subject to interest rates that will vary from 2.000 percent to 2.325 percent.<sup>3</sup> Northern District proposes to use the proceeds from the bonds to fully refund the 2012 REF Bonds with an original principal amount of \$54,840,000 and interest rate of 5.00 percent,<sup>4</sup> as well as related debt service costs.<sup>5</sup> Northern District provided a Debt Service Comparison that indicates that the refinancing would save \$2,722,956,<sup>6</sup> over the life of the proposed bond issuance, resulting in a net present value (NPV) cash flow savings of \$2,627,336.<sup>7</sup>

#### LEGAL STANDARD

The Commission evaluates requests for refinancing using the criteria found in KRS 278.300(3), which are that the issue or assumption be for some lawful object within the corporate purpose of the utility; is necessary and appropriate for, or consistent with the proper performance by the utility of its service to the public; will not impair its ability to perform that service; and is reasonably necessary and appropriate for such a purpose. Northern District is authorized by KRS 74.470 to issue revenue bonds for the purpose of acquiring, either by purchase or construction, sources of supply of water or for making improvements and extensions to sources of supply of water.

---

<sup>3</sup> Application, Exhibit 1 at 5.

<sup>4</sup>*Id.* at 8.

<sup>5</sup> *Id.* at 4. Uses of Funds: \$294,500 (Total Underwriter's Discount) + \$114,500 (Costs of Issuances) + \$30,041,540 (Deposit to Current Refunding Fund) + \$2,202 (Rounding Amount) = \$30,452,742. Sources of Funds: \$30,452,742 (Par Amount of Bonds).

<sup>6</sup> *Id.* at 4.

<sup>7</sup> *Id.* at 4.

## DISCUSSION

Northern District seeks to refinance bonds that were initially issued for the purpose of financing certain water system improvement projects, to finance certain extensions of service, to finance Northern District's Bond Anticipation Notes, and to finance of certain bond refinancing, and the acquisition of the city of Newport Water Works system.<sup>8</sup> Northern District states that the refinancing will benefit Northern District and its customers through lower debt costs, which will offset future revenue requirements.<sup>9</sup> Further, Northern District states that the projected savings will be reflected in the next general rate application.<sup>10</sup> The Commission has reviewed the proposed financing and finds that refinancing the 2012 REF Bonds for the purpose of saving Northern District and its ratepayer's interest expense is a lawful object within the corporate purpose of Northern District. However, if the new interest rate on the proposed refinancing is higher than the range of interest rates set forth in the application, Northern District should not proceed with the refinancing unless the NPV of the refinancing results in positive cash flow.

---

<sup>8</sup> Case No. 97-330, *The Application of Northern Kentucky Water Service District to Issue Revenue Bonds in the Approximate Principal Amount of \$9,630,000, Series 1997, for the Purpose of Defeating in Advance of Maturity the 1989, 1991, and 1992 Series Revenue Bonds of the Merged Campbell County Kentucky Water District* (Ky. PSC Sept. 2, 1997), Case No. 98-417, *The Application of Northern Kentucky Water Service District to Issue Revenue Bonds in the Approximate Principal Amount of \$33,645,000 for the Purpose of Refinancing A Portion of Certain Outstanding Bonds of the System, to Pay the Cost of Issuing the Bonds and to Fund Approximately \$10,360,000 of Projects which the Commission Has Determined Are Not Subject to Approval as to a Certificate of Public Convenience and Necessity, and, to Fund Project K* (Ky. PSC Dec. 7, 1998), Case No. 2001-198, *Application of Northern Kentucky Water District for Approval to Refinance Revenue Bonds in the Approximate Amount of \$38,425,000* (Ky. PSC Jan. 8, 2002), Case No. 2002-00066, *Application of Northern Kentucky Water District for Approval of Financing the Acquisition of the City of Newport Waterworks* (Ky. PSC Apr. 16, 2002), Case No. 2012-00113, *Application of Northern Kentucky Water District for Approval of Re-Financing of Outstanding Bonds*, (Ky. PSC Apr. 24, 2012).

<sup>9</sup> Application, paragraph 6.

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

Northern District is required by law to provide adequate, efficient and reasonable service<sup>11</sup> and is entitled to collect rates that are fair, just and reasonable.<sup>12</sup> It is not fair, just nor reasonable for Northern District's ratepayers to pay more than necessary in debt service expense. For these reasons, the Commission finds that refinancing the 2012 REF Bonds is necessary and appropriate for, or consistent with, the proper performance of Northern District's provision of service to the public, and is reasonably necessary and appropriate to accomplish Northern District's purpose. The Commission commends Northern District for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its customers.

Northern District states that it expects a NPV cash flow savings of \$2,627,336<sup>13</sup> due to the proposed refinancing. This is \$2,627,336 of positive cash flow that Northern District would otherwise not experience if it did not refinance the 2012 REF Bonds. Increasing positive cash flow and decreasing debt cost is an exercise in responsible financial management. Responsible financial management of a public utility is necessary for the utility to maintain its service to the public, and to ensure that its rates are fair, just and reasonable. For these reasons, the Commission finds that the proposed refinancing will potentially enhance, not impair, Northern District's ability to perform its service to the public, and that it is reasonably necessary and appropriate for the delivery of adequate, efficient and reasonable service. Further, the Commission finds that Northern District

---

<sup>11</sup> KRS 278.030(2).

<sup>12</sup> KRS 278.030(1).

<sup>13</sup> Application, Exhibit 1 at 4.

should be required to file with the Commission a statement setting forth the 2021 Refunding Bonds' date of issuance, principal amount, and interest rates.

IT IS THEREFORE ORDERED that:

1. The proposed bond issuance is for lawful objects within the corporate purposes of Northern 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 District is authorized to issue its proposed 2021 Refunding Bonds in a principal amount not to exceed \$32,395,000 for the purpose of refinancing the outstanding 2012 REF Bonds 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 by this Order shall be used only for the lawful purposes set out in the application.

4. Northern 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 2021 Refunding Bonds, Northern District shall file with the Commission a statement setting forth the 2021 Refunding Bonds' date of issuance, principal amount, and interest rates.

6. Within 30 days of the sale and delivery of the proposed bonds, Northern District shall file a copy of the Official Statement of the 2021 Refunding Bonds bond resolution, any documents referenced in the bond resolution that Northern District has not

previously filed with the Commission, and its application to and any approval from State Local Debt officer.

7. 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.

8. 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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

By the Commission

ENTERED  
OCT 22 2021 <sup>rcs</sup>  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Linda C. Brudall  
Executive Director

Case No. 2021-00373

\*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

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