

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF BARKLEY LAKE	)	
WATER DISTRICT TO ISSUE SECURITIES IN	)	
THE APPROXIMATE PRINCIPAL AMOUNT OF	)	CASE NO.
\$870,000 FOR THE PURPOSE OF REFINANCING	)	2021-00448
CERTAIN OUTSTANDING OBLIGATIONS OF THE	)	
DISTRICT PURSUANT TO THE PROVISIONS OF	)	
KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On December 6, 2021, Barkley Lake Water District (Barkley Lake District), pursuant to KRS 278.300 and 807 KAR 5:001, filed an application seeking Commission authority to issue certain securities in the approximate principal amount of \$870,000. The proceeds of the issuance will be used for the purpose of refinancing outstanding indebtedness.

Barkley Lake District, a water district organized under KRS Chapter 74, owns and operates facilities that provide retail water service to 5,434 residential customers in Caldwell, Christian, and Trigg counties, Kentucky.<sup>1</sup> There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the written record.

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<sup>1</sup> *Annual Report of Barkley Lake District to the Public Service Commission for the Calendar year Ended December 31, 2020* (2020 Annual Report) at 12 and 49.

## LEGAL STANDARD

KRS 278.300 requires Commission authorization before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to the securities or evidences of indebtedness of any other person.”<sup>2</sup> KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

The Commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

## PROPOSED REFINANCING

Barkley Lake District proposes to borrow funds in the amount of approximately \$870,000 from the Kentucky Rural Water Finance Corporation (KRWFC) pursuant to an Assistance Agreement (KRWFC Loan).<sup>3</sup> The proposed KRWFC Loan will have a 12-year term subject to interest rates between 2.60 to 3.00 percent per annum.<sup>4</sup> Barkley Lake District proposes to use the proceeds from the KRWFC Loan for the purpose of refinancing an existing loan from KRWFC designated as KRWFC Public Projects

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<sup>2</sup> KRS 278.300(1).

<sup>3</sup> Application at 2, paragraph 5.

<sup>4</sup> *Id.* and Exhibit A.

Refunding Revenue Bonds, which have an original principal amount of \$1,465,000, dated August 29, 2012,<sup>5</sup> bearing interest at a rate between 3.20 and 3.55 percent (Prior Loan).<sup>6</sup>

Barkley Lake District estimates that it will expend \$946,654 to refund the Prior Loan.<sup>7</sup> Barkley Lake District provided a Debt Service Comparison indicating that the refinancing would save \$94,476<sup>8</sup> over the life of the proposed KRWFC Loan, resulting in a positive net present value (NPV) cash flow savings of \$79,431.<sup>9</sup>

DISCUSSION AND FINDINGS

Barkley Lake District’s 2020 annual water loss was 14.87 percent.<sup>10</sup> The cost of this water loss at 14.87 percent is approximately \$41,815.<sup>11</sup> Commission regulation 807 KAR 5:066(6)(3) states that for ratemaking purposes a utility’s water loss shall not exceed 15 percent of total water produced and purchased, excluding water consumed by

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<sup>5</sup> Application at 2, paragraph 5. Case No. 2012-00266, *Application of Barkley Lake Water District to Issue Securities in Principal Amount of \$1,405,000 for the Purpose of Refunding Certain Outstanding Revenue Bonds of the District Pursuant to the Provisions of KRS 278.300 and KAR 5:001* (Ky. PSC Aug. 2, 2012).

<sup>6</sup> *Id.*, Exhibit D, Prior Bonds Debt Service.

<sup>7</sup> *Id.*, Exhibit B, Sources and Uses, Uses of Funds: \$15,225.00 (Total Underwriter’s Discount) + \$13,920.00 (Costs of Issuance) + \$916,599.03 (Deposit to Current Refunding Fund) + \$909.92 (Rounding Amount) = \$946,653.95.

<sup>8</sup> *Id.*, Exhibit C.

<sup>9</sup> *Id.*

<sup>10</sup> 2020 Annual Report at 57.

<sup>11</sup>

	Purchased		
	Water	Chemicals	Total
2020 Reported Expenses from 2020 Annual Report	\$ 158,317	\$ 122,925	\$ 281,242
Multiplied by Water Loss	14.87%	14.87%	14.87%
Excess Purchased Water and Pumping Cost			\$ 41,815

a utility in its own operations. The Commission commends Barkley Lake District on its low level of water loss and encourages Barkley Lake District to pursue reasonable actions to continue to prevent water loss in excess of 15 percent.

The Commission has reviewed the proposed refinancing and finds Barkley Lake District's proposal to be reasonable due to the lower effective interest rate and cash flow savings Barkley Lake District would realize over the period of the KRWFC Loan. However, if the new interest rate on the proposed refinancing is higher than the range of interest rates set forth in the application, Barkley Lake District should not proceed with the refinancing unless the NPV of the refinancing results in positive cash flow.

The Commission further finds that Barkley Lake District satisfied the legal standards established in KRS 278.300 for the reasons that follow. First, the lawful object of Barkley Lake District's purpose is to provide safe, adequate, and reliable water service to the public. The refinancing meets the lawful object of the utility's purposes because it will be used to refinance a Prior Loan previously approved by the Commission and is intended to strengthen the financial position of Barkley Lake District through substantial NPV debt service savings. Second, the financing is appropriate for the proper performance by the utility and will not impair its ability to perform that service because the KRWFC Loan is exclusively for the purposes of refinancing existing debt and achieving debt service NPV savings. No other aspects of Barkley Lake District's operations or finances will change, except those related to the refinancing of existing debt as outlined in the application and this Order. Third, the financing is a reasonably appropriate option for Barkley Lake District to meet its statutory duty to provide safe, adequate, and reliable service because the current low interest rate environment will allow Barkley Lake District

to achieve the NPV savings. For the reasons set forth above, the Commission further finds that Barkley Lake District should be authorized to enter into the proposed assistance Agreement with KRWFC in order to refinance its debt obligations to KRWFC.

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

1. The proposed KRWFC Loan is for lawful objects within the corporate purposes of Barkley Lake 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. Barkley Lake District should execute its note as security for the proposed KRWFC Loan in the manner described in its application.

3. The final amounts of the Prior Loan payoff, the legal fees incurred, and the new KRWFC Loan will not be known until the refinancing is finalized. Therefore, Barkley Lake District should provide the Commission an updated version of Exhibit C to its application, 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, Barkley Lake District should file with the Commission an electronic version of the loan documents. The Commission directs Barkley Lake District to the Commission's July 22, 2021 Order in Case No. 2020-00085<sup>12</sup> regarding filings with the Commission.

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<sup>12</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC July 22, 2021), Order (in which the Commission ordered that for case filings made on and after March 16, 2020, filers are NOT required to file the original physical copies of the filings required by 807 KAR 5:001, Section 8).

5. The proceeds from the proposed KRWFC Loan should be used only for the lawful purposes set out in Barkley Lake District's application.

6. The terms and conditions of the proposed KRWFC Loan should be consistent with the KRWFC Assistance Agreement as described in Barkly Lake District's application.

IT IS THEREFORE ORDERED that:

1. Barkley Lake District is authorized to borrow no more than the total amount to pay off the 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 Loan agreement as described in Barkley Lake District's application.

2. Barkley Lake District shall execute the KRWFC Loan documents as authorized herein.

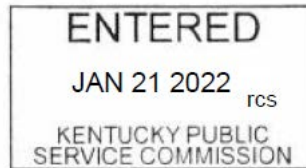
3. Barkley Lake District shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

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 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.

By the Commission



ATTEST:

A handwritten signature in blue ink that reads "Linda G. Bridwell". The signature is written in a cursive style and is positioned above a horizontal line.

Executive Director

Case No. 2021-00448

\*John Herring  
Barkley Lake Water District  
1420 Canton Road  
P. O. Box 308  
Cadiz, KY 42211

\*Barkley Lake Water District  
1420 Canton Road  
P. O. Box 308  
Cadiz, KY 42211

\*Kristen Millard  
Raymond James Financial Services  
300 West Vine Street  
Lexington, KENTUCKY 40507

\*Honorable W. Randall Jones  
Attorney at Law  
Rubin & Hays  
Kentucky Home Trust Building  
450 South Third Street  
Louisville, KENTUCKY 40202