

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN)	
KENTUCKY WATER DISTRICT FOR AN)	CASE NO.
ADJUSTMENT OF RATES; ISSUANCE OF)	2022-00161
BONDS; FINANCING; AND TARIFF REVISIONS)	

ORDER

On July 22, 2022,¹ Northern Kentucky Water District (Northern Kentucky District) filed an application, which among other things, requested approval of \$27,335,000 in financing and issuance of bonds, pursuant to KRS 278.300.² To determine the reasonableness of the proposed financing, the Commission continued the request for financing beyond the 60 days specified in KRS 278.300(2).³ There are no intervenors to this proceeding. Northern Kentucky District responded to three rounds of discovery from Commission Staff. By Order entered October 21, 2022, the Commission granted Northern Kentucky District's motion to submit this matter for a decision on the written record and canceled the hearing scheduled for October 26, 2022. On November 16, 2022, Northern Kentucky District filed a motion for an expedited ruling in this case, requesting a decision by December 6, 2022, so that Northern Kentucky District could

¹ Northern Kentucky District tendered the application on July 8, 2022. By Order dated July 13, 2022, the Commission rejected the application for filing due to filing deficiencies. Northern Kentucky District subsequently cured the filing deficiencies, and the application was deemed filed on July 22, 2022.

² Application, Exhibit A1 at 2.

³ Case No. 2022-00161, *Electronic Application of Northern Kentucky Water District for an Adjustment of Rates; Issuance of Bonds; Financing; and Tariff Revisions* (Ky. PSC Aug. 9, 2022) Order at ordering paragraph 2.

issue its proposed bonds before the expiration date of its financing commitment. The Commission will rule on the proposed financing separately.

LEGAL STANDARD

KRS 278.300 requires Commission approval 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.”⁴ The legal standard contained in KRS 278.300(3) establishes the purview 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.

FINANCING AND ISSUANCE OF BONDS

Northern Kentucky District requested approval of \$27,335,000 in permanent financing to fund capital projects that will be constructed in 2022-2023.⁵ These projects were either granted Certificates of Public Convenience and Necessity (CPCN) or determined by Northern Kentucky District to be ordinary extensions in the usual course of business, based on determinations in previous cases.⁶ The projects were funded with short-term debt in the form of a bond anticipation note (BAN) issued in 2021. In this proceeding, Northern Kentucky District requested approval of a bond issuance of

⁴ KRS 278.300(1).

⁵ Application, paragraphs 7–8.

⁶ Application, paragraph 8.

\$27,335,000, which will replace the principal owed on the BAN. The difference between the principal on the BAN and the proposed bond is in costs of issuance, underwriter's discount, and a deposit to the debt service reserve fund that is required by the bond issuer. The interest rate on the proposed debt service varies between 2.5 percent and 4.5 percent, although the actual costs of issuance cannot be determined until the sale of the bonds commences.⁷

The Commission finds that the proposed bond issuance is for capital projects⁸ that address infrastructure needs in Northern Kentucky District's service area, and therefore 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 should be approved.

IT IS THEREFORE ORDERED that:

1. Northern Kentucky District's November 16, 2022 motion for an expedited decision is granted.
2. Northern Kentucky District is authorized to issue bonds up to \$27,335,000, but no more than the total amount needed to pay off the BAN proposed to be refinanced as identified in the Application. The loan maturity date and interest rate shall be in accordance with the refinancing program as described in Northern Kentucky District's Application.

⁷ Application, Exhibit A1 at 2–3.

⁸ Application, Exhibit R.

3. Northern Kentucky District shall execute the bond issuance as authorized herein.

4. Within 30 days of the issuance of the bond, Northern Kentucky District shall file with the Commission the loan documentation with a statement setting forth the date or dates of issuance and terms of the new bond authorized, including the interest rate(s).


5. This case shall remain on the Commission's docket until such time the Commission issues a further Order in the rate portion of this case.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner



ATTEST:


Executive Director

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