

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN	)	CASE NO.
KENTUCKY WATER DISTRICT FOR APPROVAL	)	2024-00026
TO REFINANCE BONDS	)	

ORDER

On February 28, 2024, Northern Kentucky Water District (Northern Kentucky 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 \$25,800,000. The proceeds of the issuance will be used for the purpose of refinancing outstanding indebtedness of Northern Kentucky District.

Northern Kentucky District, a water district organized under KRS Chapter 74, owns and operates facilities that provide retail water service to 78,996 residential customers, 4,172 commercial customers, 109 industrial customers, 466 public authorities, and 2,753 multiple family dwellings in Campbell, Kenton, and Boone 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.

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

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<sup>1</sup> *Annual Report of Northern Kentucky District to the Public Service Commission for the Calendar Year Ended December 31, 2022* (2022 Annual Report) at 15 and 53.

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

Northern Kentucky District proposed to issue Revenue Refunding Bonds Series 2024A in the amount of approximately \$25,800,000.<sup>3</sup> The proposed bonds will have a 15-year term at an interest rate ranging from 2.8 to 3.6 percent per annum.<sup>4</sup> Northern Kentucky District explained that it is planning to use the proceeds from the issuance for the purpose of redeeming all or a portion of the Northern Kentucky District’s outstanding Revenue Bonds, Series 2013A, and refunding Revenue Bonds, Series 2013B.<sup>5</sup> The Revenue Bond Series 2013A had an original principal amount of \$6,400,000, with interest rates ranging from 4.25 to 5.00 percent.<sup>6</sup> The Revenue Bond Series 2013B had an original principal amount of \$24,120,000, with interest rates ranging from 4.0 to

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

<sup>3</sup> Application, Exhibit 1 at 9, Revenue Refunding Bonds, Series 2024 Table.

<sup>4</sup> Application, Exhibit 1 at 9, Revenue Refunding Bonds, Series 2024 Table.

<sup>5</sup> Application, Exhibit 2, 2024 Refunding Bond Resolution.

<sup>6</sup> Application, Exhibit 5, Northern Kentucky District Bonds and Notes Table.

5.0 percent.<sup>7</sup> The revenue bonds were approved pursuant to a resolution by Northern Kentucky District's Board of Commissioners dated February 15, 2024.<sup>8</sup>

Northern Kentucky District estimates that it will expend \$25,800,000 to redeem and refund the 2013 bonds.<sup>9</sup> Northern Kentucky District's outstanding principal on Revenue Bond Series 2013A is \$18,250,000.<sup>10</sup> The remaining principal on Revenue Bond Series 2013B is \$6,985,000.<sup>11</sup> In support of its application, Northern Kentucky District stated that the refinancing of the Revenue Bonds is in the public interest and is intended to strengthen the financial condition of Northern Kentucky District by reducing current debt service payments.<sup>12</sup> Refinancing the loan should result in a total savings of \$1,629,973.<sup>13</sup>

### DISCUSSION AND FINDINGS

After consideration of the evidence of record and being sufficiently advised, the Commission finds that Northern Kentucky District satisfied the legal standards established in KRS 278.300 for the following reasons.

First, the lawful object of Northern Kentucky District's purpose is to provide adequate, efficient and reasonable water service to the public.<sup>14</sup> The refinancing meets

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<sup>7</sup> Application, Exhibit 5, Northern Kentucky District Bonds and Notes Table.

<sup>8</sup> Application, Exhibit 2, 2024 Refunding Bond Resolution.

<sup>9</sup> Application, Exhibit 1 – Plans of Financing, Sources and Uses, Uses of Funds: \$258,000 (Total Underwriter's Discount 1.000 percent) + \$95,120 (Costs of Issuances) + \$25,442,612 (Deposit to Current Refunding Fund) + \$4,267.40 (Rounding Amount) = \$25,800,000.

<sup>10</sup> Application, Exhibit 1, Revenue Bonds, 2013A.

<sup>11</sup> Application, Exhibit 1, Revenue Bonds, 2013B.

<sup>12</sup> Application at 2, paragraph 8.

<sup>13</sup> Application, Exhibit 1 at 6, Debt Service Comparison.

<sup>14</sup> KRS 278.030(2).

the lawful object of the utility's purposes because it will be used to refinance bonds previously approved by the Commission and is intended to strengthen the financial position of Northern Kentucky District through reducing current debt service payments in order to provide more operating capital.

Second, the financing is appropriate for the proper performance by the utility and will not impair its ability to perform that service because the Revenue Bond is exclusively for the purposes of refinancing existing debt and achieving debt service Net Present Value (NPV) savings.

Third, no other aspects of Northern Kentucky District's operations or finances will change, except those related to the refinancing of existing debt as outlined in the application and this Order.

Finally, the financing is a reasonably appropriate option for Northern Kentucky District to meet its statutory duty to provide adequate, efficient and reasonable service because the bonds will allow Northern Kentucky District to achieve the NPV cashflow savings of \$1,359,241.<sup>15</sup>

For the reasons set forth above, the Commission finds that Northern Kentucky District should be authorized to issue the revenue bonds in order to refinance its existing debt obligations in the manner described in its application.

IT IS THEREFORE ORDERED that:

1. Northern Kentucky District is authorized to issue Revenue Bonds, Series 2014A in the principal amount of no more than the total amount to pay off the

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<sup>15</sup> Application, Exhibit 1 at 6, Debt Service Comparison Table.

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.

2. The revenue bond's maturity date and interest rate shall be in accordance with the 2024 Refunding Bond Resolution as described in Northern Kentucky District's application.


3. Northern Kentucky District shall file a revenue sufficiency report for the calendar year 2024, based on final 2024 results, including adjustments for excess water loss, with the Commission by December 31, 2025.

4. Any documents filed in the future pursuant to ordering paragraph 3 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.

PUBLIC SERVICE COMMISSION

  
Chairman

  
Vice Chairman

  
Commissioner

ENTERED  
APR 04 2024 rcs  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director

\*Cassandra Zoda  
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