

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF MCCREARY COUNTY WATER)
DISTRICT TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF)
\$4,790,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2012-00172
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

ORDER

On May 14, 2012, McCreary County Water District ("McCreary District") applied to the Commission for approval to execute an agreement with Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$4,790,000 to refund certain outstanding revenue bonds.¹

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. McCreary District proposes to execute an Assistance Agreement with KRWFC to borrow \$4,790,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 28-year term with interest rates that vary from 2.35 percent to 4.3 percent per annum.²

¹ McCreary District tendered its Application on May 4, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On May 14, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

² Application, Ex. A.

2. McCreary District proposes to use the loan proceeds to refund the outstanding revenue bonds designated as McCreary County Water District Waterworks Revenue Bonds, Series 1993 ("1993 Bonds"); McCreary County Water District Waterworks Revenue Bonds, Series 1997 ("1997 Water Bonds"); McCreary County Water District Sewer System Revenue Bonds, Series 1997 ("1997 Sewer Bonds"); McCreary County Water District Waterworks Revenue Bonds, Series 2001 ("2001 Bonds"); and McCreary County Water District Sewer System Revenue Bonds, Series 2002A ("2002 Bonds").

3. Approximately \$604,000 of the 1993 Bonds remain outstanding.³ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.⁴

4. Approximately \$312,500 of the 1997 Bonds remain outstanding.⁵ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

5. Approximately \$798,000 of the 1997 Sewer Bonds remain outstanding.⁶ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

³ *Id.*, Ex. D.

⁴ Rural Development is an agency of the U.S. Department of Agriculture.

⁵ Application, Ex. D.

⁶ *Id.*

6. Approximately \$2,181,000 of the 2001 Bonds remain outstanding.⁷ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

7. Approximately \$753,000 of the 2002 Bonds remain outstanding.⁸ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

8. McCreary District will expend \$4,869,314 to refund the outstanding bonds and to pay bond issuance costs.⁹

9. McCreary District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$207,073 and \$124,148, respectively.¹⁰

10. McCreary District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair McCreary District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

⁷ *Id.*

⁸ *Id.*

⁹ *Id.*, Ex. B. \$83,825 (Total Underwriter's Discount) + \$67,060 (Cost of Issuance) + \$4,714,741 (Deposit to Current Refunding Fund) + \$2,019 (Original Issue Discount) + \$1,669 (Rounding Amount) = \$4,869,314. The sources of these funds are: \$4,790,000 (Par Amount of Bonds) + \$3,144 (Reoffering Premium) + \$76,171 (Prior Issue Debt Service Funds) = \$4,869,315. The difference in the total funds expended and the total sources of funds is due to rounding.

¹⁰ *Id.*, Ex. C. In Exhibit C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit" respectively.

IT IS THEREFORE ORDERED that:

1. McCreary District is authorized to execute the Assistance Agreement with KRWFC to borrow no more than \$5,269,000¹¹ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions as will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the Assistance Agreement differ from those set forth in its Application, McCreary District shall, within 30 days of executing the loan agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

3. Within 30 days of executing the proposed Agreement, McCreary District shall file a written statement with the Commission setting forth the date on which the Agreement was entered, the actual interest rates, and the principal amount.


4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in McCreary District's Application.

5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

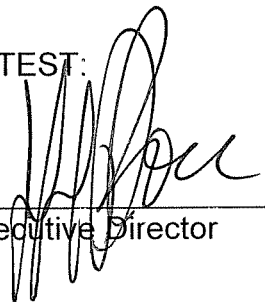
Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky or any agency thereof as to the securities authorized herein.

¹¹ $\$4,790,000 \times 110\% = \$5,269,000$.

By the Commission

ENTERED 
MAY 25 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
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