

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF KNOX COUNTY UTILITY)	
COMMISSION TO ISSUE SECURITIES IN THE)	
APPROXIMATE PRINCIPAL AMOUNT OF)	
\$2,490,000 FOR THE PURPOSE OF REFUNDING)	CASE NO.
CERTAIN OUTSTANDING REVENUE BONDS)	2014-00442
OF THE DISTRICT PURSUANT TO THE)	
PROVISIONS OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On December 22, 2014, Knox County Utility Commission ("Knox County") applied to the Commission for approval to enter into an assistance agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$2,490,000, subject to an adjustment of up to 10 percent, to refund existing bond indebtedness. On December 30, 2014, Knox County filed a motion to amend the original Application in order to correct and clarify certain information that was included in the original Application.

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

1. Knox County proposes to execute an assistance agreement with KRWFC to borrow \$2,490,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 26-year term subject to interest rates of up to 4.15 percent.¹

¹ Original Application, Exhibit A.

2. Knox County proposes to use the proceeds from the assistance agreement to fully refund the outstanding Waterworks Revenue Bonds Series 2000, 2002, and 2002A that are held by the United States Department of Agriculture Rural Development ("RD") in the amounts of \$1,871,000, \$299,000, and \$307,000,² respectively.

3. Knox County estimates that its proposed refinancing will result in total gross savings and net present value savings of \$213,528 and \$138,045, respectively.³

4. Knox County will expend \$2,602,567 to refund the outstanding bonds and to pay bond issuance costs.⁴

5. Knox County'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 Knox County's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

² On pages 2-3 of its original Application, Knox County stated that Bond Series 2002B would also be refinanced; however, as noted on pages 1-2 of Knox County's motion to amend the original Application, the 2002B Bonds are fully retired and cannot be refinanced as a part of this proceeding. The outstanding Bond Series that are to be refinanced in this proceeding are identified in Exhibit D of the original Application by their RD loan numbers. The loan numbers are matched to the appropriate Bond Series on page 2 of Knox County's motion to amend its original Application as follows:

Bond Series	Loan No.
2000	90-01
2002	90-08
2002A	90-06

³ Application, Exhibit C. The utility identifies "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

⁴ Application, Exhibit B. \$37,350 (Total Underwriter's Discount) + \$38,850 (Cost of Issuance) + \$2,524,373 (Deposit to Current Refunding Fund) + \$1,994 (Rounding) = \$2,602,567. The sources of the funds are \$2,490,000 (Par Amount of Bonds) + \$12,957 (Reoffering Premium) + 99,610 (Existing Debt Service Funds) = \$2,602,567.

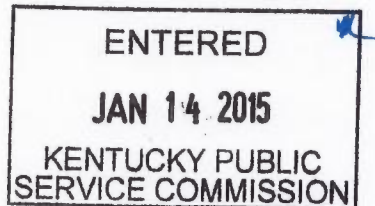
IT IS THEREFORE ORDERED that:

1. Knox County's motion to amend the Application is granted.
2. Knox County is authorized to enter into an agreement with KRWFC to borrow no more than \$2,739,000⁵ 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.
3. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its application, Knox County 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.
4. Within 30 days of executing the proposed agreement, Knox County shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that Knox County has not previously filed with the Commission.
5. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in Knox County's application.
6. Any documents filed pursuant to ordering paragraphs 3 and 4 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

⁵ \$2,490,000 x 110% = \$2,739,000.

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.

By the Commission



ATTEST:

Stephanie Bell TD
Executive Director

Carolyn Smith
Assistant Superintendent
Knox County Utility Commission
P. O. Box 1630
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