

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EAST PENDLETON	)	
WATER DISTRICT TO ISSUE SECURITIES IN	)	
THE APPROXIMATE PRINCIPAL AMOUNT OF	)	CASE NO.
\$910,000 FOR THE PURPOSE OF REFUNDING	)	2015-00031
CERTAIN OUTSTANDING REVENUE BONDS OF	)	
THE DISTRICT PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On January 27, 2015, East Pendleton Water District ("East Pendleton") applied for authorization to enter into an assistance agreement with the Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$910,000 to refund existing bond indebtedness.

Having considered the record and being otherwise sufficiently advised,<sup>1</sup> the Commission finds that:

1. East Pendleton, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to approximately 2,108 customers in Bracken, Campbell, Harrison, and Pendleton counties, Kentucky.<sup>2</sup>

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<sup>1</sup> On January 27, 2015, East Pendleton filed its application with the Commission. No persons have requested leave to intervene in this matter. East Pendleton specifically requested that the Commission proceed without a formal hearing in this matter. (Application at 7). The record in this matter is complete and ready for decision.

<sup>2</sup> *Annual Report of East Pendleton County Water District to the Public Service Commission of Kentucky for the Calendar Year Ending December 31, 2013* (Water Division) at 5, 27.

2. East Pendleton proposes to execute an assistance agreement with KRWFC to borrow \$910,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 27-year term subject to interest rates of up to 4.542 percent.<sup>3</sup>

3. East Pendleton proposes to use the proceeds from the assistance agreement to fully refund the outstanding Waterworks Revenue Bonds dated August 1, 1998, and April 10, 2002,<sup>4</sup> that are held by the United States Department of Agriculture Rural Development in the amounts of \$585,000 and \$416,000,<sup>5</sup> respectively.

4. East Pendleton estimates that its proposed refinancing will result in total gross savings and net present value savings of \$217,666 and \$169,435, respectively.<sup>6</sup>

5. East Pendleton will expend \$1,047,836 to refund the outstanding bonds and to pay bond issuance costs.<sup>7</sup>

6. East Pendleton'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 East Pendleton's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

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<sup>3</sup> Application, Exhibit A.

<sup>4</sup> On page 2 of the Application, the April 10, 2002 bonds are identified as Series 2001, but on page 2 of Exhibit D attached to the Application, they are identified as Series 2002.

<sup>5</sup> Application, Exhibit D.

<sup>6</sup> Application, Exhibit C. The utility identifies "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

<sup>7</sup> Application, Exhibit B. \$163 (Original Issue Discount) + \$15,925 (Total Underwriter's Discount) + \$16,150 (Cost of Issuance) + \$1,015,440 (Deposit to Current Refunding Fund) + \$158 (Rounding) = \$1,047,836. The Sources of the Funds are \$910,000 (Par Amount of Bonds) + \$16,024 (Reoffering Premium) + \$48,617 (Existing Debt Service Funds) + \$73,195 (Existing Debt Service Funds) = \$1,047,836.

IT IS THEREFORE ORDERED that:

1. East Pendleton is authorized to enter into an agreement with KRWFC to borrow no more than \$1,001,000<sup>8</sup> 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 agreement with KRWFC differ from those set forth in its application, East Pendleton 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, East Pendleton shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that East Pendleton has not previously filed with the Commission.

4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in East Pendleton'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.

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<sup>8</sup> \$910,000 x 110% = \$1,001,000.

By the Commission

ENTERED  
FEB 05 2015  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
Executive Director



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