

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE SOUTH EASTERN)	
WATER ASSOCIATION, INC., TO)	
ISSUE SECURITIES IN THE APPROXIMATE)	
PRINCIPAL AMOUNT OF \$3,140,000 FOR)	CASE NO.
THE PURPOSE OF REFUNDING CERTAIN)	2015-00002
OUTSTANDING INDEBTEDNESS OF THE)	
ASSOCIATION PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On January 5, 2015, South Eastern Water Association, Inc.,¹ (“South Eastern” or “Applicant”) applied to the Commission for approval to enter into an assistance agreement with the Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$3,140,000, subject to an adjustment of up to 10 percent, to refund existing indebtedness. On January 8, 2015, South Eastern filed a motion to amend the original Application.²

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

¹ Applicant identifies itself by the name “Southeastern Water Association, Inc.” in its Application and Motion to Amend. The legal name of Applicant is “South Eastern Water Association, Inc.” See *2014 Annual Report* of South Eastern Water Association, Inc., filed with the Kentucky Secretary of State on April 1, 2014. <https://app.sos.ky.gov/corpscans/21/0324021-09-99999-20140401-ARP-5773842-PU.pdf>, viewed on Jan. 8, 2015.

² The financial exhibits attached to the original Application demonstrate that South Eastern will refinance five existing loans; however, only four of those loans are listed in the original Application on pages 2 and 3. Inadvertently omitted from this list was the loan dated October 17, 1991. In its motion, South Eastern requested to amend the original Application to include the October 17, 1991 loan.

1. South Eastern proposes to execute an assistance agreement with KRWFC to borrow \$3,140,000, 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 4.6 percent.³

2. South Eastern proposes to use the proceeds from the assistance agreement to fully refund outstanding promissory notes payable to the United States Department of Agriculture Rural Development that are dated October 17, 1991, September 14, 1995, February 12, 1997 (Series A and B), and July 10, 2001.⁴

3. South Eastern estimates that its proposed refinancing will result in total gross savings and net present value savings of \$273,600 and \$135,549, respectively.⁵

4. South Eastern will expend \$3,261,926 to refund the outstanding bonds and to pay bond issuance costs.⁶

5. South Eastern's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper

³ Application, Exhibit A.

⁴ The principal balance for each loan was provided in the Application at Exhibit D as summarized below.

Loan Date	Principal Balance	Identified in App. At Exh. D as:
October 17, 1991	\$ 251,340	Series 1991
September 14, 1995	361,664	Series 1995
February 12, 1997, Series A	751,444	Series 1997
Series B	479,967	Series 1997
July 10, 2001	1,261,481	Series 2001

⁵ Application, Exhibit C. The utility identifies "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

⁶ Application, Exhibit B. \$47,100 (Total Underwriter's Discount) + \$45,180 (Cost of Issuance) + \$3,168,231 (Deposit to Current Refunding Fund) + \$1,415 (Rounding) = \$3,261,926. The Sources of the Funds are \$3,140,000 (Par Amount of Bonds) + 121,926 (Existing Debt Service Funds) = \$3,261,926.

performance of its service to the public, will not impair South Eastern's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

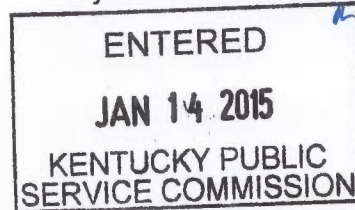
IT IS THEREFORE ORDERED that:

1. South Eastern's motion to amend the original Application is granted.
2. South Eastern is authorized to enter into an agreement with KRWFC to borrow no more than \$3,454,000⁷ 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, South Eastern 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, South Eastern shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that South Eastern has not previously filed with the Commission.
5. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in South Eastern'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.

⁷ \$3,140,000 x 110% = \$3,454,000.

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:

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