

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NICHOLAS COUNTY)
WATER DISTRICT TO ISSUE SECURITIES IN)
THE APPROXIMATE PRINCIPAL AMOUNT OF)
\$1,900,000 FOR THE PURPOSE OF REFUNDING)
CERTAIN OUTSTANDING REVENUE BONDS OF) CASE NO. 2015-00094
THE DISTRICT AND PROVIDING FUNDS TO)
COMPLETE THE FINANCING OF A WATER)
IMPROVEMENTS PROJECT PURSUANT TO THE)
PROVISIONS OF KRS 278.300 AND 807 KAR 5:001)

ORDER

On March 26, 2015, Nicholas County Water District (“Nicholas County”) applied to the Commission for approval to enter into an Assistance Agreement with the Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$1,900,000, subject to an adjustment of up to 10 percent, to refund existing bond indebtedness and to complete the financing of water improvement projects. Nicholas County’s application was considered filed on April 20, 2015, when all filing deficiencies were cured.

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

1. Nicholas County proposes to execute an Assistance Agreement with KRWFC to borrow \$1,900,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 25-year term subject to interest rates of up to 3.6 percent.¹

¹ Application, Exhibit A.

2. Nicholas County proposes to use \$1,715,000 of the proceeds from the Assistance Agreement to fully refund the outstanding Waterworks Revenue Bonds Series 1994A and 1994B, dated February 17, 1995; Series 1998, dated February 10, 1998; and Series 2000, dated August 9, 2001, that are held by the United States Department of Agriculture Rural Development (“RD”) in the amounts of \$466,000, \$319,000, \$188,500, and \$701,500,² respectively.

3. Nicholas County estimates that the proposed refinancing of the RD bonds will result in total gross savings and net present value savings of \$273,629 and \$183,584, respectively.³

4. In Case No. 2014-00325,⁴ the Commission authorized Nicholas County to finance a portion of the construction costs of the Phase IX water system improvement project and all of the construction costs of the Phase X project with RD Waterworks Revenue Bonds in the amount of \$555,000, an RD grant in the amount of \$200,000, and a Tobacco Settlement grant in the amount of \$185,000.

5. Due to an error in the Tobacco Settlement grant application, the Tobacco Settlement grant funds have not been received by Nicholas County.⁵

² Application, Exhibit D.

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 Case No. 2014-00325, *Application of Nicholas County Water District for a Certificate of Public Convenience and Necessity to Construct, Finance, and Increase Rates Pursuant to KRS 278.023* (Ky. PSC Oct. 9, 2014).

⁵ Nicholas County’s April 20, 2015 Response to Staff’s Deficiencies Letter at 2.

6. Nicholas County will amend and resubmit the Tobacco Settlement grant application in the 2016 budget year.⁶

7. Until the Tobacco Settlement grant is received, Nicholas County requests to fund \$185,000 of the construction costs of the Phase IX and Phase X projects with the KRWFC Assistance Agreement proposed in this proceeding.

8. Nicholas County will use any Tobacco Settlement grant funds that it receives as a result of the 2016 amended application to repay up to \$185,000 of the KRWFC Assistance Agreement.⁷

9. Nicholas County will expend \$1,946,899 to refund the outstanding bonds, pay bond issuance costs, and complete the financing of water improvement projects.⁸

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

IT IS THEREFORE ORDERED that:

1. Nicholas County is authorized to enter into an agreement with KRWFC to borrow no more than \$2,090,000⁹ to fund \$185,000 of the construction costs of the Phase IX and Phase X projects authorized in Case No. 2014-00325, and to refund the

⁶ *Id.*

⁷ *Id.*

⁸ Application, Exhibit B. \$33,250 (Underwriter's Discount) + \$33,500 (Cost of Issuance) + \$185,000 (Deposit to Project Construction Fund) + \$1,693,155 (Deposit to Current Refunding Fund) + \$1,994 (Rounding) = \$1,946,899. The Sources of the Funds are \$1,900,000 (Par Amount of Bonds) + \$26,251 (Reoffering Premium) + \$20,648 (Existing Debt Service Funds) = \$1,946,899.

⁹ \$1,900,000 x 110% = \$2,090,000.

RD bonds, but only under such terms and conditions that 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, Nicholas 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.

3. Within 30 days of executing the proposed agreement, Nicholas County shall file a copy of the executed Assistance Agreement and any documents referenced in the executed Assistance Agreement that Nicholas County has not previously filed with the Commission.

4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in Nicholas County's application.

5. Nicholas County shall apply for the Tobacco Settlement grant proceeds in the budget year 2016 and shall use any awarded grant proceeds, up to \$185,000, to repay the Assistance Agreement.

6. Within 30 days of the repayment of a portion of the Assistance Agreement with Tobacco Settlement grant proceeds, Nicholas County shall file with the Commission a notice of the repayment.


7. Any documents filed pursuant to ordering paragraphs 2, 3, and 6 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.

By the Commission

ENTERED
APR 29 2015
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

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