

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTH MERCER WATER)	
DISTRICT TO ISSUE SECURITIES IN THE)	
APPROXIMATE PRINCIPAL AMOUNT OF)	
\$1,890,000 FOR THE PURPOSE OF)	CASE NO.
REFUNDING CERTAIN OUTSTANDING)	2016-00355
REVENUE BONDS OF THE DISTRICT)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.300 AND 807 KAR 5:001)	

ORDER

North Mercer Water District (“North Mercer”) has applied for authorization to enter into an assistance agreement with the Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$1,890,000, subject to an adjustment of up to 10 percent, to refund existing bond indebtedness.¹ Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. North Mercer, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 4,518 customers in Anderson, Boyle, Mercer, and Washington counties, Kentucky.²

¹ North Mercer tendered its application to the Commission on October 3, 2016. The Commission accepted the application for filing on October 3, 2016. No party has sought to intervene in this proceeding.

² *Annual Report of North Mercer to the Public Service Commission of the Commonwealth of Kentucky for the Calendar Year Ended December 31, 2015* at 12 and 53.

2. North Mercer proposes to execute an assistance agreement with KRWFC to borrow \$1,890,000, 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 3.3 percent.³

3. North Mercer proposes to use the proceeds from the assistance agreement to fully refund the outstanding Waterworks Revenue Bonds Series 1994 dated February 7, 1995; Series 1996 dated January 9, 1997; and Series 2003 dated May 12, 2004, that are held by the United States Department of Agriculture Rural Development in the amounts of \$303,000, \$328,000, and \$1,236,500, respectively.⁴

4. North Mercer estimates that its proposed refinancing will result in total gross savings and net present value savings of \$354,052 and \$259,302.⁵

5. North Mercer will expend \$1,946,170 to refund the outstanding bonds and to pay bond issuance costs.⁶

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

³ Application, Exhibit A.

⁴ The current outstanding balances are shown in the Application at Exhibit D. Each bond series is identified by its applicable Series.

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

⁶ *Id.*, Exhibit B. \$28,350 (Underwriters Discount) + \$30,850 (Cost of Issuance) + \$1,886,561 (Deposit to Current Refunding Fund) + \$409 (Rounding) = \$1,946,170. The Sources of the Funds are \$1,890,000 (Par Amount of Bonds) + \$17,041 (Reoffering Premium) + \$39,129 (Transfers from Prior Issue Debt Service Funds) = \$1,946,170.

IT IS THEREFORE ORDERED that:

1. North Mercer is authorized to enter into an agreement with KRWFC to borrow no more than \$2,079,000⁷ for the purpose of refunding the outstanding indebtedness, 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 differ from those set forth in its application, North Mercer 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 resulted from the refinancing of the Outstanding Revenue Bonds.

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

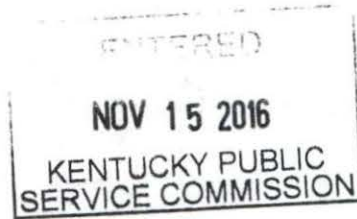
4. The proceeds from the Assistance Agreement shall be used only for the lawful purposes specified in North Mercer's application.

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.

⁷ \$1,890,000 x 110% = \$2,079,000.

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:


Executive Director

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