

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF CARROLL COUNTY WATER )	
DISTRICT NO. 1 FOR APPROVAL TO )	CASE NO.
REFINANCE DEBT TO KENTUCKY )	2017-00409
INFRASTRUCTURE AUTHORITY )	

ORDER

On October 4, 2017, Carroll County Water District (“Carroll County”) filed an application seeking Commission authority to refinance certain debt of up to \$800,000 with the Kentucky Infrastructure Authority (“KIA”). On October 27, 2017, Commission Staff issued a request for information (“Staff’s First Request”) to Carroll County to clarify certain issues in this case. Carroll County filed its responses to Staff’s First Request on November 6, 2017. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Carroll County, in 2002, entered into an Assistance Agreement under KIA’s Drinking Water Revolving Fund Program for infrastructure and interconnect projects (“KIA Loan”).<sup>1</sup> This KIA Loan has a fixed-interest rate of 3.0 percent, an original principal balance of \$1,908,662, and a final maturity date of December 1, 2024.<sup>2</sup> Carroll County proposes to refinance the current principal balance of the KIA Loan, which is

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<sup>1</sup> Application, Exhibit B, at 18.

<sup>2</sup> Application, paragraph 5.

approximately \$800,280, with one note bearing an interest rate of 2.25 percent and the same maturity date as the existing note.<sup>3</sup>

Carroll County states that the new KIA loan will provide the funds necessary to refund the outstanding KIA indebtedness. Carroll County will pay the fees and expenses incident to the issuance of the loan and will not finance those expenses.<sup>4</sup> The new KIA Loan will have the same semi-annual payments. Carroll County provided a cash flow analysis which indicates that the refinancing would save \$25,371 over the life of the proposed loan.<sup>5</sup> Based on the effective interest rate of 2.25 percent, the net present value of the interest savings is \$23,396.

The Commission has reviewed the proposed refinancing and finds Carroll County's proposal to be reasonable due to the lower effective interest rate and cash flow savings Carroll County would see over the period of the loan. The Commission commends Carroll County for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its consumers.

The Commission, after consideration of the evidence of record and being sufficiently advised, finds that:

1. The proposed loan from KIA is for lawful objects within the corporate purposes of Carroll County, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to

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<sup>3</sup> *Id.*

<sup>4</sup> Carroll County's response to Staff's First Request for Information, Item 1.

<sup>5</sup> *Id.*, Exhibit 1

perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. Carroll County should execute its note as security for the proposed loan in the manner described in its application.

3. The final amounts of the KIA payoff, the legal fees, and the new KIA loan will not be known until the refinancing transaction is finalized. Therefore, Carroll County should provide the Commission with the exact amount of the new KIA loan within ten days of finalizing the transaction. In addition, Carroll County should provide an updated version of the response to Staff's First Request, Item 2, reflecting the cash flow analysis of the new KIA loan.

4. Within ten days of the execution of the new KIA loan documents, Carroll County should file with the Commission one copy in paper medium and an electronic version of the loan documents.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Carroll County's application.

6. The terms and conditions of the new KIA loan should be consistent with the KIA refinancing program as described in Carroll County's application.

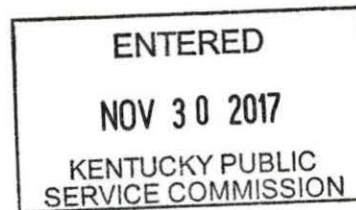
IT IS THEREFORE ORDERED that:

1. Carroll County is authorized to borrow from KIA up to \$800,280, but no more than the total amount needed to pay off the existing KIA indebtedness proposed to be refinanced as identified in the application. The loan maturity date and interest rate shall be in accordance with the KIA refinancing program as described in Carroll County's application.

2. Carroll County shall execute the KIA loan documents as authorized herein.
3. Carroll County shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.
4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission



ATTEST:

  
Executive Director

Case No. 2017-00409

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