

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ESTILL COUNTY WATER)	
DISTRICT NO. 1 TO ISSUE SECURITIES IN)	
THE APPROXIMATE PRINCIPAL AMOUNT)	
OF \$2,745,000 FOR THE PURPOSE OF)	CASE NO.
REFUNDING AND/OR RE-AMORTIZING)	2018-00058
CERTAIN OUTSTANDING OBLIGATIONS OF)	
THE DISTRICT PURSUANT TO THE)	
PROVISIONS OF KRS 278.300 AND 807 KAR)	
5:001)	

ORDER

On February 5, 2018, Estill County Water District No. 1 (“Estill County”) filed an application seeking Commission authority to refinance certain debts of up to \$2,745,000 with the Kentucky Rural Water Finance Corporation (“KRWFC”) over a term of 28 years. On March 6, 2018, the Commission entered an Order that denied Estill County’s application without prejudice based on findings that the proposed refinancing will not produce savings in the total of principal and interest payments over the 28-year term as compared to Estill County’s existing debt service. On March 29, 2018, Estill County filed a Motion for Reconsideration and Supporting Memorandum (“Motion for Reconsideration”) of the denial of its refinancing and a Motion for Conference with Commission Staff (“Motion for Conference”).

In support of its request for reconsideration, Estill County asserts that the proposed refinancing is necessary to avoid a default on its existing debts, to enable it to continue providing utility service to the public, and to retain its eligibility for federal loans and grants.

The Motion for Reconsideration also states that the refinancing will provide Estill County time to rebuild cash reserves and address operation problems causing high water losses while avoiding a default that would result in being placed into receivership or bankruptcy.

Based on a review of the Motion for Reconsideration and being otherwise sufficiently advised, the Commission finds that a rehearing should be granted for the limited purpose of allowing Estill County to present financial evidence to demonstrate that the proposed refinancing will allow it build cash reserves and timely pay the restructured debt service obligations. Estill County should also present evidence on how it intends to address its existing operational problems in general and its excessive percentage of water loss in particular. Further, the Commission finds that Estill County should present its evidence at a hearing on April 16, 2018, rather than at a conference with Commission Staff. Therefore, Estill County's Motion for Conference is denied as moot.

For the Commission to consider granting Estill County's request for refinancing, Estill County must demonstrate, pursuant to KRS 278.300(3), that the proposed refinancing is necessary or appropriate for, or consistent with the proper performance by Estill County of its service to the public, will not impair its ability to perform that service, and it is reasonably necessary and appropriate for such purposes. At a minimum, Estill County should present testimony at the hearing of members of its Board of Commissioners, its Manager, its Field Superintendent, and any other person with knowledge of its financial and operational situation. Any current or potential lenders of Estill County that wish to testify on this matter are invited to give evidence.

The Commission is aware of Estill County's financial and operational challenges and, therefore, takes administrative notice of evidence of Estill County's financial status

that has been entered into the record of Case No. 2017-00176,¹ an application for rate adjustment pursuant to 807 KAR 5:0076. To expedite this matter, the Commission finds that the record in Case No. 2017-00176 should be incorporated by reference into the case record of this proceeding.

Additionally, 807 KAR 5:076, Section 17 provides that, upon showing of good cause, the Commission may permit deviations from its administrative regulations. The Commission finds that Estill County should make a good faith effort to give notice of the hearing to the public, including publication by means of posting on a website or social media account. Estill County's request for prompt action to allow the water district to take full advantage of current interest rates in their application for refinancing is good cause to deviate from the publication requirements of 807 KAR 5:001, Section 9(2)(b).

IT IS THEREFORE ORDERED that:

1. Estill County's Motion for Reconsideration is granted to the limited extent that Estill County shall appear at a formal hearing on April 16, 2018 at 9 a.m. Eastern Daylight Time, in Hearing Room 1 of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky for the purpose of presenting testimony of the issues discussed in the findings above.
2. Estill County's Motion for Conference with Commission Staff is denied as moot.
3. Estill County shall give notice of the hearing by any means available to it in the intervening time. In addition, the notice of hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website,

¹ Case No. 2017-00176, *Electronic Application of Estill County Water District No. 1 for Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Dec.20, 2017).

psc.ky.gov.” At the time the notice is mailed, publication is requested, or is posted on a website or social media platform, Estill County shall forward a duplicate of the notice, request, or posting to the Commission.

4. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video transcript shall be made of the hearing.

5. The record of Commission Case No. 2017-00176 is incorporated into the record of this proceeding by reference

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By the Commission



ATTEST:


Executive Director
for Owen Rinson

Case No. 2018-00058

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