

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF CITIPOWER,)	CASE NO.
LLC FOR APPROVAL OF THE AUTHORITY TO)	2025-00106
REFINANCE A PROMISSORY NOTE)	

ORDER

On April 2, 2025, Citipower, LLC (Citipower), pursuant to KRS 278.300 and 807 KAR 5:001, filed an application seeking Commission authority to refinance a promissory note with a new note in the sum of \$1,157,533.31, which was executed April 1, 2025.¹ Pursuant to 807 KAR 5:001, Section 18(1)(d), no proceeds from the note will be used to acquire property. Citipower responded to one set of requests for information from Commission Staff on May 14, 2025.² No intervenors have been joined in this case.

LEGAL STANDARD

KRS 278.300(1) provides that "[n]o utility shall issue any securities or evidences of indebtedness . . . until it has been authorized so to do by order of the commission." The Commission is prohibited from approving evidences of indebtedness unless it finds that the debt "is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose."³ The Commission may

¹ Application, Exhibit 2.

² Citipower's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 14, 2025).

³ KRS 278.300(3).

grant approval for the issuance of securities or evidences of indebtedness "with such modifications and upon such terms and conditions as [it] deems necessary and appropriate."⁴

PROPOSED REFINANCING

Citipower executed a promissory note with Herbert White Gas Company dated April 1, 2020, in the face amount of \$1,500,000, with the balance of indebtedness, if not sooner paid, due and payable on April 1, 2025, with a balloon payment. Interest payments were due monthly before the end of the term at the fixed interest rate at 6.5 percent per annum (the Note).⁵ The purpose of the Note was to acquire a pipeline from Herbert White Gas Company. Citipower proposed entering into an agreement with Herbert White Gas Company titled "Refinance Promissory Note (Refinancing of Original Promissory Note, Dated April 1, 2025)" (Refinance Agreement) to pay off the balloon payment.⁶ The Refinance Agreement will be used to refinance the Note, approved in Case No. 2019-00109,⁷ which will allow Citipower to extend its previous pipeline loan to full maturity, avoiding the balloon payment. The Refinance Agreement will replace the Note, rendering the Note void. Citipower stated that the Refinance Agreement will ensure its liquidity and ability to make investments that will enable it to do business and provide services for its

⁴ KRS 278.300(4).

⁵ Application at 2.

⁶ Application at 3.

⁷ Case 2019-00109, *Electronic Application of Citipower, LLC for (1) An Adjustment of Rates Pursuant to 807 KAR 5:076; (2) Approval for a Certificate of Public Convenience and Necessity to Purchase Pipeline and Other Related Assets; and (3) Approval of Financing* (Ky. PSC Mar. 25, 2020), Order at 14.

customers.⁸ Citipower does not anticipate any changes regarding gas rates or service fees to cover the cost associated with this request.⁹

The Refinance Agreement provides that the sum of \$1,157,533.31 shall be paid in 121 monthly installments as follows: 121 monthly installments with a beginning payment of \$13,066.61 based upon the original 180-month amortization schedule. Of the 180 total installments, 59 installments have been paid as of March 1, 2025, per the original Note, dated April 1, 2020. The first principal and interest installment were due and payable on April 1, 2025, and due and payable each month thereafter for a period of 120 months, with the final installment being due and payable on April 1, 2035, (Maturity Date). The principal balance of the Note shall earn interest at the fixed rate of 6.50 percent per annum.¹⁰

Citipower acknowledged that it has already received disbursement of the refinancing loan under the Refinance Agreement and the agreement was effective as of April 1, 2025.¹¹ Citipower acknowledged the need for Commission approval to enter into the Refinance Agreement which is the basis of this application.¹²

DISCUSSION AND FINDINGS

After consideration of the evidence of record and being sufficiently advised, the Commission finds that Citipower's application for approval of the Note should be granted, having satisfied the legal standards established in KRS 278.300 for the following reasons.

⁸ Application at 3.

⁹ Citipower's Response to Staff First Request, Item 4a.

¹⁰ Application at 4.

¹¹ Citipower's Response to Staff's First Request, Item 1(a).

¹² Application at 3, footnote.3.

First, the lawful object of Citipower's purpose is to provide adequate, efficient and reasonable water service to the public. The refinancing meets the lawful object of the utility's purpose because it will be used to refinance a loan previously approved by the Commission and is intended to strengthen the financial position of Citipower by ensuring its liquidity and ability to make investments that will enable it to carry on doing business and providing services for its customers.

Second, the financing is appropriate for the proper performance by the utility and will not impair its ability to perform that service because the Refinance Agreement is exclusively for the purposes of refinance existing debt and will not materially affect rates.

Finally, the financing is a reasonably appropriate option for Citipower to meet its statutory duty to provide adequate, efficient and reasonable service because the refinance agreement will enable it to avoid the balloon payment, which would materially affect Citipower's finances.

Although the Commission finds that the application should be approved to ensure the financial well-being of the utility and reasonable rates and service for ratepayers, the Commission is troubled that Citipower assumed a debt before receiving Commission authorization in violation of KRS 278.300. The Commission has the authority and has established a precedent to assess civil penalties upon utilities and their officers, agents, or employees for willful violations of KRS Chapter 278 pursuant to KRS 278.990. The Commission finds that opening an investigation into Citipower regarding the violation of KRS 278.300 is unnecessary at this time. However, the Commission warns Citipower that additional violations may warrant an investigation of any and all violations, including the present one. The Note had a date certain for application of the balloon payment, five

years after execution, and Citipower has no apparent justification for filing an application under KRS 278.300 after that date had passed and the parties entering into a Refinancing Agreement prior to authorization from the Commission.

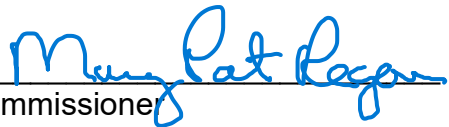
IT IS THEREFORE ORDERED that:

1. Citipower's request for approval of the indebtedness described in its application shall be approved.
2. The proceeds of the loan shall be used only for the purposes specified in Citipower's application.
3. This case is closed and removed from the Commission's docket.
4. Nothing contained in this Order shall be deemed a warranty of the Commonwealth of Kentucky, or any agency thereof, of the financing, herein approved.

PUBLIC SERVICE COMMISSION


Chairman

Vice Chairman


Commissioner

ATTEST:


Executive Director



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