

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF OHIO COUNTY	)	
WATER DISTRICT TO ISSUE SECURITIES IN	)	
THE APPROXIMATE PRINCIPAL AMOUNT OF	)	
\$5,800,000 FOR THE PURPOSE OF	)	CASE NO.
REFINANCING CERTAIN OUTSTANDING	)	2025-00116
OBLIGATIONS OF THE DISTRICT PURSUANT TO	)	
THE PROVISIONS OF KRS 278.300 AND 807 KAR	)	
5:001	)	

ORDER

On April 15, 2025, Ohio County Water District (Ohio District) filed an application, pursuant to KRS 278.300 and 807 KAR 5:001, seeking Commission authority to issue certain securities in the approximate principal amount of up to \$5,800,000, subject to adjustment of up to 10 percent.<sup>1</sup> Ohio District responded to one request for information.<sup>2</sup> There are no intervenors in this proceeding. This matter stands submitted for decision.

LEGAL STANDARD

KRS 278.300(1) requires Commission authorization before a utility may “issue any securities or evidence of indebtedness or assume any obligation or liability in respect to the securities or evidence of indebtedness of any other person.” KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating:

The Commission shall not approve any issue or assumption  
unless, after investigation of the purposes and uses of the

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<sup>1</sup> Application at 2–3.

<sup>2</sup> Ohio District's Response to Commission Staff's First Request for Information (Staff's First Request) (filed May 13, 2025).

proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, 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.

### PROPOSED EVIDENCE OF INDEBTEDNESS

In its application, Ohio District requested authorization to incur indebtedness up to \$5,800,000, subject to adjustment of up to 10 percent, for the purpose of refinancing certain outstanding waterworks revenue bond anticipation notes of Ohio District.<sup>3</sup> Ohio District stated that it proposed to borrow funds from the Rural Water Financing Agency (RWFA) pursuant to an Assistance Agreement (RWFA Loan) for the purpose of (i) refinancing and redeeming certain outstanding revenue bond anticipation notes of Ohio District designated as Ohio County Water District Waterworks Revenue Bond Anticipation Notes, Series 2023, dated October 13, 2023, in the original principal amount of \$5,000,000, bearing interest at the rate of 5.53 percent per annum (2023 BANS) which mature on September 13, 2025;<sup>4</sup> and (ii) paying the costs of issuance of the RWFA Loan.<sup>5</sup> Ohio District stated that the proposed loan is anticipated to have a 5.50 percent per annum interest rate to be repaid over a period not to exceed 30 years.<sup>6</sup> Since the terms of the RWFA loan are subject to change based on market conditions, Ohio District

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<sup>3</sup> Application at 1.

<sup>4</sup> Proceeds of the 2023 BANS were used to finance rehabilitation of and improvement of Ohio District's raw water intake facilities. Case No. 2023-00192, *Electronic Application of Ohio County Water District for a Certificate of Public Convenience and Necessity Pursuant to KRS 278.020 and 807 KAR 5:001*, (Ky. PSC July 31, 2023).

<sup>5</sup> Application at 3.

<sup>6</sup> Application, Exhibit C, Estimated Debt Service – RWFA Loan.

requested a 10 percent variable on the final principal amount of in order to provide enough funds to redeem the 2023 BANS and pay the cost of the issuance. Ohio District stated that it would provide the Commission with the final financial figures once the RWFA bonds are sold.<sup>7</sup>

Additionally, Ohio District stated that it was planning to use \$500,000 of the RWFA Loan proceeds to finance two small maintenance projects: the Goshen Road critical loop (Goshen Road Project) and the Highway 136 AC line replacement (Highway 136 Project).<sup>8</sup> Ohio District stated the Goshen Road Project consisted of installing approximately two miles of waterline to create a system loop, which would eliminate a dead end in Ohio District's distribution system and improve hydraulics to Centertown, a wholesale customer.<sup>9</sup> The estimated cost to construct the Goshen Road Project is \$200,000<sup>10</sup> The Highway 136 Project proposed replacing an old AC waterline that is prone to leaks with new PVC waterline, and the estimated cost to construct the project is \$300,000.<sup>11</sup> Ohio District stated that it does not intend to seek a Certificate of Public Convenience and Necessity (CPCN) for either project.<sup>12</sup>

Ohio District stated that the RWFA loan was in the public interest and was intended to accomplish the purpose of strengthening the financial condition of Ohio District by

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<sup>7</sup> Application at 3.

<sup>8</sup> Application at 6.

<sup>9</sup> Ohio District's Response to Staff's First Request, Item 5.

<sup>10</sup> Ohio District's Response to Staff's First Request, Item 5.

<sup>11</sup> Ohio District's Response to Staff's First Request, Item 5.

<sup>12</sup> Ohio District's Response to Staff's First Request, Item 5. Ohio District explained that both projects will improve the function of the waterlines in Ohio District's distribution system and improve the functioning of the system overall, the projects are waterline or extension improvement projects as required by KRS 278.020(1)(a)(3), and that it is not seeking a rate increase in connection with either project.

providing final permanent financing to be used for budgeting purposes.<sup>13</sup> Ohio District also argued that the RWFA loan was necessary, appropriate for, and consistent with the proper performance because its service to the public would not be impaired.<sup>14</sup>

### DISCUSSION AND FINDINGS

Having considered the evidence of the record and being otherwise sufficiently advised, the Commission finds that Ohio District's request to incur indebtedness of up to \$5,800,000, subject to a 10 percent variance, satisfies the legal standards established in KRS 278.300(3) as discussed below.

The RFWA loan is for lawful objects within the corporate purposes of Ohio District. The lawful objects of the utility's purposes are to provide adequate, efficient and reasonable service at fair, just and reasonable rates. The RWFA loan meets this requirement because the proceeds will be used to refinance an existing debt obligation and for water line replacement to improve service to existing customers. The RFWA loan is necessary and appropriate for and consistent with the proper performance by the utility and will not impair Ohio District's ability to perform that service. The proposed financing will replace the 2023 BANs which mature in September 2025 and will be used to fund Maintenance Projects to improve reliability of service. The RFWA loan is reasonable, necessary and appropriate for Ohio District to meet its statutory duty to provide adequate, efficient and reasonable service because Ohio District intends for the RWFA Loan to strengthen its financial condition by providing final permanent financing numbers for

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<sup>13</sup> Application at 4.

<sup>14</sup> Application at 4.

budgeting purposes. Therefore, the Commission finds that the RFWA loan should be approved.

The Commission also notes that Ohio District did not request a declaratory order on whether a CPCN is needed for the Goshen Road Project and the Highway 136 Project. Approval of the financing in this case is neither a decision on a CPCN for the proposed projects nor a declaratory order determining a CPCN for the proposed projects would be either necessary or unnecessary. The Commission finds that Ohio District should review the requirements for its proposed projects, including KRS 278.020, with counsel and make filings as appropriate.

Ohio District's most recent previous rate case, Case No. 2024-00127, became final on February 18, 2025.<sup>15</sup> Ohio District plans to monitor the adequacy of its rates on an annual basis and will file a rate increase when warranted.<sup>16</sup> The Commission finds that Ohio District should file an application for a general rate adjustment pursuant to 807 KAR 5:001 Section 16, an alternative rate adjustment pursuant to 807 KAR 5:076, or a detailed explanation with supporting financial information of why a rate adjustment is unnecessary on or before July 1, 2027, once the impact of the debt service approved in this Order is fully implemented.

IT IS THEREFORE ORDERED that:

1. Ohio District is authorized to issue long-term debt as described in its application in an amount up to \$5,800,000, subject to adjustment of up to 10 percent.

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<sup>15</sup> Case No. 2024-00127 *Electronic Application of Ohio County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (Ky. PSC Feb. 18, 2025).

<sup>16</sup> Ohio District's Response to Staff's First Request, Item 8.

2. The proceeds from the transaction authorized herein shall be used only for the lawful purposes set out in the application.

3. Within ten days of the execution of the RWFA loan, Ohio District shall file with the Commission an electric version of each document.

4. Ohio District shall, within 30 days from the date of issuance, file with the Commission a statement setting forth the date or dates of issuance of the securities authorized herein; the price paid, the proceeds of such issuances, the interest rate, and all fees and expenses, including underwriting discounts or commissions or other compensation, involved in the issuance and distribution. Ohio District shall also file documentation showing the quotes that it relied upon to determine the lowest interest rate.

5. Any documents filed in the future pursuant to ordering paragraphs 3 and 4 herein shall reference this case number and shall be retained in the post-case correspondence file.

6. Ohio District shall file an application for an adjustment in base rates 807 KAR 5:001 Section 16 or an alternative rate adjustment pursuant to 807 KAR 5:076 on or before July 1, 2027, to ensure that its rates are sufficient, or in the alternative, file a formal motion with a detailed analysis of its rates and revenues and a statement explaining the reasons why no modifications are necessary.

7. This case is closed and removed from the Commission's docket.

8. 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.

PUBLIC SERVICE COMMISSION

Chairman



Vice Chairman

Commissioner



ATTEST:

  
Executive Director



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