

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

KENTUCKY RURAL WATER FINANCE	)	
CORPORATION JOINT APPLICATION ON	)	
BEHALF OF CERTAIN WATER DISTRICTS FOR	)	
AUTHORITY TO BORROW FUNDS TO	)	CASE NO. 2013-00042
REFINANCE CERTAIN OUTSTANDING	)	
INDEBTEDNESS TO THE KENTUCKY RURAL	)	
WATER FINANCE CORPORATION	)	

ORDER

Kentucky Rural Water Finance Corporation (“KRWFC”), on behalf of 16 water districts,<sup>1</sup> has applied for authority for each of those water districts to enter supplemental assistance agreements with KRWFC to modify the terms of one or more of its existing assistance agreements with KRWFC.<sup>2</sup> These supplemental assistance agreements are intended to pass through to the water districts the savings that KRWFC achieved through the recent refinancing of certain bonded debt obligations.

On February 21, 2013, KRWFC moved that the Commission immediately authorize Christian County Water District, Edmonson County Water District, Grayson

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<sup>1</sup> These water districts are: Allen County Water District, Big Sandy Water District, Christian County Water District, Crittenden-Livingston County Water District, East Clark County Water District, Edmonton County Water District, Grayson County Water District, Green River Valley Water District, Henry County Water District No. 2, McCreary County Water District, Muhlenberg County Water District, Pendleton County Water District, Simpson County Water District, Warren County Water District, West McCracken County Water District, and West Shelby Water District. In its application, KRWFC stated that it was also acting on behalf of Meade County Water District. As of the date of this Order, KRWFC has yet to present any documentary evidence to demonstrate that Meade County Water District has authorized KRWFC to act on its behalf.

<sup>2</sup> KRWFC tendered the Application on January 31, 2012. In its application, KRWFC requested a general deviation from the requirements of 807 KAR 5:001 to permit the acceptance of its application. On February 21, 2013, the Commission granted a deviation from 807 KAR 5:001, Section 17(2)(a), which requires the filing of a financial statement covering a 12-month period that ends no more than 90 days before the submission of an application, and accepted the Application for filing.

County Water District, Henry County Water District No. 2, McCreary County Water District, Simpson County Water District, and Warren County Water District (collectively “Movants”) to enter supplemental agreements with KRWFC.

Having considered the motion and those portions of the Application related to the Movants and being otherwise sufficiently advised, the Commission finds that:

1. KRWFC is a Kentucky corporation organized pursuant to KRS Chapter 58 and KRS Chapter 278 for “the financing of public projects for and on behalf of the members of” the Kentucky Rural Water Association.<sup>3</sup>

2. KRWFC has entered into assistance agreements with Movants under which the Movants used the proceeds of the KRWFC loans to finance infrastructure improvements to their water distribution and treatment facilities.

3. KRWFC intends to issue revenue bonds (“KRWFC Refunding Bonds”) in an approximate principal amount not to exceed \$50,000,000 to finance the refunding of its outstanding pooled bond obligations issued in 2001 through 2004 relating to its Flexible Term Loan Program to achieve substantial interest cost savings to the borrowers under that program.

4. KRWFC and the Movants propose to enter into supplemental assistance agreements obligating each Movant to make payments to KRWFC or a trustee on behalf of KRWFC in amounts sufficient to pay the costs of issuance and the debt service requirements on the KRWFC Refunding Bonds

5. Table 1, which is found at the Appendix to this Order, lists: the names of each Movant; the loans to be modified; the year in which each loan currently will

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<sup>3</sup> See Articles of Incorporation of Kentucky Rural Water Finance Corporation (May 18, 1995) at 1-2, available at <https://app.sos.ky.gov/corpscans/47/0401747-09-99999-19950614-ART-3673729-PU.pdf> (last visited Feb. 20, 2013).

mature; the principal balance remaining on each loan; the principal that will remain on the loans after the execution of the supplemental agreements; the year in which the loans will mature as a result of the supplement agreements; the gross savings and net present value savings achieved as a result of the supplemental Agreements' execution. Where a supplemental agreement addresses two or more loans, the combined savings are shown.

6. The proposed supplemental assistance agreements require the Movants to pay interest rates that vary from 2.3 percent to 3.5 percent per annum.

7. The existing assistance agreements, which will be modified with the execution of the supplemental assistance agreements, require Movants to pay interest rates that vary from 4.31 percent to 5.06 percent.

8. None of the proposed supplemental assistance agreements will extend or or increase the length of the payment period established in the assistance agreements that they modify. Where a supplemental assistance agreement amends two or more assistance agreements, however, the final payment date for the combined remaining principal is the more distant of the final payment dates set forth in the assistance agreements whose terms are being revised.

9. As a result of KRWFC's refinancing of its bonded debt and the execution of the proposed supplement assistance agreements, each Movant is expected to realize an aggregate gross savings of \$18,335 to \$384,074 and a net present value savings of \$16,750 to \$300,359.

10. Movants' execution of the proposed supplemental assistance agreements is for a lawful object within their corporate purpose, is reasonably necessary and

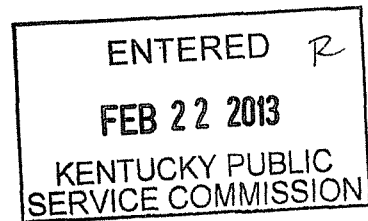
appropriate for and consistent with the proper performance of Movants' service to the public, will not impair their ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. The Movants' motion is granted.
2. The Movants are authorized to enter into supplemental assistance agreements with KRWFC to amend the terms of the assistance agreements identified in Table I, to include the principal amount and interest rate of the present assistance agreement, but only under such terms and conditions that will produce both positive gross savings and net present value savings and that will not require any payments beyond the year set forth in Table I.
3. If the actual terms and conditions of a supplemental assistance agreement with KRWFC differ from those set forth in the Application, the Movant 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 will result from the refinancing.
4. Within 30 days of executing the proposed agreement, each Movant shall file a copy of the executed supplemental assistance agreement and any documents referenced in the executed supplemental assistance agreement that the Movant has not previously filed with the Commission.
5. Any proceeds from a supplemental assistance agreement shall be used only for the lawful purposes specified in the Application.

6. 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.

By the Commission



ATTEST:

Executive Director

A handwritten signature in black ink, consisting of several loops and a long horizontal stroke at the end, positioned over a horizontal line.

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2013-00042 DATED **FEB 22 2013**

TABLE 1

Movant/Applicant	Loan Name	Case No.	Current Principal	Loan Matures	Supp. Agmt Principal	Supp. Agmt Matures	Gross Savings	NPV Savings
		2004-00109	\$1,711,000	2029	\$1,750,000	2029	\$160,873	\$130,479
Christian County Water District	Series 2004B	2004-00112	\$1,774,000	2029	\$1,810,000	2028	\$152,746	\$126,115
Edmonson County Water District	Series 2004B	2004-00111	\$1,959,000	2027	\$1,995,000	2027	\$161,011	\$134,840
Grayson County Water District	Series 2004B	2002-00308	\$ 370,000	2018	-	-	-	-
Henry County Water District No. 2	Series 2001D	2002-00411	\$2,333,000	2033	-	-	-	-
	Series 2003A		-	-	\$2,790,000	2033	\$384,073	\$300,359
	---Combined		\$1,383,000	2030	\$1,415,000	2030	\$123,550	\$ 99,877
McCreary County Water District	Series 2004A	2004-00061	\$ 339,100	2020	\$ 350,000	2020	\$ 18,335	\$ 16,750
Simpson County Water District	Series 2003C	2003-00387	\$1,730,000	2028	-	-	-	-
Warren County Water District	Series 2003A	2002-00410	\$ 317,800	2025	-	-	-	-
	Series 2003C	2003-00354	-	-	\$1,945,000	2028	\$228,743	\$182,294
	---Combined*		-	-	-	-	-	-

\* The combined supplemental agreement principal does not include the entire remaining principal of the Series 2003C loan. Warren County Water District, the city of Bowling Green and another entity are responsible for the Series 2003 debt service payments. The city of Bowling Green has chosen to retire completely its portion of the remaining Series 2003C principal. The other entity has chosen to continue making periodic principal payments under the terms of a supplemental assistance agreement. As a result, the principal amount under the Supplemental Assistance Agreement will be less than the current principal amount. The gross savings and net present value savings have been calculated without regard to the city of Bowling Green's portion of the Series 2003 loan.

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