

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF BRACKEN COUNTY)	
WATER DISTRICT TO ISSUE SECURITIES IN)	
THE APPROXIMATE PRINCIPAL AMOUNT OF)	
\$805,000 FOR THE PURPOSE OF)	CASE NO.
REFUNDING AND REAMORTIZING CERTAIN)	2017-00378
OUTSTANDING OBLIGATIONS OF THE)	
DISTRICT PURSUANT TO THE PROVISIONS)	
OF KRS 278.300 AND 807 KAR 5:001)	

ORDER

On September 18, 2017, Bracken County Water District (“Bracken County”) filed an application seeking Commission authority to issue securities to the Kentucky Rural Water Finance Corporation (“KRWFC”) in an amount up to \$805,000 and to reamortize certain bonds. On October 18, 2017, Commission Staff issued a request for information (“Staff’s First Request”) to Bracken County to clarify certain issues in this case. Bracken County filed its responses to Staff’s First Request on October 27, 2017. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Bracken County intends to use the proceeds from the proposed KRWFC loan to refinance and discharge \$805,000 of outstanding indebtedness to the U.S. Department of Agriculture, acting through Rural Development (“RD”), as well as to reamortize outstanding KRWFC Public Projects Revenue Bonds, Series 2007D (“2007D Bonds”), with an original principal amount of \$3,350,000.¹

¹ Application, paragraph 5.

The outstanding RD balance consists of fixed-rate debt with an original principal amount of \$980,000 and an interest rate of 4.5 percent.² Bracken County proposes to refinance this RD indebtedness in the outstanding principal amount of approximately \$805,000 with one bond issuance composed of a series of principal maturities and ascending rates starting at 2.4 percent and ending at 3.4 percent, and an average maturity of approximately six years.³ Bracken County also proposes to reamortize the remaining principal amount, or \$2,000,000, of the 2007D Bonds as a single bond issue with a series of principal maturities of ascending rates starting at 2.4 percent and ending at 3.4 percent.⁴ Bracken County requests that a decision be rendered by November 8, 2017, in order avoid jeopardizing the potential interest cost savings due to the possibility of rising interest rates in the future.⁵

Bracken County states that the KRWFC loan will provide the funds necessary to refund the RD indebtedness, reamortize the remaining principal of the KRWFC bonds, and pay the fees and expenses incident to the issuance of the loan.⁶ Bracken County provided a cash flow analysis which indicates that the refinancing would save \$472,370 over the life of the proposed loan, resulting in a positive net present value ("NPV") cash flow of \$192,278.⁷ Bracken County also provided a cash flow analysis indicating that the

² *Id.*

³ Application Exhibit A, page 1 of 2.

⁴ *Id.*, Exhibit A, page 2 of 2.

⁵ Bracken County's response to Staff's First Request for Information, Item 7.

⁶ *Id.*, Item 3, for the estimated cost of bond issuance.

⁷ *Id.*, Exhibit D

reamortization of outstanding KRWFC bonds would save \$200,614 over the life of the bonds, resulting in a positive NPV of \$172,744.⁸

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

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

1. The proposed loan from KRWFC is for lawful objects within the corporate purposes of Bracken 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 perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

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

3. The final amounts of the RD payoff, KRWFC reamortization, the legal fees, and the new KRWFC loan will not be known until the refinancing transaction is finalized. Therefore, Bracken County should provide the Commission with the exact amount of the new KRWFC loan within ten days of finalizing the transaction. In addition, Bracken County should provide an updated version of the response to Staff's First Request, Items 5.a.(2) and 5.b.(2), reflecting the cash flow analysis of the new KRWFC loan.

⁸ *Id.*, Exhibit H

4. Within ten days of the execution of the new KRWFC loan documents, Bracken 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 Bracken County's application.

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

IT IS THEREFORE ORDERED that:

1. Bracken County is authorized to borrow from KRWFC up to \$805,000, but no more than the total amount needed to pay off the RD indebtedness proposed to be refinanced as identified in the application and to reamortize the KRWFC bonds as described herein. The loan maturity date and interest rate shall be in accordance with the KRWFC refinancing program as described in Bracken County's application.

2. Bracken County shall execute the KRWFC loan documents as authorized herein.

3. Bracken County shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

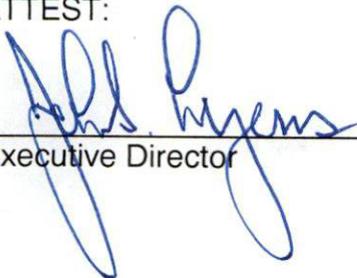
4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the utility's general correspondence file.

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

ENTERED
NOV 08 2017
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:

FOR 

Executive Director

Case No. 2017-00378

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