

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)	CASE NO.
\$2,745,000 FOR THE PURPOSE OF)	2018-00058
REFUNDING AND/OR RE-AMORTIZING)	
CERTAIN OUTSTANDING OBLIGATIONS OF)	
THE DISTRICT)	

ORDER

On February 5, 2018, Estill County Water District No. 1 (“Estill County”) filed an application seeking Commission authority to refinance certain debt of up to \$2,745,000 with the Kentucky Rural Water Finance Corporation (“KRWFC”). There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

In its application, Estill County proposes to borrow funds from KRWFC to reamortize certain outstanding bonds and loans held in an estimated current principal amount of \$2,745,000. The indebtedness is designated as follows: Waterworks Revenue Bonds of 1991A, in the original principal amount of \$521,000, dated September 3, 1992, and bearing interest at a rate of 5.00 percent per annum; Waterworks Revenue Bonds of 1991B, in the original principal amount of \$101,000, dated September 3, 1992, and bearing interest at a rate of 5.00 percent per annum; Waterworks Revenue Bonds, Series 1996, in the original principal amount of \$505,000, dated January 30, 1997, and bearing interest at a rate of 4.50 percent per annum; Waterworks and Sewer Revenue Bonds,

Series 2000, in the original principal amount of \$975,000, dated March 10, 2000, and bearing interest at a rate of 4.50 percent per annum; Kentucky Rural Water Finance Corporation Public Projects Revenue Bonds, Series 2002A, in the original principal amount of \$230,000, dated July 31, 2002, and bearing various interest rates; Water and Sewer Revenue Bonds, Series 2006, in the original principal amount of \$945,000, dated December 22, 2006, and bearing interest at a rate of 4.125 percent per annum; Citizen Guaranty Bank loan #88196, in the original principal amount of \$200,305, dated January 31, 2013, and bearing interest at a rate of 3.85 percent per annum; Citizens Guaranty Bank loan #03387, in the original principal amount of \$100,305, dated January 29, 2015, and bearing interest at a rate of 3.86 percent per annum; and Citizens Guaranty Bank loan #24597, in the original principal amount of \$110,330, dated January 24, 2017, and bearing interest at a rate of 4.10 percent per annum (collectively, "Prior Bonds").¹

Estill County states the KRWFC loan will provide the District the funds necessary to refund or reamortize the Prior Bonds and pay the fees and expenses incident to the issuance of the KRWFC loan.² The proposed KRWFC loan will have 56 semi-annual payments, with the first payment on August 1, 2018, and the last payment on February 1, 2046.³ Estill County provided a Debt Service Comparison which indicates that the

¹ Application, paragraph 5.

² *Id.* at paragraph 7.

³ *Id.* at Exhibit A.

financing would provide a Net Present Value Benefit of \$108,317⁴ over the life of the loan. The Gross Future Value Benefit⁵ savings would total \$(3,099).

The Commission has reviewed the application for the proposed refinancing and finds Estill County's proposal to be unreasonable due to the lack of Gross Future Value Benefit savings. Further, the Commission is concerned about Estill County's history in regard to repaying its current indebtedness. The Commission believes that obtaining financing at a loss simply puts Estill County further in debt and will not alleviate its financial distress. Historically, the Commission has required the applicant to demonstrate in its application that refinancing produces both a total gross savings⁶ and a net present value savings. In this instance, Estill County has provided documentation that shows evidence of a net present value benefit, but an overall loss to Estill County. Therefore, there is no evidence that obtaining the financing will provide any financial benefit.

Based upon the foregoing and being otherwise sufficiently advised, IT IS THEREFORE ORDERED that Estill County's application for approval of refinancing is hereby denied without prejudice.

⁴ *Id.* at Exhibit C.

⁵ The Gross Future Value Benefit savings is outlined in the application as the Total Savings on Debt Service Comparison in Exhibit C.

⁶ The total gross savings is the difference between the Total Principal and Interest Payments for the new debt service and the outstanding debt service.

By the Commission

ENTERED
MAR 06 2018
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director

Case No. 2018-00058

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