

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF HYDEN-LESLIE)	
COUNTY WATER DISTRICT FOR)	
AUTHORIZATION TO ENTER A SHORT-TERM)	
ASSISTANCE AGREEMENT WITH KENTUCKY)	CASE NO.
RURAL WATER FINANCE CORPORATION TO)	2019-00412
REFUND AN EXISTING LOAN AND TO)	
SUBSEQUENTLY ENTER A LONG-TERM)	
ASSISTANCE AGREEMENT WITH THE)	
KENTUCKY INFRASTRUCTURE AUTHORITY)	

ORDER

On November 30, 2019, Hyden-Leslie County Water District (Hyden-Leslie District), filed an application pursuant to KRS 278.300 and 807 KAR 5:001 seeking Commission authority to execute a short-term Assistance Agreement with Kentucky Rural Water Finance Corporation (KRWFC) to refund an existing loan. Additionally, Hyden-Leslie District sought authority to execute a 30-year Assistance Agreement with the Kentucky Infrastructure Authority (KIA) to refund the proposed short-term KRWFC Assistance Agreement and provide permanent financing for a completed water system improvement project. Subsequently, on December 26, 2019 Hyden-Leslie District filed an amended application along with a motion to accept the amended application. There are no intervenors in this case.

Pursuant to KRS 278.300(3), the Commission must determine whether Hyden-Leslie District's application to approve financing is for a lawful object within the corporate purposes of the utility. Additionally, the Commission must decide whether it 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. Finally, the Commission must find whether the financing application is reasonably necessary and appropriate for such purpose.

Based upon the record, the Commission finds that a formal hearing should be held to provide the Commission with more evidence to consider Hyden-Leslie District's request. Hyden-Leslie District's Board of Commissioners including Augustus Roberts, William J. Wooten, Ronnie Gay, William Todd Horton, Timothy Helton; its manager, Larry J. Turner; its engineer, Michael Maggard; a representative with knowledge of Hyden-Leslie's lending practices from Kentucky Infrastructure Association, Kentucky Rural Water Finance Corporation, and USDA RD; and the Leslie County Judge Executive, William R. Lewis; should appear at a formal hearing on February 5, 2020, at the Commission's offices.

Having reviewed Hyden-Leslie District's application and amended application, the Commission finds that additional time to complete the investigation will be necessary to determine the reasonableness of the request. KRS 278.300(2) requires the Commission to issue its decision no later than 60 days after the amended application is filed unless the Commission extends this period for good cause for longer than 60 days. We find that an investigation of the proposed application cannot be completed within 60 days of the filing date of the amended application.

Hyden-Leslie District, a water district organized in 1968 pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 3,594 customers in Clay, Leslie, and Perry counties, Kentucky, and, according to the

Commission's records, Hyden-Leslie District has never sought a general adjustment in rates by any other means than through financing approval or in conjunction with an application for a Certificate of Public Convenience and Necessity.¹ The practical result of such policy is that Hyden-Leslie District has managed to avoid Commission review of its financial records and operational structure for more than 40 years. While Hyden-Leslie District has increased its rates as part of financing cases, through the United States Department of Agriculture Rural Development (USDA RD) the Commission's review of records in a USDA RD financing case is limited and very different from the comprehensive review of a utility's total financial stability and operational viability that takes place in a traditional rate adjustment case or an alternative rate adjustment.² Some utilities use this practice intentionally to avoid a review of its financial records.

After reviewing the record, the Commission finds it is reasonable to believe that Hyden-Leslie District has used this practice, thus avoiding the Commission's review of its financial records as part of a rate case.³

Commission Case No. 2019-00041

The Commission is aware of Hyden-Leslie District's financial and operational challenges and, therefore, takes administrative notice of evidence of Hyden-Leslie

¹ Annual Report of Hyden-Leslie County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar year Ended December 31, 2018 (2018 Annual Report) at 4, 12 and 49; Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019) (July 16, 2019 Hearing Transcript 60-61:15-23; 83-84: 1-15).

² KRS 278.180. Changes in rates, how made; and 807 KAR 5:076 Alternative rate adjustment procedure for small utilities.

³ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019) Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities*, at 16-23.

District's financial status documented in the record in Case No. 2019-00041,⁴ an investigation into excessive water loss, including hearings and discovery that contains pertinent information regarding the financial and operating capacity of Hyden-Leslie District. To expedite this matter, the Commission finds that the record in Case No. 2019-00041 should be incorporated by reference into the case record of this proceeding.

In Case No. 2019-00041, Hyden-Leslie District gave evidence in the form of discovery responses and testimony at a hearing on July 16, 2019, during which Hyden-Leslie District's manager testified that it was operating "in the red" and that "everybody is aware."⁵ Additionally, when the Attorney General questioned Hyden-Leslie District's manager about the fact that the water utility has not undergone a rate case with the Commission for at least 30 years, Hyden-Leslie District's manager confirmed it had not and it had increased its general water service rates through cases for a federal project through KRS 278.023.⁶ A case pursuant to KRS 278.023 is a federal construction project and does not provide for a comprehensive Commission review of the utility's finances.⁷ Further, during the July 16, 2019 hearing, the Attorney General described the rate analysis that takes place in an alternative rate filing case and Hyden-Leslie District's manager confirmed he understood that analysis of rate adequacy from his previous job at Knott County, but did not indicate whether such an analysis had been performed for

⁴ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities*, (Ky. PSC Nov. 22, 2019).

⁵ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019) (July 16, 2019 Hearing Transcript 61: 9-23; 83-84: 1-15).

⁶ *Id.* at July 16, 2019 Hearing Transcript 92-94:3-16.

⁷ KRS 278.023

Hyden-Leslie District.⁸ Further, he indicated that his understanding was that the rate adjustment made for a federal loan through the KRS 278.023 process addressed the overall utility operations, despite the fact that the analysis undertaken by USDA RD does not take into account long-term depreciation or other financial practices and policies that affect the utility's overall financial stability.⁹

In its final Order filed November 22, 2019, the Commission found that each water utility in Case No. 2019-00041 should evaluate the need for more frequent rate increases to ensure that there are water service rates in place to adequately finance the basic operation and maintenance of the water utility.¹⁰ A review of the record shows that utilities like Hyden-Leslie District that practice avoiding rate cases by relying solely on rate increases through the process of KRS 278.023 applications lack the financial resources to address the infrastructure maintenance and repair needed to address sustained excessive unaccounted for water loss. The Commission also ordered Hyden-Leslie District to revise specific written internal policies and to perform a comprehensive water audit, among other specific directives in order to reduce its water loss.¹¹

Background of the Project Funding

In February 2014, the Commission approved Hyden-Leslie District's application for a certificate of public convenience and necessity for a two-part water infrastructure

⁸ *Id.* at July 16, 2019 Hearing Transcript 86–88:14–23.

⁹ *Id.* at July 16, 2019 Hearing Transcript 86–88:14–23; 89-94:7–16; 116-117:13–4.

¹⁰ *Id.* at 7.

¹¹ *Id.* Appendix E.

improvement project.¹² The project was intended to extend water service to approximately 300 customers in Leslie County, a significant portion of whom were obtaining their water through wells or cisterns that had high concentrations of iron or sulfur, or were contaminated with *E-coli* bacteria. Hyden-Leslie District proposed to finance the project's then-estimated cost of \$3,825,000 with \$1,505,497 of appropriated funds and \$2,435,000 from the proceeds of an Assistance Agreement with KRWFC.¹³ The proposed Assistance Agreement with KRWFC was to mature in three years, at which time Hyden-Leslie District expected to obtain permanent financing for the project costs through a loan with USDA RD. Hyden-Leslie District entered an Assistance Agreement with KRWFC (2014 Assistance Agreement) to borrow \$2,435,000 at an interest rate of 2.0 percent per annum. In February 2015, Hyden-Leslie District notified the Commission of the project's completion at a total cost of \$4,137,161.¹⁴ Hyden-Leslie District was unable to secure a loan from USDA RD for permanent financing of the project's costs prior to the maturity of the 2014 Assistance Agreement and Hyden-Leslie District entered into a new Assistance Agreement with KRWFC (2016 Assistance Agreement) to refund the 2014 Assistance Agreement. On February 1, 2016, Hyden-Leslie District executed the 2016 Assistance Agreement under which it borrowed \$2,540,000 at an interest rate of 1.25 percent for a two-year term. Subsequently, Hyden-Leslie District was unable to secure permanent financing prior to the 2016 Assistance Agreement maturing and entered into a third Assistance Agreement with KRWFC (2018 Assistance Agreement) to

¹² Case No. 2013-00388, *Application of the Hyden-Leslie County Water District for Authority to Issue Securities and Issuance of a Certificate of Public Convenience and Necessity to Construct an Improvements Project Pursuant to KRS 278.020 and 278.300*. (Ky. PSC Feb. 6, 2014).

¹³ Amended Application at paragraph 8.

¹⁴ *Id.* at paragraph 11.

refund the 2016 Assistance Agreement. On February 1, 2018, Hyden-Leslie District executed the 2018 Assistance Agreement under which it borrowed \$2,625,000 at an interest rate of 4.00 percent for a one-year term. In late 2018, Hyden-Leslie District made a preliminary application to KIA for permanent financing. On January 4, 2019, KIA advised Hyden-Leslie District that funds were available and issued an invitation to Hyden-Leslie District to apply for a long-term loan of \$2,700,000.¹⁵ Because Hyden-Leslie District could not complete the application requirements before the maturity date of the 2018 Assistance Agreement, it entered into a fourth Assistance Agreement with KRWFC (2019 Assistance Agreement) to refund the 2018 Assistance Agreement. On January 29, 2019, it executed the 2019 Assistance Agreement under which it borrowed \$2,735,000 at an interest rate of 4.00 percent per annum and maturing on February 1, 2020.¹⁶ Based upon a review of the history of erratic funding practices, the Commission finds it is reasonable to take evidence as to the reason that Hyden-Leslie District could not complete the application requirements. Specifically, it is reasonable for the Commission to determine whether Hyden-Leslie District has policies in place that allow the utility to plan for operational and financial stability in order to provide proper performance of its service to the public and avoid extraneous pressures from entities without jurisdiction of reasonable rates required to operate and maintain the utility.

Proposed Loans

On November 7, 2019, the KIA Board considered and approved Hyden-Leslie District's application for a loan of \$2,735,000 payable over a 30-year period at an interest

¹⁵ Amended Application at 5 and Exhibit 6.

¹⁶ Amended Application at 5.

rate of 0.5 percent per annum.¹⁷ The KIA Board approved Hyden-Leslie District's based on the following conditions: (1) Hyden-Leslie District must apply to the Commission no later than November 30, 2019, for authorization to refinance its 2019 Assistance Agreement; (2) No later than November 30, 2019, Hyden-Leslie District's Board of Commissioners must adopt a resolution demonstrating the water district's intent to apply for and obtain rates for water service that produce revenues sufficient to meet the debt service coverage requirements contained in its existing and any future debt obligations with USDA RD and in the proposed KIA Assistance Agreement and adjust those rates when necessary to maintain the required level of revenue; (3) no KIA Assistance Agreement will be executed nor proceeds from such Agreement distributed to Hyden-Leslie District until the Commission has authorized Hyden-Leslie District to assess rates for water service that produce revenues sufficient to meet the debt service coverage requirements contained in its existing debt obligations with USDA RD and in the proposed KIA Assistance Agreement; and (4) No later than January 30, 2020, Hyden-Leslie District must satisfy the conditions set forth in USDA RD's Letter of Conditions of December 4, 2018, for the Hyden-Leslie Water System Improvements Phase III Project.¹⁸

Hyden-Leslie District subsequently requested and was granted an extension of time until June 1, 2020, to satisfy the conditions set forth in Rural Development's Letter of Conditions of December 4, 2018, for the Hyden-Leslie Water System Improvements Phase III Project. Hyden-Leslie District expects to enter an agreement with USDA RD no later than mid-2020 to finance a construction project known as "Hyden-Leslie Water

¹⁷ *Id.*

¹⁸ *Id.* at 5 and 6.

System Improvements Phase III Project” through a loan of \$1,727,000 and a grant of \$1,152,800.¹⁹ On December 4, 2018, USDA RD issued a letter of conditions regarding its funding for the proposed construction project.²⁰ Under the conditions set forth in this letter, Hyden-Leslie District must increase its water service rates to levels that will produce revenues sufficient to meet the debt service coverage requirements contained in its existing and proposed debt instruments with USDA RD and the proposed Assistance Agreement with KIA. Hyden-Leslie District intends to apply to the Commission for an adjustment of its rates as part of an application for approval of the proposed construction project made pursuant to KRS 278.023.²¹ Hyden-Leslie District made no statement of any intentions to file for an adjustment of rates other than by another KRS 278.023 application.

Hyden-Leslie District, once again, is unable to meet all of the conditions in the Letter of Conditions and to apply for and obtain Commission approval of the USDA RD financed construction project prior to February 1, 2020. It lacks sufficient funds to make the required principal payment under the 2019 Assistance Agreement. Therefore, Hyden-Leslie District proposes to execute another Assistance Agreement with KRWFC (2020 Assistance Agreement) under which it will borrow \$2,935,000 at an interest rate of 2.25 percent per annum for a two-year period as stated in Hyden-Leslie District’s Amended Application filed on December 26, 2019. The proposed 2020 Assistance Agreement will

¹⁹ *Id.* at 6.

²⁰ Amended Application, Exhibit 12.

²¹ Amended Application at 7.

permit Hyden-Leslie District to retire the loan without penalty during the last eighteen months of the Agreement's term.

Hyden-Leslie District proposes to execute the 2020 Assistance Agreement with KRWFC for a loan in the estimated principal amount of \$2,935,000 subject to adjustment of up to ten percent for a term of two years at an interest rate of 2.25 percent per annum.²² The proceeds of the 2020 Assistance Agreement would be used to refinance the 2019 Assistance Agreement loan from KRWFC in the principal amount of \$2,735,000, dated January 29, 2019, bearing interest at the rate of four percent per annum, and maturing on February 1, 2020.

The Commission is concerned about Hyden-Leslie District's financial policies and practices that may or may not address the financial viability of the utility beyond the project presented to the Commission for review, and whether these agreements are consistent with the proper performance by the utility of its service to the public. A review of the record indicates the utility is operating "in the red," and Hyden-Leslie District has not participated in a comprehensive review of the adequacy of its rates formally since its origin in 1968. Based upon those "red flags," and the directives set forth in the final Order of Case No. 2019-00041, the Commission finds it reasonable to take evidence on why Hyden-Leslie District has a tortured financing past, has not filed a rate case, and indicates that it intends to file an application for rate increase through KRS 278.023. Further, Hyden-Leslie District has not provided any indication of its understanding of the need for a rate adjustment. The Commission finds that it is reasonable to take evidence on the propriety of the request for financing as well as what policies are in place to review the

²² *Id.* at 8.

adequacy of its rates and to allow proper communication between the Board of Commissioners, manager, engineer, and funding agencies to insure that Hyden-Leslie District's water service rates are adequate to address its operational and financial needs. It is reasonable to take evidence on how Hyden-Leslie District intends to revise its policies to avoid operating "in the red" in the future and whether it acknowledges its current financial situation is a consequence of its policy to rely solely on the rate increases provided through KRS 278.023.

The proposed KIA Assistance Agreement involves a loan of \$2,735,000 payable over a 30-year period at an interest rate of 0.5 percent per annum. Hyden-Leslie District will require \$2,935,000 to retire the proposed 2020 Assistance Agreement. The precise amount necessary to retire the 2020 Assistance Agreement however, will not be known until Hyden-Leslie District has met all conditions for the KIA loan, including obtaining rates that will generate revenues sufficient to meet the debt service requirements of Hyden-Leslie District's loans with USDA RD and KIA. The Commission is concerned about Hyden-Leslie District's history of delays, extensions, and failure to meet the conditions for funding needed for operations. Again, the Commission finds it reasonable to take evidence as to why Hyden-Leslie District has not filed a rate case that would address the conditions set forth by KIA, and address the total financial stability of the utility after the Commission's final Order of Case No. 2019-00041.

Hyden-Leslie District was directed to evaluate the frequency of its rate cases and to address its financial policies in general, but specifically the Commission's discussion provided in Appendix L of that Order described the problems that can result from infrequent rate cases and unsustainable accounting practices in which utilities use

depreciation funds for operating expenses.²³ A review of the record indicates Hyden-Leslie District has employed both practices as well as adjusting rates by other means than a rate case involving Commission Staff's comprehensive review to adjust its rates to generate revenues sufficient to meet its overall financial obligations, including long-term debt.²⁴ If KIA does not agree to lend the full amount, Hyden-Leslie District claims it will use internal funds to pay the portion not covered by the KIA loan; however, the Commission is unsure how Hyden-Leslie District could possibly make such claim, particularly when recently it was "operating in the red."²⁵

Hyden-Leslie District has presented the Commission with evidence that it cannot meet its financial obligations and that it has a history of extending financing agreements just long enough to avoid oversight of the loan. Additionally, Hyden-Leslie District was a party to Case No. 2019-00041 because of its sustained excessive water loss indicating operational deficiencies. This loan will serve as permanent financing for the waterworks project, including line extensions that was the subject of Case No. 2013-0388; however, Hyden-Leslie District's manager indicated the need for funding for infrastructure improvements as opposed to the project addressed by this loan.²⁶ There is reason to believe the Board of Commissioners and operational employees are not functioning within

²³ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019), Appendix L, *Confronting the Problems Plaguing Kentucky's Water Utilities*, at 16-17.

²⁴ *Id.* at 19-20.

²⁵ Amended Application at Footnote 11; Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019) (July 16, 2019 Hearing Transcript) at 61:14-15.

²⁶ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019) (July 16, 2019 Hearing Transcript) at 44-45:25-22.

a cohesive plan for Hyden-Leslie District.²⁷ The Commission is concerned about the financial stability of the utility and its ability to provide proper performance by the utility of its service to the public.

KRS 278.300(1) and (8) require Hyden-Leslie District to obtain prior Commission authorization of the proposed 2020 Assistance Agreement. KRS 278.300(8) permits a utility to issue without prior Commission authorization notes for proper purposes and not in violation of law that are payable at periods of not more than two years or to like notes, payable at a period of not more than two years from date thereof, that are issued to pay or refund in whole or in part any such notes, or to renewals of such notes from time to time, not exceeding in the aggregate six years from the date of the issue of the original notes so renewed or refunded. Hyden-Leslie District's historical practice of executing financing agreements payable at periods of not more than two years and using financing that requires approval through KRS 278.023, effectively avoided the Commission's review and examination of its rate structure and funding of basic operations. Hyden-Leslie District's proposed execution of the assistance agreement, the original note, and the refunding notes will exceed an aggregate term of six years; therefore, Commission approval is required. Hyden-Leslie District has only applied for approval herein because it was unable to meet the conditions required to obtain another form of funding that would avoid Commission review. To be clear, the funding agencies operating to serve water utilities are not responsible for the gamesmanship that Hyden-Leslie District has

²⁷ Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019) (July 16, 2019 Hearing Transcript) at 44-45:25-22; and 153-155:9-12-Hyden-Leslie District's engineer contradicted Hyden-Leslie District's manager, stating that the project at issue does address water loss and the Board of Commissioners is aware of a capital plan.

displayed to avoid oversight. Hyden-Leslie District's Board of Commissioners has the duty pursuant to KRS 74.070 to review and authorize its funding practices. After review of its funding practices, it seems that more energy was exerted to design funding to avoid Commission oversight than has been exerted by the utility to plan for adequate rates and funding to support Hyden-Leslie District to remain financially sound while operating and maintaining its system to serve the public. This Commission has the exclusive jurisdiction over regulation of utility rates and services pursuant to KRS 278.040. To the extent that approving the proposed agreements could be perceived as tacitly approving of Hyden-Leslie District's funding practices to avoid Commission oversight of its rates, this Commission will not approve the proposed agreements as the record stands. The Commission has a duty to take evidence as to whether Hyden-Leslie District's request for financing 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." Part of this review requires that the Commission consider whether Hyden-Leslie District's rates are fair, just, and reasonable.

After reviewing the record, including Case No. 2019-00041 and the conclusions derived from that investigation, the Commission finds that the record as it stands shows a blatant disregard for the discussion, conclusions, and most importantly the final Order of Case No. 2019-00041. If the Commission were to approve the proposed application, it would be tantamount to approving the same failed practices identified and discussed in Case No. 2019-00041 as part of the cause of the problems plaguing Kentucky's water systems. The internal policy of poor accounting measures and deficient analysis of water

service rates with no regard for asset management must stop. The final Order in Case No. 2019-00041 recounted the results of an extensive investigation and discussed the conclusion that failed asset management and deficient financial planning were pivotal causes of the dismal financial state of the majority of the utilities investigated in that case, including Hyden-Leslie District. Eight days later, Hyden-Leslie District filed a request for the Commission to approve financial agreements that represent a failure to plan for infrastructure requirements and desperate measures to keep the utility from defaulting on rushed financial agreements ignoring the directives of Case No. 2019-00041. Hyden-Leslie District is now asking the Commission to ignore its own findings, or to reject its own conclusions and recommendations, in favor of perpetuating a failed system that endorses utilities running their systems into the ground at the public's expense, either of which is unacceptable to this Commission. Hyden-Leslie District should present evidence of its revision of its policies and procedures sufficient to address its failed accounting and financing practices. Hyden-Leslie District's Board of Commissioners, manager, engineer, and Leslie County Judge Executive must present evidence that they understand the duties required of their respective positions and the work required to correct the trajectory of Hyden-Leslie District to provide for the viability of the utility going forward for the proper performance of its service to the public, even if it requires a rate increase.

This Commission finds that Hyden-Leslie District's failure to plan properly should not penalize the rest of the water utilities in Kentucky that receive their financing through KRWFC. Allowing the default of the 2019 Assistance Agreement from KRWC would have far reaching effects beyond one utility, effectively displacing the burden of Hyden-Leslie District's failure upon utilities that are actually operating within the conditions of their

assistance agreements. In spite of the Commission's strong disapproval of Hyden-Leslie District's funding practices to avoid Commission oversight of its rates, this Commission finds it is in the public interest to approve the proposed 2020 Assistance Agreement on an interim basis for a term of one year conditioned on Hyden-Leslie District filing for an alternative rate adjustment within six months of the filing of the final Order of Commission Case No.2019-00412. This agreement will remain a subject for review and evidence will be taken in reference to this agreement as part of the hearing on February 5, 2020. The decision to approve the 2020 Assistance Agreement from KRWC is only for the greater public good and not does reflect in any way that the Commission can condone Hyden-Leslie District's irresponsible financing policies.

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

1. The 2020 Assistance Agreement from KRWFC is for lawful objects within the corporate purposes of Hyden-Leslie District for a term of one year, 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. Hyden-Leslie District should execute its note as security for the proposed loan in the manner described in its application, for a term of one year.

3. Within ten days of the execution of the 2020 Assistance Agreement from KRWFC loan documents, Hyden-Leslie District should file with the Commission one copy in paper medium and an electronic version of the loan documents.

4. Within six months of the filing of the final Order of Commission Case No. 2019-00412, Hyden-Leslie District should file with the Commission its application for an alternative rate adjustment.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Hyden-Leslie District's Application.

6. The terms and conditions of the 2020 Assistance Agreement from KRWFC should be consistent with the KRWFC assistance program as described in Hyden-Leslie District's Application for a term of one year.

IT IS THEREFORE ORDERED that:

1. The motion to accept the amended application filed on December 26, 2019, is granted.

2. Hyden-Leslie District's request for approval of the funding agreements is extended for an additional 60 days, from February 24, 2020, to April 24, 2020, pursuant to KRS 278.300(2).

3. Hyden-Leslie District, including its Board of Commissioners: Augustus Roberts, William J. Wooten, Ronnie Gay, William Todd Horton, and Timothy Helton; its manager, Larry J. Turner; its engineer, Michael Maggard; a representative with knowledge of Hyden-Leslie's lending practices from Kentucky Infrastructure Association, Kentucky Rural Water Finance Corporation, and USDA RD; and the Leslie County Judge Executive, William R. Lewis, shall appear at a formal hearing scheduled for February 5, 2020, at 9:30 a.m. Eastern Standard Time, in the Richard Raff Hearing Room (Hearing Room 1) of the Commission's offices at 211 Sower Boulevard, Frankfort, Kentucky.

4. Hyden-Leslie District shall give notice of the hearing in compliance with 807 KAR 5:001, Section 9(2)(b). In addition, the notice of hearing shall include the following statement: "This hearing will be streamed live and may be viewed on the PSC website, psc.ky.gov." At the time the notice is mailed, publication is requested, or is posted on a website or social media platform Hyden-Leslie District shall forward a duplicate of the notice, request, or posting to the Commission.

5. Pursuant to KRS 278.360 and 807 KAR 5:001, Section 9(9), a digital video transcript shall be made of the hearing.

6. The record of Commission Case No. 2019-00041 is incorporated into the record of this proceeding by reference.

7. Hyden-Leslie District is authorized to enter into a Loan Agreement with KRWFC to borrow no more than the total amount to pay off the 2019 assistance agreement indebtedness proposed to be refinanced as identified in the application. The loan maturity date and interest rate shall be in accordance with the KRWFC assistance program as described in Hyden-Leslie District's application for a term of one year and conditioned upon Hyden-Leslie District filing for an alternative rate adjustment with the Commission within six months of the final Order of Commission Case No. 2019-00412.

8. Hyden-Leslie District shall execute the KRWFC loan documents as authorized herein.

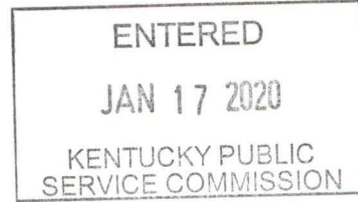
9. Hyden-Leslie District shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

10. Any documents filed in the future pursuant to finding paragraphs 3 and 6 shall reference this case.


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.

[REMAINDER OF PAGE INTENTIONALLY LEFT BLANK]

By the Commission



ATTEST:


Executive Director

*Gerald E Wuetcher
Attorney at Law
STOLL KEENON OGDEN PLLC
300 West Vine Street
Suite 2100
Lexington, KENTUCKY 40507-1801

*Hyden-Leslie County Water District
356 Wendover Road
Hyden, KY 41749

*L.J. Turner
Hyden-Leslie County Water District
356 Wendover Road
Hyden, KY 41749