

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ADAIR COUNTY WATER)
DISTRICT TO ISSUE SECURITIES IN THE)
APPROXIMATE PRINCIPAL AMOUNT OF)
\$4,025,000 FOR THE PURPOSE OF REFUNDING) CASE NO. 2013-00169
CERTAIN OUTSTANDING REVENUE BONDS OF)
THE DISTRICT PURSUANT TO THE PROVISIONS)
OF KRS 278.300 AND 807 KAR 5:001)

ORDER

Adair County Water District ("Adair District") has applied for approval to execute an assistance agreement with Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$4,025,000 to refund certain waterworks revenue bonds.¹

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Adair District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that distribute water to 7,668 customers in Adair County, Kentucky.²
2. Adair District proposes to execute an Assistance Agreement with KRWFC to borrow \$4,025,000 subject to an adjustment of up to 10 percent.³ The proposed loan

¹ Adair District tendered its application to the Commission on April 30, 2013. In its application, it requested a deviation from 807 KAR 5:001, Section 17(2)(a). On May 14, 2013, the Commission granted this request and accepted the application for filing. No person or entity has sought intervention in this proceeding.

² *Annual Report of Adair County Water District to the Public Service Commission for the Year Ended December 31, 2011* at 5, 27.

³ Application ("App.") ¶ 5.

will have a term of 27 years and will accrue interest at a rate that ranges from 2.1 percent per annum to 4.15 percent per annum.⁴

3. Adair District proposes to use the proceeds from the assistance agreement to fully refund the outstanding bonds from 12 prior bond issuances,⁵ all of which Rural Development holds, and to pay fees and expenses incidental to the proposed loan.⁶ The bonds to be refunded are shown in Appendix to this Order.

4. Adair District estimates that the proposed refunding will result in total gross savings and net present value savings of \$551,207 and \$374,894 respectively.⁷

5. Adair District will expend \$4,264,742 to refund the outstanding bonds and to pay fees and expenses incidental to the proposed loan.⁸

6. Adair District's proposed assistance agreement with KRWFC is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Adair District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

⁴ App. Ex. A.

⁵ These outstanding bonds include bonds from five series that the city of Columbia, Kentucky, ("Columbia") originally issued. In 2010 Adair District assumed Columbia's bond obligations that were related to that city's water distribution and wastewater facilities after acquiring those facilities. See Case No. 2010-00361, *Application of Adair County Water District to Assume Certain Securities in the Outstanding Principal Amount of \$2,236,343 Pursuant to the Provisions of KRS 278.300 and 807 KAR 5:001* (Ky. PSC Oct. 7, 2010).

⁶ App. ¶ 5.

⁷ App. Ex. C. The utility identifies "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

⁸ App. Ex. B. \$70,438 (Total Underwriter's Discount) + \$62,875 (Cost of Issuance) + \$4,127,057 (Deposit to Current Refunding Fund) + \$4,372 (Rounding) = \$4,264,742. The sources of these refunding funds are: \$4,025,000 (Par Amount of Bonds); \$72,896 (Reoffering Premium); and \$166,846 (Transfers from Prior Issue Debt Service Funds).

IT IS THEREFORE ORDERED that:

1. Adair District is authorized to execute the proposed assistance agreement with KRWFC to borrow no more than \$4,427,500⁹ for the purpose of refunding the bonded debt listed in the Appendix to this Order, but only under such terms and conditions as will produce both positive gross savings and net present value savings.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its application, Adair District 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 proposed transaction.

3. Within 30 days of executing the proposed agreement, Adair District shall file a copy of the executed assistance agreement and any documents referenced in the executed assistance agreement that Adair District has not previously filed with the Commission.

4. The proceeds resulting from the assistance agreement shall be used only for the lawful purposes specified in Adair District's application.

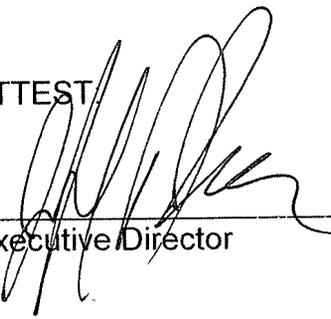
5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

⁹ $\$4,025,000 \times 110\% = \$4,427,500.$

By the Commission

ENTERED ⁷
JUN 03 2013
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST



Executive Director

Case No. 2013-00169

APPENDIX

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE
COMMISSION IN CASE NO. 2013-00169 DATED JUN 03 2013

**OUTSTANDING BONDS TO BE REFUNDED WITH
PROCEEDS FROM PROPOSED ASSISTANCE AGREEMENT**

Series	Issuance Date	Maturity Date	Annual Interest Rate (%)	Outstanding Principal
City of Columbia Utilities Revenue Bonds of 1977	04/24/1978	10/01/2016	5.00	\$ 200,000
Adair County Water District Waterworks Revenue Bonds of 1978	07/11/1978	01/01/2018	5.00	108,000
Adair County Water District Waterworks Revenue Bonds of 1985	12/12/1986	01/01/2025	5.00	719,000
City of Columbia Utilities Revenue Bonds, Series A of 1988	06/30/1989	10/01/2028	5.00	525,000
City of Columbia Utilities Revenue Bonds, Series B of 1988	06/30/1989	10/01/2028	5.00	130,000
Adair County Water District Water Revenue Bonds of 1989	05/25/1990	01/01/2022	6.00	100,000
Adair County Water District Water Revenue Bonds of 1992	04/16/1993	01/01/2032	5.00	534,000
City of Columbia Utilities Revenue Bonds, Series of 1995	10/18/1995	10/01/2034	4.50	97,500
Adair County Water District Water Revenue Bonds of 1994	02/07/1996	01/01/2035	4.50	320,000
Adair County Water District Water Revenue Bonds of 1998	09/17/1999	01/01/2035	4.50	340,000
City of Columbia Utilities Revenue Bonds, Series of 2000	03/25/1999	10/01/2040	4.50	436,900
Adair County Water District Water Revenue Bonds of 2003	01/29/2003	01/01/2042	4.50	544,500
Total				\$4,054,900

Sources: Application; Wise, Buckner, Spowles & Associates, PLLC, Adair County Water District DBA Columbia/Adair Utilities District Financial Statements for the Years Ended December 31, 2012 and 2011 (Mar. 13, 2013).

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