

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF)	
MCCREARY COUNTY WATER DISTRICT)	
FOR AUTHORIZATION TO EXECUTE)	CASE NO. 2018-00038
LEASE-PURCHASE AGREEMENT AND)	
RELATED RELIEF)	

MOTION TO AMEND ORDER OF JUNE 28, 2018

McCreary County Water District (“McCreary District”) moves the Public Service Commission to amend its Order of June 28, 2018 to authorize McCreary District to enter a lease-purchase agreement with Government Capital Corporation in the amount of \$797,355.34 at an interest rate not to exceed 3.945 percent per annum.

In support of its motion, McCreary District states:

1. On June 28, 2018, the Public Service Commission issued an Order in which, *inter alia*, it authorized McCreary District to enter a lease-purchase agreement with Government Capital Corporation in the amount of \$781,144 and at an interest rate not to exceed 3.744 percent per annum to finance the purchase of metering equipment.

2. Pursuant to KRS 278.300, McCreary District may not issue any evidence of indebtedness that exceeds the provisions of the Order of June 28, 2018.

3. In its application, McCreary District incorrectly stated that the principal amount of the lease-purchase agreement was \$781,144. The correct amount of the proposed principal is \$797,355.34. This higher amount reflects the cost of the proposed metering equipment and loan issuance costs. While McCreary District incorrectly stated the principal amount in its

application, the payment schedule that McCreary District described in its application reflects a principal amount of \$797,355.34.¹

4. In its application, McCreary District stated that the expected interest rate of the proposed lease-purchase agreement was 3.744 percent. Since the filing of McCreary District's application, market interest rates have risen as a result of changing economic conditions. Government Capital Corporation is no longer able to lend the required funds at 3.744 percent per annum but has offered to proceed with the lease-purchase agreement at an interest rate of 3.945 percent per annum if the lease-purchase agreement is executed no later than August 31, 2018.

5. The increase in the interest rate of the lease-purchase agreement will not significantly reduce the expected benefits of the proposed transaction. As noted above, the amount of principal reflected in the payment schedule remains unchanged from that presented in the original payment schedule. The increase in interest rate from 3.744 percent to 3.945 will increase the annual principal and interest payment from \$96,987.20 to 97,997.56. The total amount to be paid under the lease-purchase agreement will increase from \$969,876.20 to \$979,975.60, or approximately one percent. (A copy of the payment schedule for the lease-purchase agreement at the current interest rate of 3.945 per annum is attached as Exhibit A.) The Public Service Commission noted in its Order of June 28, 2018, that the proposed meter equipment purchase is expected to produce future value savings of \$1,054,060 over a ten-year period.²

6. A proposed Order is attached as Exhibit B to this Motion and an electronic copy has been embedded in the electronic version of this document filed with the Public Service Commission.

¹ See, e.g., Application at ¶ 32; Direct Testimony of Stephen Whitaker at 14.

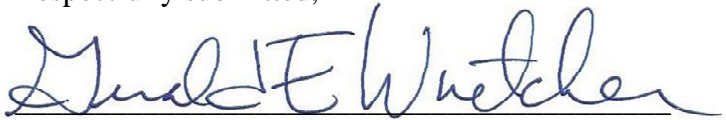
² Order of June 28, 2018 at 7.

WHEREFORE, McCreary District requests that the Commission:

1. Grant this Motion to Amend;
2. Amend its Order of June 28, 2018 to authorize McCreary District to enter a lease-purchase agreement with Government Capital Corporation to borrow \$797,355.34 at an interest rate not exceed 3.945 percent per annum; and
3. Enter a decision on this motion no later than August 27, 2018.

Dated: August 15, 2018

Respectfully submitted,



Gerald E. Wuetcher
Stoll Keenon Ogden PLLC
300 West Vine St. Suite 2100
Lexington, Kentucky 40507-1801
Telephone: (859) 231-3017
Fax: (859) 259-3517
gerald.wuetcher@skofirm.com

Counsel for McCreary County Water District

CERTIFICATE OF SERVICE

In accordance with 807 KAR 5:001, Section 8, I certify that McCreary County Water District's August 15, 2018 electronic filing of this Motion is a true and accurate copy of the same document being filed in paper medium; that the electronic filing was transmitted to the Public Service Commission August 15, 2018; that there are currently no parties that the Commission has excused from participation by electronic means in this proceeding; and that an original paper medium of this Motion will be delivered to the Public Service Commission on or before August 17, 2018.



Gerald E. Wuetcher

EXHIBIT A

EXHIBIT B

>> SCHEDULE OF PAYMENTS & OPTION TO PURCHASE PRICE <<
MUNICIPAL LEASE-PURCHASE AGREEMENT No.8306 (THE "AGREEMENT")
BY AND BETWEEN

Lessor: Government Capital Corporation and **Lessee:** McCreary County Water District
Schedule dated as of August 10, 2018

PMT NO.	PMT DATE MO DAY YR	TOTAL PAYMENT	INTEREST PAID	PRINCIPAL PAID	OPTION TO PURCHASE after pmt on this line
1	8/1/2019	\$97,997.56	\$31,108.08	\$66,889.48	N/A
2	8/1/2020	\$97,997.56	\$28,818.65	\$69,178.91	N/A
3	8/1/2021	\$97,997.56	\$26,089.38	\$71,908.18	N/A
4	8/1/2022	\$97,997.56	\$23,252.42	\$74,745.14	N/A
5	8/1/2023	\$97,997.56	\$20,303.55	\$77,694.01	\$440,590.73
6	8/1/2024	\$97,997.56	\$17,238.33	\$80,759.23	\$358,674.73
7	8/1/2025	\$97,997.56	\$14,052.18	\$83,945.38	\$273,768.80
8	8/1/2026	\$97,997.56	\$10,740.33	\$87,257.23	\$185,763.80
9	8/1/2027	\$97,997.56	\$7,297.82	\$90,699.74	\$94,546.62
10	8/1/2028	\$97,997.56	\$3,719.52	\$94,278.04	\$0.00
Grand Totals		\$979,975.60	\$182,620.26	\$797,355.34	

Rate: 3.945%

Accepted By Lessee: _____
Stephen Whitaker, Manager/Superintendent

EXHIBIT B

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF MCCREARY)	
COUNTY WATER DISTRICT FOR)	
AUTHORIZATION TO EXECUTE LEASE-)	CASE NO. 2018-00038
PURCHASE AGREEMENT AND RELATED)	
RELIEF)	

ORDER

McCreary County Water District (“McCreary District”) has moved for an Order amending the Commission’s Order of June 28, 2018 in which the Commission authorized McCreary District to enter a lease-purchase agreement with Government Capital Corporation in the amount of \$781,144 at an interest rate not to exceed 3.744 percent per annum to finance the purchase of metering equipment. It requests the Order be amended to authorize McCreary District to borrow \$797,355.34 from Government Capital Corporation at an interest rate not to exceed 3.945 percent per annum.

In support of its motion, McCreary District states that in its application it erroneously listed the principal amount of the lease-purchase agreement. While McCreary District requested approval to borrow \$781,144, the actual loan principal was \$797,356. The payment schedule which McCreary District presented with its application confirms the higher principal amount. McCreary District further states that, since the filing of its application, market interest rates have risen and, as a result, the interest rate for the proposed loan is now 3.945 percent per annum.

Having considered the motion and being otherwise sufficiently advised, the Commission finds good cause to grant the Motion to Amend and to amend the Order of June 28, 2018 to authorize McCreary District to enter a lease-purchase agreement with Government Capital Corporation in the principal loan amount of \$797,356 and at an interest rate not to exceed 3.945 percent per annum.

IT IS THEREFORE ORDERED that:

1. McCreary District's Motion to Amend is granted.
2. All references in the Order of June 28, 2018 to a proposed loan principal or loan proceeds of \$781,144 are amended to \$797,356.
3. Ordering Paragraph 1 of the Order of June 28, 2018 is amended to read:
 1. McCreary District is authorized to enter into a lease-purchase agreement with Government Capital in the amount of \$797,356 over a term of ten years at an interest rate not to exceed 3.944 percent per annum.
4. All other provisions of the Order of June 28, 2018 not addressed in this Order remain in full force and effect.

By the Commission

¶

ATTEST:

Executive Director

Case No. 2018-00038