

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

THE APPLICATION OF SOUTHERN WATER AND SEWER DISTRICT FOR
APPROVAL OF FINANCING PURSUANT TO KRS 278.300

CASE NO. 2019-243

*** **

APPLICATION

The Applicant, Southern Water and Sewer District (the “District”), files this Application pursuant to KRS 278.300, 807 KAR 5:001, and all other applicable laws and regulations, and requests that the Kentucky Public Service Commission (the “Commission”) enter an Order authorizing the District to enter into a loan in the approximate principal amount of \$150,000.00 for the purpose of refinancing an outstanding obligation of the District to the Floyd Fiscal Court. In support of this Application, and in compliance with the rules and regulations of the Commission, the District states as follows:

1. The District was established pursuant to the provisions of Chapter 74 of the Kentucky Revised Statutes. The District is now, and has been since its inception, regulated by Commission, and all records and proceedings of the Commission with reference to the District incorporated in this Application by reference. The District does not have any Articles of Incorporation because it is a statutorily created entity.
2. The governing body of the District is its Board of Commissioners, which is a public body corporate, with power to make contracts in furtherance of its lawful and proper purpose as provided for in KRS 74.070 and all applicable law and regulations.

3. The mailing address of Southern is as follows:

Southern Water & Sewer District
245 Kentucky Route 680
P.O. Box 610
McDowell, Kentucky 41647

4. A general description of the District's water system property, together with a statement of the original cost, is contained in the District's Annual Report for 2018 which is on file with the Commission. The Annual Report is incorporated herein by reference.
5. As the PSC is aware, the District was required to request and receive a temporary loan in the amount of \$150,000 from the Floyd Fiscal Court. Said loan was requested by the District due to the dire financial condition the District experienced shortly after the current Commissioners of the District were empaneled. See attached **Exhibit A**.
6. The District proposes to borrow funds from Community Trust Bank in the principal amount of \$150,000.00 for a term of 84 months ("CTB Loan"). The rate shall be Wall Street Journal prime minus 0.05% (currently 5.0%). The processing fee of said loan shall be \$225. Repayment of said loan will be in the approximate amount of \$2,125 per month. The loan is contingent upon written approval for the extension of credit from the Public Service Commission. Said loan commitment of Community Trust Bank will expire on August 19, 2019. The terms and conditions of said loan are shown in **Exhibit B**.

7. The loan amortization schedule for CTB Loan is shown in **Exhibit C** which is attached hereto and incorporated herein by reference. The debt service scheduled and estimated interest rates are subject to change because of market conditions. The final terms and details of the Community Trust Bank Loan may vary from the present assumptions based upon market conditions and other business judgment factors.
8. The Community Trust Bank Loan will provide the district with the funds necessary to refinance the 2018 Floyd Fiscal Court Loan.
9. The District represents that the CTB Loan is in the public's interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing long-term financing of the previously entered into debt. This is a lawful object within the corporate purposes of the District's utility operations. The CTB Loan is necessary, appropriate for, and consistent with the proper performance by the District of its service to the public and will not impair its ability to perform that service.
10. The District represents that it will, as soon as reasonably possible after the closing of the CTB Loan, file with the Commission a statement setting forth the date of issuance of the CTB Loan, the price paid, the fees and expenses incurred in the issuance of the CTB Loan, and the terms and interest rates of the CTB Loan.
11. Pursuant to 807 KAR 5:001, Section 12 – Financial Exhibits; the District hereby responds as follows:

- (i) Section 12(1)(b): The District states that it had less than \$5,000,000 in gross annual revenue in the immediate past calendar year and that no material changes to the District's financial condition have occurred since the end of the twelve (12) month period contained in the District's most recent annual report on file with the Commission.
- (ii) Section 12(2)(a), (b) and (c) Stock: The District does not have any authorized, issued or outstanding stock as of the date hereof.
- (iii) Section 12(2)(d) Mortgages: The District does not have any outstanding mortgages as of the date hereof.
- (iv) Section 12(2)(e), (f) and (g) Indebtedness: The information concerning the outstanding indebtedness of the District is contained in the 2018 Annual Report on file with this Commission.
- (v) Section 12(2)(h) Dividends: The District has no outstanding stock and therefore pays no dividends.

12. Pursuant to 807 KAR 5:001, Section 18, the District hereby responds as follows:

- (i) Section 18(1)(a): The District has complied with the requirements of 807 KAR 5:001, Section 14.
- (ii) Section 18(1)(b): A general description of the District's property, its field of operation and a statement of original cost of said property and the cost to the District is contained in the District's 2018 Annual Report on file with this Commission.

- (iii) Section 18(1)(c): The District is not issuing any stock as part of this financing. The information concerning the proposed CTB Loan is contained in this Application and the Exhibits hereto. The CTB Loan will be secured by and payable from the gross revenues of the District's water system.
- (iv) Section 18(1)(d): The proceeds of the CTB Loan will be used to repay the Floyd Fiscal Court Loan.
- (v) Section 18(1)(e): No property is being acquired with the proceeds of the CTB Loan.
- (vi) Section 18(1)(f): The details of the refinancing of the Floyd Fiscal Court Loan are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the Community Trust Bank Loan is being provided to the State Local Debt Officer (see **Exhibit C** attached hereto).
- (viii) Section 18(2)(a): See paragraph #11 above.
- (ix) Section 18(2)(b): The District does not have any outstanding trust deeds or mortgages.
- (x) Section 18(2)(c): No property is being acquired with the proceeds of the Community Trust Bank Loan.

13. No rate adjustment will be necessary.

WHEREFORE, the District respectfully requests that the Commission take the following actions:

1. Authorize the issuance of the securities requested in the Application;

2. Due to the late fees and penalties that may be incurred from the Floyd Fiscal Court Loan and in order to achieve substantial interest cost savings to the District by taking full advantage of current low interest rates, the District requests that the Commission issue its Order as soon as possible; and;
3. Process this Application without a formal hearing in order to save time and expense. The District will promptly respond to any information requests by the Commission's staff.

Southern Water and Sewer District

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