

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

IN THE MATTER OF:

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

CASE NO. 2020-114

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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 \$1,400,000 for the purpose of financing the replacement of water meters. 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 are incorporated into 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 most recent Annual Report which is on file with the Commission. The Annual Report is incorporated herein by reference.

5. As the PSC is aware, the District is attempting to replace the entirety of its current water meters as the current meters are out of compliance with PSC regulations and may not provide reliable information. Replacing said meters with updated and more accurate water meters is a top priority of the District.

6. The District proposes to borrow funds from Co-Bank in the principal amount of \$1,400,000.00 for a term of up to 5 years ("Co-Bank Loan") in order to finance the new water meters. The interest rate shall be fixed at closing (currently 3.15%). The closing costs/fees related to said loan shall be \$2,500. The loan is contingent upon written approval for the extension of credit from the Public Service Commission. Said loan is secured by a first lien on the meter surcharge along with a pledge of the deposit account where those revenues are held and a second lien on the personal

property and general revenues of the District. The terms and conditions of said loan are shown in **Exhibit A**.

7. Although the RG3 Meters and Installation will cost the District \$1.2 million dollars, the District is requesting financing in the amount of \$1.4 million. This \$200,000 difference will provide the District with the funds to retro-fit the new meters to the existing water system and any other issues that may arise during said installation.
8. The Co-Bank Loan will provide the district with the funds necessary to finance the new meter replacement.
9. The District represents that the Co-Bank Loan is in the public's interest and is intended to accomplish the purpose of strengthening the financial condition of the District by producing more fair and accurate water bills as well as improving the District's leak detection programs. This is a lawful object within the corporate purposes of the District's utility operations. The Co-Bank 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 Co-Bank Loan, file with the Commission a statement setting forth the date of issuance of the Co-Bank Loan, the price paid, the fees and expenses incurred in the issuance of the Co-Bank Loan, and the terms and interest rates of said 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 District's most recent 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 most recent 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 Loan is contained in this Application and the Exhibits hereto. The Loan will be secured by a first lien on the meter surcharge along with a pledge of the deposit account where those revenues are held and a second lien on personal property and general revenues of the District.
- (iv) Section 18(1)(d): The proceeds of the Co-Bank Loan will be used to replace the District's current water meters.
- (v) Section 18(1)(e): Water meters and associated property will be acquired with the proceeds of the Loan.
- (vi) Section 18(1)(f): The details of the Co-Bank Loan are contained in this Application and the Exhibits hereto.
- (vii) Section 18(1)(g): Written notification of the proposed issuance of the Co-Bank Loan is being provided to the State Local Debt Officer (see **Exhibit B** 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): See attached **EXHIBIT C**.

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 importance of replacing the District's current water meters 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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