

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. 2020-366

FIRST AMENDED 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 refinance three existing loans. 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. It has come to the District's attention that substantial savings could be had by the District if it refinanced three current loans (one loan from Peoples Bank and two loans from Rural Development) with new loans with better terms and interest rates.
6. The District proposes to borrow funds from Co-Bank to refinance a loan that the District currently has with Peoples Bank. Said Peoples Bank loan has an interest rate of five percent (5%). The District intends to refinance this Peoples Bank loan with a loan of up to \$200,000, the actual amount will be the amount to payoff the current loan with Peoples Bank plus any accrued interest. The Co-Bank loan interest rate will be set at closing but should be around 2.5%. The terms and conditions of the proposed Co-Bank loan are shown in **Exhibit A**.
7. The District proposes to borrow funds from Co-Bank to refinance two loans that the District currently has with Rural Development. One of the Rural Development loans totals about \$1,919,000 and has an interest rate of 4.5% and the other Rural

Development loan totals about \$178,500 and has an interest rate of 4.25%. The Co-Bank loan will be for up to \$2,200,000 and will be used to payoff the two RD loans plus any accrued interest. These loans will be combined and amortized over 20 years. The new interest rate on the Co-Bank loan will be around 3.25%. The terms and conditions of said proposed loan are shown in **Exhibit A**.

8. The Co-Bank Loans will provide the district with substantial interest savings.
9. The District represents that the Co-Bank Loans are in the public's interest and are intended to accomplish the purpose of strengthening the financial condition of the District. This is a lawful object within the corporate purposes of the District's utility operations. The Co-Bank Loans are 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 Loans, 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 collateral related to this loan will be a second position lien on all personal assets and revenues behind RD and the Kentucky Infrastructure

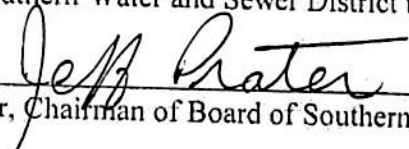
Authority. The information concerning the proposed Loan is contained in this Application and the Exhibits hereto (See attached Exhibit A).

- (iv) Section 18(1)(d): The proceeds of the Co-Bank Loan will be used to payoff one loan from Peoples Bank and two loans with Rural Development.
 - (v) Section 18(1)(e): No property will be acquired with the proceeds of the Loan.
 - (vi) Section 18(1)(f): The proceeds of the Co-Bank loan, if approved by the PSC, will be used to refund/payoff three of Southern's outstanding obligations;
 - 1 Peoples Bank Line of Credit at 3.75%. Balance as of 11/30/2020=\$187,364.57
 - 2 RD Loan #1; \$225,000 Bond Issue dated 11/3/2005 with a balance of \$178,500 as of 11/30/20. Rate is 4.25%.
 - 3 RD Loan #2: \$2,515,000 Bond Issue dated 12/12/2002. Current balance as of 11/30/20 of \$187,364.57. Rate is 4.5%.
 - (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 attached Exhibit B).
 - (viii) Section 18(2)(a): No proposed property is to be acquired and no construction is planned to be performed.
 - (ix) Section 18(2)(b): The District does not have any outstanding trust deeds or mortgages.
 - (x) Section 18(2)(c): No proposed property is to be acquired and no construction is planned to be performed.
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 refinancing these three loans with favorable 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.

The undersigned, Jeff Prater, Chairman of the Board of Southern Water and Sewer District, hereby verifies that he has personal knowledge of the matters set forth in the above stated application, that the information set forth therein is true and correct and that he is duly designated by Southern Water and Sewer District to sign this application on its behalf.



Jeff Prater, Chairman of Board of Southern Water & Sewer District

State of Kentucky
County of Floyd

18th day of January 2021. Subscribed and sworn to before me by Jeff Prater, Chairman of Southern's Board, this

My Commission expires: 1-31-2021



Notary Public, State of Kentucky at Large

Southern Water and Sewer District

/s/ Steven Bailey

Steven P Bailey, JD/MBA
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EXHIBIT A
Terms and Conditions of Proposed Loans from Co-Bank

1. Current Loan with Peoples Bank is at 5% interest
 - a. New Terms with Co-Bank:
 - i. Four Year Terms
 - ii. UP to \$2,000,000. Actual amount will be payoff amount plus any accrued interest
 - iii. Interest Rate for the new Co-Bank Loan would be equal to or less than 2.75%

2. Currently Southern has two loans with RD that they intend to refinance with Co-Bank.
 - a. One loan with RD totals \$1,919,000 at 4.5% interest.
 - b. The other loan is for \$178,500 at 4.25% interest.
 - c. Southern proposed to combine these 2 loans (2a & 2b) and amortize them over 20 years
 - i. Loan up to \$2,200,000. Actual amount will be the payoff amounts plus any accrued interest
 - ii. The interest rate will be equal to or less than 3.5%.

EXHIBIT B

Bailey Law Office, P.S.C.
Steven P. Bailey, J.D./M.B.A.
Attorney for Southern Water & Sewer District
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Prestonsburg, Kentucky 41653
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November 5, 2020

Commissioner and State Local Debt Officer
1024 Capital Center Drive, Suite 340
Frankfort, Kentucky 40601

Re: Southern Water & Sewer District Notice of Intent to Issue Securities

Dear Commissioner:

Pursuant to the regulations of the Kentucky Public Service Commission, specifically 807 KAR 5:001: Section 18(1)(g), please be advised that the Southern Water & Sewer District (the "District") hereby notifies the State Local Debt Officer that the District intends on issuing securities for the purpose of refinancing existing debt in more favorable terms for Southern Water & Sewer District.

We will file the appropriate documents with your office in accordance with the requirements of KRS 65.117, once the securities are issued.

Respectfully,

Steven P Bailey, JD/MBA
Counsel for Southern Water & Sewer District