

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

THE APPLICATION OF GRAVES COUNTY)
WATER DISTRICT FOR APPROVAL OF) CASE NO. 2008-00448
FINANCING)

ORDER

Graves County Water District ("Graves District") has applied to the Commission for authority to enter a loan agreement with and issue a promissory note to the Kentucky Infrastructure Authority ("KIA") in the amount of \$849,154. Having considered the application and being otherwise sufficiently advised, the Commission finds that:

1. Graves District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities in Graves County, Kentucky that treat and distribute water to approximately 3,111 customers and collect and treat wastewater from approximately 216 customers.

2. Graves District was created as a result of the merger of Consumers Water District, Fancy Farm Water District, Hardeman Water District, and South Graves Water District.¹

¹ Case No. 2007-00496, Joint Application of Consumers Water District, Fancy Farm Water District, Hardeman Water District, and South Graves Water District for Approval of Merger and Formation of Graves County Water District (Ky. PSC May 21, 2008).

3. Graves District proposes to enter a loan assistance agreement with KIA, issue a promissory note to KIA in the amount of \$849,154, and pledge its assets as collateral for the proposed promissory note.²

4. Graves District will use the proceeds of the proposed loan with KIA to pay off the outstanding balance of Kentucky Infrastructure Fund C Loan (C92-07) that South Graves Water District executed in 1994.³

5. The proposed KIA loan will have an interest rate of 0.40 percent per annum and a term of 17 years.

6. The proposed refinancing will result in a reduction to Graves District's annual debt service payments of approximately \$91,963.⁴

7. The proposed refinancing will allow Graves District to consolidate some of the outstanding debt instruments of its predecessors under its own name and should reduce the administrative burden of maintaining separate records for facilities owned and previous debt instruments that South Graves Water District issued.⁵

8. Graves District's issuance of the proposed promissory note and execution of proposed the loan assistance agreement are for a lawful object within Graves District's corporate purposes, is necessary and appropriate for and consistent with the

² Application at paragraph 3.

³ Case No. 1994-00004, Application of South Graves County Water District for (1) A Certificate of Convenience and Necessity; (2) Authorization to Borrow Funds and to Issue Its Evidences of Indebtedness Therefor; and (3) For Authority to Adjust Rates (Ky. PSC May 16, 1994).

⁴ Debt Service on Existing Loan - Anticipated Debt Service = \$145,379 - \$53,416 = \$91,963.

⁵ See KRS 74.363(4).

proper performance of its service to the public, will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Graves District is authorized issue a promissory note to KIA in an amount not to exceed \$849,154 at an interest rate not to exceed 0.40 percent per annum and with a payment period not to exceed 17 years.

2. Graves District is authorized to execute a loan assistance agreement with KIA that pledges the assets of the utility as collateral for the proposed promissory note.

3. Within 30 days of executing the proposed promissory note and loan assistance agreement with KIA, Graves District shall advise the Commission in writing of the execution of the promissory note and the interest rate, repayment terms and principal amount of the promissory note. If the promissory note's actual terms and conditions differ from those set forth in Graves District's application, Graves District shall file at the same time with the Commission a copy of the amortization schedules for the executed promissory note and all workpapers that show that actual gross savings resulting from the refunding of Kentucky Infrastructure Fund C Loan (C92-07).

4. Graves District shall use the proceeds from the issuance of the proposed promissory note only for the purposes set forth in its application.

Nothing contained herein shall be construed as a finding of value for any purpose or as a warranty on the part of the Commonwealth of Kentucky, or any agency thereof, as to securities or evidences of indebtedness authorized.

Done at Frankfort, Kentucky, this 5th day of January, 2009.

By the Commission

ATTEST:


for Jeff Dorman
Executive Director

Case No. 2008-00448

Honorable John N Hughes
Attorney at Law
124 West Todd Street
Frankfort, KY 40601