

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF ALLEN COUNTY WATER )  
DISTRICT TO ISSUE SECURITIES IN THE )  
APPROXIMATE PRINCIPAL AMOUNT OF )  
\$2,940,000 FOR THE PURPOSE OF REFUNDING ) CASE NO. 2012-00144  
CERTAIN OUTSTANDING REVENUE BONDS OF )  
THE DISTRICT PURSUANT TO THE PROVISIONS )  
OF KRS 278.300 AND 807 KAR 5:001 )

ORDER

On April 30, 2012, Allen County Water District ("Allen District") applied to the Commission for approval to execute an agreement with Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$2,940,000 to refund certain outstanding revenue bonds.<sup>1</sup>

Having considered the record and being otherwise sufficiently advised, the Commission finds that:

1. Allen District proposes to execute an Assistance Agreement with KRWFC to borrow \$2,949,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 26-year term with interest rates that vary from 2.35 percent to 4.35 percent per annum.<sup>2</sup>

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<sup>1</sup> Allen District tendered its Application on April 16, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On April 30, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

<sup>2</sup> Application, Ex. A.

2. Allen District proposes to use the loan proceeds to refund the outstanding revenue bonds designated as Allen County Water District Waterworks Revenue Bonds of 1989 ("1990 Bonds"); Allen County Water District Waterworks Revenue Bonds of 1993 ("1994 Bonds"); Allen County Water District Waterworks Revenue Bonds, Series 1997 ("1997 Bonds"); and Allen County Water District Waterworks Revenue Bonds, Series 1999 ("1999 Bonds").

3. Approximately \$174,000 of the 1990 Bonds remain outstanding.<sup>3</sup> These bonds bear interest at a rate of 5 percent per annum and are held by Rural Development.<sup>4</sup>

4. Approximately \$468,000 of the 1994 Bonds remain outstanding.<sup>5</sup> These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

5. Approximately \$519,000 of the 1997 Bonds remain outstanding.<sup>6</sup> These bonds bear interest at a rate of 4.875 percent per annum and are held by Rural Development.

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<sup>3</sup> *Id.*, Ex. D.

<sup>4</sup> Rural Development is an agency of the U.S. Department of Agriculture.

<sup>5</sup> Application, Ex. D.

<sup>6</sup> *Id.*

6. Approximately \$1,687,000 of the 1999 Bonds remain outstanding.<sup>7</sup> These bonds bear interest at a rate of 4.75 percent per annum and are held by Rural Development.

7. Allen District will expend \$2,993,588 to refund the outstanding bonds and to pay bond issuance costs.<sup>8</sup>

8. Allen District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$217,013 and \$150,946, respectively.<sup>9</sup>

9. Allen District's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper performance of its service to the public, will not impair Allen District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

IT IS THEREFORE ORDERED that:

1. Allen District is authorized to execute the Assistance Agreement with KRWFC to borrow no more than \$3,234,000<sup>10</sup> for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions as will produce both positive gross savings and net present value savings.

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<sup>7</sup> *Id.*

<sup>8</sup> Application at Exhibit B. \$51,450 (Total Underwriter's Discount) + \$49,100 (Cost of Issuance) + \$2,890,811 (Deposit to Current Refunding Fund) + \$2,227 (Rounding Amount) = \$2,993,588. The sources of these funds are: Par Amount of Bonds (\$2,940,000) + Reoffering Premium (\$3,665) and Prior Issue Debt Service Funds (\$49,923) = (\$2,993,588).

<sup>9</sup> *Id.* at Ex. C. In Exhibit C, the utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit" respectively.

<sup>10</sup> \$2,940,000 x 110% = \$3,234,000.

2. If the actual terms and conditions of the Assistance Agreement with KRWFC differ from those set forth in its Application, Allen District shall, within 30 days of executing the Agreement, file with the Commission amortization schedules and work papers showing the actual gross savings and net present value savings that will result from the refinancing.

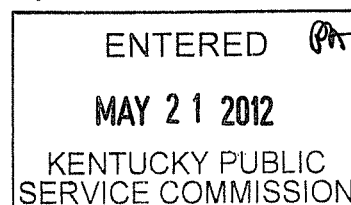
3. Within 30 days of executing the Assistance Agreement, Allen District shall file a written statement with the Commission setting forth the date on which the Agreement was entered, the actual interest rates, and the principal amount.

4. The proceeds from the transaction authorized herein shall be used only for the lawful purposes specified in Allen District's Application.

5. Any documents filed pursuant to ordering paragraphs 2 and 3 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

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 the securities authorized herein.

By the Commission



ATTEST:

  
Executive Director

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