

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF EDMONSON COUNTY WATER)	
DISTRICT TO ISSUE SECURITIES IN THE)	
APPROXIMATE PRINCIPAL AMOUNT OF)	CASE NO.
\$3,160,000 FOR THE PURPOSE OF REFUNDING)	2012-00163
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, Edmonson County Water District (“Edmonson District”) applied to the Commission for approval to execute an agreement with Kentucky Rural Water Finance Corporation (“KRWFC”) to borrow approximately \$3,160,000 to refund certain outstanding waterworks revenue bonds.¹

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

1. Edmonson District proposes to execute an Assistance Agreement with KRWFC to borrow \$3,160,000, subject to an adjustment of up to 10 percent. The proposed loan will have a 28-year term with interest rates that vary from 2.35 percent to 4.35 percent per annum.²

¹ Edmonson District tendered its Application on April 30, 2012. In its Application, it requested a deviation from 807 KAR 5:001, Section 11(2). On May 14, 2012, the Commission granted this request and accepted the Application for filing. No person or entity has sought intervention in this proceeding.

² Application, Ex. A.

2. Edmonson District proposes to use the proceeds from the loan agreement to refund the outstanding revenue bonds designated as Edmonson County Water District Water System Revenue Bonds of 1994 Series A (“1994A Bonds”); Edmonson County Water District Water System Revenue Bonds of 1994 Series B (“1994B Bonds”); Edmonson County Water District Water System Revenue Bonds of 1994 Series C (“1994C Bonds”); Edmonson County Water District Water System Revenue Bonds, Series 1997 (“1997 Bonds”); and Edmonson County Water District Water System Revenue Bonds, Series 2001 (“2001 Bonds”).³

3. Approximately \$1,444,000 of the 1994A Bonds remain outstanding.⁴ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.⁵

4. Approximately \$226,500 of the 1994B Bonds remain outstanding.⁶ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

5. Approximately \$672,000 of the 1994C Bonds remain outstanding.⁷ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

³ The Application lists the outstanding Revenue Bonds to be refinanced, but omits the 2001 Bonds. Application, paragraph 5. It included the 2001 Bonds in calculating the refunded debt service. Application, Ex. D.

⁴ Application, Ex. D.

⁵ Rural Development is an agency of the U.S. Department of Agriculture.

⁶ Application, Ex. D.

⁷ *Id.*

6. Approximately \$482,000 of the 1997 Bonds remain outstanding.⁸ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

7. Approximately \$245,000 of the 2001 Bonds remain outstanding.⁹ These bonds bear interest at a rate of 4.5 percent per annum and are held by Rural Development.

8. Edmonson District will expend \$3,221,963 to refund the outstanding bonds and to pay bond issuance costs.¹⁰

9. Edmonson District estimates that its proposed refinancing will result in total gross savings and net present value savings of \$152,745 and \$103,827, respectively.¹¹

10. Edmonson 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 Edmonson District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

⁸ *Id.*

⁹ *Id.*

¹⁰ Application at Exhibit B. \$55,300 (Total Underwriter's Discount) + \$52,400 (Cost of Issuance) + \$3,113,748 (Deposit to Current Refunding Fund) + \$515 (Rounding Amount) = \$3,221,963. The sources of these funds are: \$3,160,000 (Par Amount of Bonds) + \$7,100 (Reoffering Premium) + \$54,863 (Transfers from Prior Issue Debt Service Funds) = \$3,221,963.

¹¹ *Id.* at Exhibit 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.

IT IS THEREFORE ORDERED that:

1. Edmonson District is authorized to enter into an agreement with KRWFC to borrow no more than \$3,476,000¹² 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.

2. If the actual terms and conditions of the agreement with KRWFC differ from those set forth in its Application, Edmonson District shall, within 30 days of executing the loan 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 proposed agreement, Edmonson 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 Edmonson 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.

¹² \$3,160,000 x 110 percent = \$3,476,000.

By the Commission

ENTERED PA
MAY 30 2012
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:



Executive Director

Honorable W. Randall Jones
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