

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF THE KIRKSVILLE WATER)	
ASSOCIATION, INC. TO ISSUE SECURITIES IN)	
THE APPROXIMATE PRINCIPAL AMOUNT OF)	
\$760,000 FOR THE PURPOSE OF REFUNDING)	CASE NO.
CERTAIN OUTSTANDING INDEBTEDNESS OF)	2012-00488
THE ASSOCIATION PURSUANT TO THE)	
PROVISIONS OF KRS 278.300 AND 807 KAR)	
5:001)	

ORDER

On November 20, 2012, Kirksville Water Association, Inc. ("Kirksville Water") applied to the Commission for approval to enter into a loan agreement with Kentucky Rural Water Finance Corporation ("KRWFC") to borrow approximately \$760,000 to refund certain promissory notes.¹

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

1. Kirksville Water proposes to execute an Assistance Agreement with KRWFC to borrow \$760,000 subject to an adjustment of up to 10 percent. The proposed loan will have a 28-year term with interest rates that vary from 0.67 percent to 4.88 percent per annum.²

¹ Kirksville Water tendered its application on November 9, 2012. In its application, it requested a deviation from 807 KAR 5.001, Section 11(2). On November 20, 2012, the Commission granted this request and accepted the application for filing as of that date. No person or entity has sought intervention in this proceeding.

² App. Ex. A.

2. Kirksville proposes to use the proceeds from the loan to refund outstanding promissory notes held by Rural Development³ that were executed on July 15, 1975 ("1975 Note"), September 25, 1989 ("1989 Note"), and November 14, 2000 ("2000 Note"), respectively.

3. Approximately \$55,211 of the 1975 Note remains outstanding.⁴ This loan bears interest at a rate of 5.0 percent per annum.

4. Approximately \$448,134 of the 1989 Note remains outstanding.⁵ This loan bears interest at a rate of 6.0 percent per annum.

5. Approximately \$229,438 of the 2000 Note remains outstanding.⁶ This loan bears interest at a rate of 5.5 percent per annum.

6. Kirksville Water estimates that the proposed refinancing will result in total gross savings and net present value savings of \$114,286 and \$80,130, respectively.⁷

7. Kirksville Water will expend \$777,538 to refund the outstanding loans and to pay loan issuance costs.⁸

8. Kirksville Water's proposed loan is for a lawful object within its corporate purpose, is reasonably necessary and appropriate for and consistent with the proper

³ Rural Development is an agency of the U.S. Department of Agriculture.

⁴ App. Ex. D.

⁵ *Id.*

⁶ *Id.*

⁷ App. Ex. C. The utility has identified "gross savings" and "net present value savings" as "net future value benefit" and "net present value benefit," respectively.

⁸ App. Ex. B. \$13,300 (Total Underwriter's Discount) + \$18,900 (Cost of Issuance) + \$743,575 (Deposit to Current Refunding Fund) + \$1,763 (Rounding) = \$777,538. The sources of the funds are \$760,000 (Loan Amount) and \$17,538 (Transfers from Prior Issue Debt Service Funds).

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

IT IS THEREFORE ORDERED that:

1. Kirksville Water is authorized to enter into an agreement with KRWFC to borrow no more than \$836,000⁹ for the purpose of refunding the outstanding indebtedness, but only under such terms and conditions that 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, Kirksville Water 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, Kirksville Water shall file a copy of the executed agreement and any documents referenced in the executed agreement that Kirksville Water has not previously filed with the Commission.

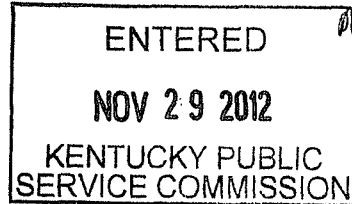
4. The proceeds from the proposed agreement with KRWFC shall be used only for the lawful purposes specified in Kirksville Water's application.

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.

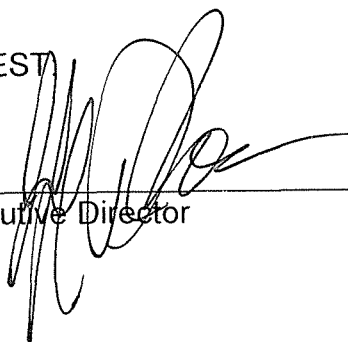
⁹ $\$760,000 \times 110\% = \$836,000$.

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

Case No. 2012-00488

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