

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF GRAYSON COUNTY WATER)	
DISTRICT TO ISSUE SECURITIES IN THE)	
APPROXIMATE PRINCIPAL AMOUNT OF)	
\$1,170,000 FOR THE PURPOSE OF)	CASE NO.
REFUNDING CERTAIN OUTSTANDING)	2019-00190
REVENUE BONDS OF THE DISTRICT)	
PURSUANT TO THE PROVISIONS OF KRS)	
278.300 AND 807 KAR 5:001)	

ORDER

On June 6, 2019, Grayson County Water District (Grayson District) filed an application (Application) seeking Commission authority to refinance certain debt of up to \$1,170,000 via an Assistance Agreement (KRWFC Loan) with the Kentucky Rural Water Finance Corporation (KRWFC). Commission Staff issued, and Grayson District responded to one request for information. There are no Intervenor in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Grayson District intends to use the proceeds from the proposed KRWFC Loan to refinance and discharge \$1,170,000 of outstanding indebtedness to the U.S. Department of Agriculture, acting through Rural Development (RD). The outstanding RD balance consists of a single fixed-rate debt with the original principal amount of \$1,350,000 carrying an interest rate of 4.125 percent per annum.¹ The outstanding balance for the

¹ Application, paragraph 5.

Prior Bonds held by RD is approximately \$1,155,000.² The total refinancing amount is \$1,170,000 which is comprised of one lease agreement with a 19-year term funded by bonds that will be issued at interest rates which will vary between 2.9 percent and 3.6 percent per annum.³

Grayson District stated that the KRWFC loan would provide the funds necessary to refund the RD indebtedness and pay the fees and expenses incident to the issuance of the loan.⁴ Grayson District provided a cash flow analysis that indicates that the refinancing would save \$320,889 over the life of the proposed loan, resulting in a positive net present value (NPV) cash flow of \$88,407.⁵

The Commission has reviewed the proposed refinancing and finds Grayson District's proposal to be reasonable due to the lower effective interest rate and cash flow savings Grayson District would realize over the period of the loan. However, in the event that the new interest rate on the proposed refinancing is higher than the range of interest rates set forth in the Application, Grayson District should not proceed with the refinancing unless the NPV of the refinancing results in positive cash flow. The Commission commends Grayson District for taking advantage of the financing alternatives available to it, thereby securing savings for itself and its customers.

After consideration of the evidence of record and being sufficiently advised, the Commission finds that:

² Grayson District's response to Commission Staff's First Request for Information (Staff's First Request) (filed July 12, 2019), Item 1.

³ Application, Exhibit A.

⁴ *Id.*, paragraph 7.

⁵ Grayson District's response to Staff's First Request, Exhibit B.

1. The proposed loan from KRWFC is for lawful objects within the corporate purposes of Grayson District, is necessary and appropriate for and consistent with the proper performance by the utility of its service to the public, will not impair its ability to perform that service, is reasonable, necessary, and appropriate for such purposes, and should be approved.

2. Grayson District should execute its note as security for the proposed loan in the manner described in its Application.

3. The final amounts of the RD payoff, the legal fees, and the new KRWFC loan will not be known until the refinancing transaction is finalized. Therefore, Grayson District should provide the Commission an updated version of the response to Staff's First Request, Exhibit A, reflecting the cash flow analysis of the new KRWFC loan within ten days of finalizing the transaction.

4. Within ten days of the execution of the new KRWFC loan documents, Grayson District should file with the Commission one copy in paper medium and an electronic version of the loan documents.

5. The proceeds from the proposed loan should be used only for the lawful purposes set out in Grayson District's Application.

6. The terms and conditions of the new KRWFC loan should be consistent with the KRWFC assistance program as described in Grayson District's Application.

IT IS THEREFORE ORDERED that:

1. Grayson District is authorized to borrow from KRWFC an amount up to \$1,170,000, but no more than the total amount needed to pay off the RD indebtedness proposed to be refinanced as identified in the Application on the condition that the final

NPV of the savings, determined upon closing, generate positive cash flow. The loan maturity date and interest rate shall be in accordance with the KRWFC assistance program as described in Grayson District's Application.

2. Grayson District shall execute the KRWFC loan documents as authorized herein.

3. Grayson District shall comply with all matters set out in finding paragraphs 3 through 6 as if they were individually so ordered.

4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the post-case correspondence file.


5. This case is closed and removed from the Commission's docket.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission

ENTERED
JUL 31 2019
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


Executive Director *for*
George R. Pinson

Case No. 2019-00190

*Grayson County Water District
21 Shull White Road
P. O. Box 217
Leitchfield, KY 42754

*Kevin Shaw
Manager
Grayson County Water District
21 Shull White Road
P. O. Box 217
Leitchfield, KY 42754

*Honorable W. Randall Jones
Attorney at Law
Rubin & Hays
Kentucky Home Trust Building
450 South Third Street
Louisville, KENTUCKY 40202