

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

| | | |
|---|---|------------|
| ELECTRONIC APPLICATION OF GREEN RIVER |) | |
| VALLEY WATER DISTRICT TO ISSUE |) | |
| SECURITIES IN THE APPROXIMATE |) | |
| PRINCIPAL AMOUNT OF \$5,325,000 FOR THE |) | CASE NO. |
| PURPOSE OF REFUNDING CERTAIN |) | 2019-00458 |
| OUTSTANDING OBLIGATIONS OF THE |) | |
| DISTRICT PURSUANT TO THE PROVISIONS |) | |
| OF KRS 278.300 AND 807 KAR 5:001 |) | |

ORDER

On January 14, 2020, Green River Valley Water District (Green River Valley District), filed an application (Application) seeking Commission authority to enter into a Loan Agreement (Loan) with Kentucky Rural Water Finance Corporation (KRWFC) to borrow approximately \$5,325,000 (subject to adjustment of up to 10 percent) to refinance four outstanding debt obligations and to pay the costs of issuance of the KRWFC Loan. There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the evidentiary record.

Green River Valley District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 7,152 customers in Barren, Green, Hart, Larue, and Metcalfe counties, Kentucky.¹

¹ *Annual Report of Green River Valley District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar year Ended December 31, 2018* (2018 Annual Report) at 12 and 49.

The Commission notes that its records indicate that Green River Valley District has not sought a general adjustment in base rates by any other means than through a financing approval or in conjunction with an application for a Certificate of Public Convenience and Necessity since 2010. While Green River Valley District has increased its rates as part of financing cases through the United States Department of Agriculture Rural Development (RD), the Commission's review of records in an RD financing case is limited and very different from the comprehensive review of a utility's total financial stability and operational viability that takes place in a traditional rate adjustment case or an alternative rate adjustment. The Commission recently noted that utilities use this practice intentionally to avoid a review of its financial records.² The lack of insight into Green River Valley District's financial records indicates to the Commission that Green River Valley District should file an application for a traditional adjustment in rates or an alternative rate adjustment within one year of the date of filing of this Order to ensure its financial situation is sufficient.

Green River Valley District proposes to execute a Loan with KRWFC to borrow \$5,325,000.³ The proposed Loan will have a 26-year term subject to interest rates that will vary from 2.8 percent to 3.6 percent per annum.⁴ Green River Valley District proposes to use the proceeds from the KRWFC Loan to fully refund the Waterworks Revenue Bonds, of the District, Series 1996A, with an original principal amount of \$1,050,000; Waterworks Revenue Bonds, Series 1996B, with an original principal amount of

² See Case No. 2019-00041, *Electronic Investigation into Excessive Water Loss by Kentucky's Jurisdictional Water Utilities* (Ky. PSC. Nov. 22, 2019).

³ Application at 5.

⁴ *Id.*, Exhibit A.

\$650,000; Waterworks Revenue Bonds, Series 1996C, with an original principal amount of \$249,000; Waterworks Revenue Bonds, Series 2004A, with an original principal amount of \$5,000,000 (collectively Prior Bonds).⁵

Green River Valley District estimates that it will expend \$5,428,303 to refund the Prior Bonds.⁶ The estimated cost that will be expended to refinance the outstanding indebtedness includes a reoffering premium of \$40,458.⁷ Green River Valley District provided a Debt Service Comparison that indicates that the refinancing would save \$1,099,181.⁸ over the life of the proposed loan, resulting in a net present value (NPV) cash flow savings of \$789,680.⁹

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

⁵ Application at 5.

⁶ *Id.* Exhibit B, Sources and uses. Uses of Funds: \$66,562.50 (Total Underwriter's Discount) + \$66,562.50 (Costs of Issuances) + \$5,294,525.50 (Deposit to Current Refunding Fund) + \$652.05 (Rounding Amount) = \$5,428,302.55. Sources of Funds: \$5,325,000 (Par Amount of Bonds) + \$40,457.55 (Reoffering Premium) + \$62,845 (Transfers from Prior Issue Debt Service Funds) = \$5,428,302.55.

⁷ *Id.*

⁸ Application, Exhibit C.

⁹ *Id.*

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

1. The proposed Loan from KRWFC is for lawful objects within the corporate purposes of Green River Valley 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. Green River Valley 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, Green River Valley District should provide the Commission an updated version the Application, Exhibit C, 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, Green River Valley 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 Green River Valley District's Application.

6. The terms and conditions of the new KRWFC Loan should be consistent with the KRWFC assistance program as described in Green River Valley District's Application.

7. Green River Valley District should file for an adjustment in base rates or file for an alternative rate filing within one year of the date of filing of this Order to ensure that its rates are sufficient.

IT IS THEREFORE ORDERED that:

1. Green River Valley District is authorized to enter into a Loan with KRWFC to borrow no more than the total amount 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 Green River Valley District's Application.

2. Green River Valley District shall execute the KRWFC Loan documents as authorized herein.

3. Green River Valley District shall comply with all matters set out in finding paragraphs 3 through 7 as if they were individually so ordered.

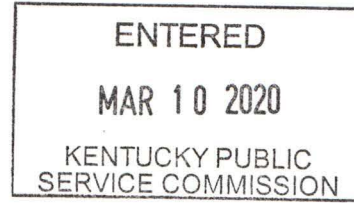
4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the post-case correspondence file.

5. Green River Valley District shall file for an adjustment in base rates or file for an alternative rate filing within one year of the date of filing of this Order.

6. This case is hereby closed and will be 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



ATTEST:

A handwritten signature in blue ink, appearing to be "H. W. AL", written over a horizontal line.

Executive Director

*David Paige
General Manager
Green River Valley Water District
P. O. Box 460
Horse Cave, KY 42749

*Green River Valley Water District
1180 E Main Street
P. O. Box 460
Horse Cave, KY 42749

*Kristen Millard
Raymond James Financial Services
300 West Vine Street
Lexington, KENTUCKY 40507

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