

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF THE	)	
BARKLEY LAKE WATER DISTRICT TO ISSUE	)	
SECURITIES IN THE APPROXIMATE	)	
PRINCIPAL AMOUNT OF \$5,230,000 FOR	)	CASE NO.
THE PURPOSE OF REFUNDING CERTAIN	)	2020-00326
OUTSTANDING OBLIGATIONS OF THE	)	
DISTRICT PURSUANT TO THE PROVISIONS	)	
OF KRS 278.300 AND 807 KAR 5:001	)	

ORDER

On October 9, 2020, Barkley Lake Water District (Barkley Lake District) filed an application seeking Commission authority to enter into a Loan Agreement (Loan) with Kentucky Rural Water Finance Corporation (KRWFC) to borrow approximately \$5,230,000 to refinance an outstanding debt obligation, reamortize an outstanding loan, 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.

Barkley Lake District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that provide retail water service to 5,516<sup>1</sup> customers in Caldwell, Christian, and Trigg counties, Kentucky.<sup>2</sup>

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<sup>1</sup> *Annual Report of Barkley Lake County Water District to the Public Service Commission of the Commonwealth of Kentucky for the Calendar year Ended December 31, 2019*, at 49.

<sup>2</sup> *Id.* at 12.

The Commission notes that its records indicate Barkley Lake District has not sought a general adjustment in base rates since its last rate case in 2003. Barkley Lake District's last change in rates came by way of a KRS 278.023 case.<sup>3</sup> In that case, the Commission ordered Barkley Lake District to file for an adjustment in its base rates or an alternative rate filing by September 2, 2021.

Barkley Lake District proposes to execute a Loan with KRWFC to borrow \$5,230,000.<sup>4</sup> The proposed Loan is subject to an adjustment of up to 10.000 percent and will have a 30-year term consisting of interest rates that will vary from 2.250 percent to 4.250 percent per annum.<sup>5</sup> Barkley Lake District proposes to use the proceeds from the KRWFC Loan to fully refund the Waterworks Revenue Bonds of the District, Series 2010A, with an original principal amount of \$4,002,000, bearing an interest rate of 3.375 percent per annum currently held by the United States Department of Agriculture, acting through Rural Development (USDA/RD), and to reamortize an outstanding loan from KRWFC, Series 2008C, dated May 29, 2008, in the original principal amount of \$3,060,000 currently held in the open market.<sup>6</sup> The proposed Loan will also provide the funds needed to pay fees and expenses associated with the issuance of the KRWFC Loan.<sup>7</sup>

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<sup>3</sup> See Case No. 2020-00255, *Electronic Application of the Barkley Lake Water District for a Certificate of Public Convenience and Necessity to Construct a System Improvements Project and an Order Approving a Change in Rates and Authorizing the Issuance of Securities Pursuant to KRS 278.023* (Ky. PSC Sept. 2, 2020).

<sup>4</sup> Application at 2.

<sup>5</sup> *Id.*, Exhibit A.

<sup>6</sup> *Id.* at 2-3.

<sup>7</sup> *Id.* at 3.

Barkley Lake District estimates that it will expend \$5,572,901 to refund the bonds and loan.<sup>8</sup> The estimated cost that will be expended to refinance the outstanding indebtedness includes a reoffering premium of \$222,507.<sup>9</sup> Barkley Lake District provided a Debt Service Comparison that indicates that the refinancing would save \$769,848<sup>10</sup> over the life of the proposed Loan, resulting in a net present value (NPV) cash flow savings of \$561,616.<sup>11</sup>

The Commission has reviewed the proposed refinancing and finds Barkley Lake District's proposal to be reasonable due to the lower effective interest rate and cash flow savings Barkley Lake 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, Barkley Lake District should not proceed with the refinancing unless the NPV of the refinancing results in positive cash flow. The Commission commends Barkley Lake 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:

1. The proposed Loan from KRWFC is for lawful objects within the corporate purposes of Barkley Lake District, is necessary and appropriate for and consistent with

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<sup>8</sup> *Id.*, Exhibit B, Sources and uses. Uses of Funds: \$81,065 (Total Underwriter's Discount) + \$87,180 (Costs of Issuances) + \$5,403,847.40 (Deposit to Current Refunding Fund) + \$808.51 (Rounding Amount) = \$5,572,900.91. Sources of Funds: \$5,230,000 (Par Amount of Bonds) + \$222,507.15 (Reoffering Premium) + \$120,393.76 (Transfers from Prior Issue Debt Service Funds) = \$5,572,900.91.

<sup>9</sup> *Id.*

<sup>10</sup> *Id.*, Exhibit C.

<sup>11</sup> *Id.*

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. Barkley Lake District should execute its note as security for the proposed Loan in the manner described in its application.

3. The final amounts of the USDA/RD payoff, the legal fees, and the new KRWFC Loan will not be known until the refinancing transaction is finalized. Therefore, Barkley Lake District should provide the Commission an updated version of the application and Exhibit C, reflecting the cash flow analysis of the new KRWFC Loan within ten days of finalizing the transaction.

4. The Commission directs Barkley Lake District to the Commission's March 16, 2020 and March 24, 2020 Orders in Case No. 2020-00085<sup>12</sup> regarding filings with the Commission. The Commission expects the original documents to be filed with the Commission within 30 days of the lifting of the current state of emergency.

5. The proceeds from the proposed Loan should be used only for the lawful purposes set out in Barkley Lake District's application.

6. The terms and conditions of the new KRWFC Loan should be consistent with the KRWFC assistance program as described in Barkley Lake District's application.

7. Barkley Lake District should file an application for an adjustment in base rates by September 2, 2021, to ensure that its rates are sufficient.

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<sup>12</sup> Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 16, 2020), Order at 5–6. Case No. 2020-00085, *Electronic Emergency Docket Related to the Novel Coronavirus COVID-19* (Ky. PSC Mar. 24, 2020), Order at 1–3.

IT IS THEREFORE ORDERED that:

1. Barkley Lake District is authorized to enter into a Loan with KRWFC to borrow no more than the total amount to pay off the USDA/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 Barkley Lake District's application.

2. Barkley Lake District shall execute the KRWFC Loan documents as authorized herein.

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

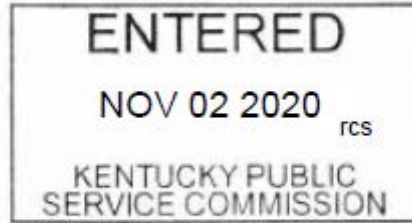
4. Any documents filed in the future pursuant to finding paragraphs 3 and 4 shall reference this case number and shall be retained in the post-case correspondence file.

5. Barkley Lake District should file an application for an adjustment in base rates by September 2, 2021, to ensure that its rates are sufficient.

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:

  
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Deputy Executive Director

Case No. 2020-00326

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