

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF THE BRACKEN)	
COUNTY WATER DISTRICT TO ISSUE)	
SECURITIES IN THE APPROXIMATE PRINCIPAL)	
AMOUNT OF \$325,000 FOR THE PURPOSE OF)	CASE NO.
REFINANCING CERTAIN OUTSTANDING)	2024-00058
OBLIGATIONS OF THE DISTRICT PURSUANT TO)	
THE PROVISIONS OF KRS 278.300 AND 807 KAR)	
5:001)	

ORDER

On April 4, 2024, Bracken County Water District (Bracken District), pursuant to KRS 278.300 and 807 KAR 5:001, filed an application seeking Commission authority to issue certain securities in a principal amount of \$325,000 (subject to adjustment of up to 10 percent). The proceeds of the issuance will be used for the purpose of refinancing outstanding indebtedness of Bracken District.

Bracken District, a water district organized under KRS Chapter 74, owns and operates facilities that provide retail water service to 2,674 residential customers in Bracken County, Kentucky.¹ There are no intervenors in this case, and the matter is submitted to the Commission for a decision based upon the written record.

LEGAL STANDARD

KRS 278.300 requires Commission authorization before a utility may “issue any securities or evidences of indebtedness, or assume any obligation or liability in respect to

¹ *Annual Report of Bracken District to the Public Service Commission for the Calendar Year Ended December 31, 2022* at 11, 49.

the securities or evidences of indebtedness of any other person.”² KRS 278.300(3) establishes the legal standard and clarifies the scope of Commission review, stating: The Commission shall not approve any issue or assumption unless, after investigation of the purposes and uses of the proposed issue and proceeds thereof, or of the proposed assumption of obligation or liability, the commission finds that the issue or assumption is for some lawful object within the corporate purposes of the utility, is necessary or appropriate for or consistent with the proper performance by the utility of its service to the public and will not impair its ability to perform that service, and is reasonably necessary and appropriate for such purpose.

PROPOSED REFINANCING

Bracken District proposed to borrow funds from the Rural Water Financing Agency (RWFA) through the RWFA Flexible Loan Program (RWFA Loan) in the amount of approximately \$325,000 (subject to adjustment of up to 10 percent).³ The proposed loan will have a 30-year term at an interest rate yet to be determined.⁴

Bracken District proposed to use the proceeds from the issuance for the purpose of refinancing an outstanding Kentucky Rural Water Financing Corporation (KRWFC) short term loan, dated December 8, 2021, in the original principal amount of \$301,000, bearing interest at the rate of 1.180 percent per annum.⁵ The short term loan matured on February 1, 2023, and was refinanced at the same interest rate, and is scheduled to

² KRS 278.300(1).

³ Application (filed Apr. 4, 2024) at 2.

⁴ Application at 2.

⁵ Application at 2.

mature on February 1, 2025.⁶ The proposed RWFA Loan was approved pursuant to a Resolution of the Board of Directors of Bracken District duly adopted at its meeting held on February 21, 2024.⁷

Bracken District was originally approved for a Certificate of Public Convenience and Necessity and 20-year bond financing of \$315,000 in Case No. 2021-00467 on February 4, 2022.⁸ Bracken District explained that it intended to issue bonds in KRWFC's pooled bond program in order to take advantage of spreading the costs of issuance among several borrowers.⁹ However, according to the application, the other borrower participant for the planned bond issue did not proceed with its transaction which made bond issuance by Bracken District prohibitive because it would have had to absorb the entire issue costs.¹⁰ Bracken District opted to finance \$301,000 at 1.180 percent through KRWFC for a term beginning December 8, 2021, and ending on February 1, 2023.¹¹ Bracken District sought to execute permanent long term financing.¹² Debt service on the

⁶ Application at 2.

⁷ Application at 4.

⁸ Case No. 2021-00467, *Electronic Application of the Bracken County Water District for the Issuance of a Certificate of Public Convenience and Necessity to Construct a Water System Improvements Project and an Order Authorizing the Issuance of Securities Pursuant to the Provisions of KRS 278.020, 278.300, and 807 KAR 5:001* (Ky. PSC Feb. 4, 2022).

⁹ Application at 3.

¹⁰ Application at 3.

¹¹ Application at 2.

¹² Application at 4.

financing that was approved in Case No. 2021-00467 was included in the revenue requirement in Bracken District's most recent Alternative Rate Case Adjustment.¹³

In support of its application, Bracken District stated that the RWFA Loan is in the public interest and allows the district to refinance a loan that is due and payable on February 1, 2025.¹⁴

DISCUSSION AND FINDINGS

Having reviewed the proposed refinancing, the Commission finds Bracken District's proposal to be reasonable as it will strengthen its financial condition by establishing a thirty year payment term for the existing short term note. The Commission further finds that Bracken District satisfied the legal standards established in KRS 278.300 for the reasons that follow. First, the lawful object of Bracken District's purpose is to provide adequate, efficient and reasonable water service to the public. The refinancing meets the lawful object of the utility's purposes because it will be used to refinance loans previously approved by the Commission and is intended to strengthen the financial position of Bracken District by fixing the current debt service payments. Second, the financing is appropriate for the proper performance by the utility and will not impair its ability to perform that service because the proposed RWFA loan is exclusively for the purposes of refinancing existing debt. No other aspects of Bracken District's operations or finances will change, except those related to the refinancing of existing debt as outlined in the application and this Order. Third, the financing is a reasonably appropriate option

¹³ Case No. 2021-00415, *Electronic Application of Bracken County Water District for a Rate Adjustment Pursuant to 807 KAR 5:076* (filed June 2, 2022) Commission Staff's Report at 16 and 17; (Ky. PSC Sept. 27, 2022), final Order.

¹⁴ Application at 4.

for Bracken District to meet its statutory duty to provide adequate, efficient and reasonable service because it will allow the utility to plan and budget accordingly.

For the reasons set forth above, the Commission finds that Bracken District should be authorized to enter into the proposed RWFA in order to refinance its existing debt obligations to KRWFC. The Commission further finds that periodic monitoring of Bracken District's revenue sufficiency is necessary. After consideration of the evidence of record and being sufficiently advised, the Commission finds that:

1. The proposed security is for lawful objects within the corporate purposes of Bracken 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. Bracken District should secure the proposed loan in the manner described in its application.

3. Within ten days of the execution of the new security issuance, Bracken District should file an electronic version of the new RFWA loan documents with the Commission.

4. The proceeds from the proposed new RFWA loan should be used only for the lawful purposes set out in Bracken District's application.

5. The terms and conditions of the new RWFA loan should be consistent with and as described in Bracken District's application.

IT IS THEREFORE ORDERED that:

1. Bracken District is authorized to enter into the loan with RWFA to borrow no more than the total amount to pay off the indebtedness proposed to be refinanced as identified in the application. The RWFA loan maturity date shall be in accordance with the RWFA loan agreement as described in Bracken District's application.

2. Bracken District should secure the proposed loan in the manner described in its application.

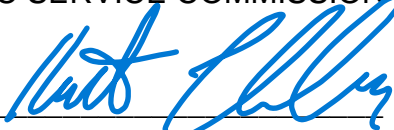
3. Bracken District shall execute the RWFA loan documents as authorized. Bracken District shall comply with all matters set out in finding paragraphs 2 through 5 as if they were individually so ordered.

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

5. This case is 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.

PUBLIC SERVICE COMMISSION


Chairman


Vice Chairman


Commissioner

ENTERED
MAY 31 2024 bsb
KENTUCKY PUBLIC
SERVICE COMMISSION

ATTEST:


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