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PUBLIC SERVICE  
COMMISSION

COMMONWEALTH OF KENTUCKY

BEFORE THE KENTUCKY 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 REFUNDING ) CASE NO. 2019-00190  
 CERTAIN OUTSTANDING REVENUE BONDS )  
 OF THE DISTRICT TO PURSUANT TO )  
 KRS 278.300 AND 807 KAR 5:001 )

\*\*      \*\*\*      \*\*\*\*      \*\*\*\*\*      \*\*\*\*      \*\*\*      \*\*

RESPONSE TO STAFF'S INITIAL REQUEST FOR INFORMATION

The Applicant, Grayson County Water District (the "District"), by Counsel, files this Response to the July 11, 2019 Commission Staff's Initial Request for Information as follows:

**Request No. 1.** Refer to the Application, Paragraph 5. The District is remortgaging \$1,170,000, and the original principal of the Prior Bonds is \$1,350,000. Confirm the difference is principal that the District has paid. If this cannot be confirmed, explain how the remaining principal on the Prior Bonds will be financed.

**Response No. 1.** Confirmed. The District has made principal payments on the Prior Bonds and the current outstanding balance is \$1,155,000 as shown on Exhibit "D" to the Application. Please refer to the Sources and Uses of Funds attached as Exhibit "B" to the Application.

**Request No. 2(a), (b) and (c).** Refer to the Application, Paragraph 6. (a) Confirm that the District has not locked in an interest rate. (b) If confirmed, explain how the interest rates of the

estimated savings for the proposed refunding were calculated. (c) Provide the most current published rates offered by the Kentucky Rural Water Finance Corporation ("KRWFC").

**Response No. 2(a).** The final interest rates on the refunding will be locked in when the KRWFC's Bonds are sold. Such sale is currently scheduled for July 30, 2019.

**Response No. 2(b).** The interest rates used in the refunding schedules, including the Debt Service Comparison, were estimated using the MMD scale (Municipal Market Data - the scales that bond underwriters use in structuring bond issues), plus the average interest rate spread for past KRWFC long-term financing transactions (the amount the KRWFC transactions priced over and above the MMD).

**Response No. 2(c).** The most current published rates for KRWFC Bonds were established in a financing in November, 2016 (the most recent KRWFC long-term financing). The cover page of the KRWFC November, 2016 Official Statement is attached hereto as **Exhibit "A"** which shows the final yields on the 2016 KRWFC Bonds.

**Request No. 3(a) and (b).** Refer to the Application, Exhibit A, the estimated debt service for the potential KRWFC Loan. (a) Confirm that the District's proposed refunding of the Prior Bonds consists of a series of notes with varying interest rates and lengths of term and not just a single note. (b) If confirmed, explain why the refinancing of the notes is a series of notes of varying interest rates and lengths of term and not just a single note.

**Response No. 3(a).** The proposed refunding of the Prior Bonds is being accomplished by the proceeds of a single KRWFC Loan which Loan is funded with the a portion of the proceeds of a KRWFC bond issue as part of an established KRWFC flexible term loan program (the "Program"). Proceeds of the KRWFC bonds issued under the Program will be loaned to multiple borrowers,

including the District, in order to take advantage of issuance cost savings. The District's Loan will be evidenced by an Assistance Agreement which will set forth the principal and interest payments on the Loan. The interest payments are calculated based on varying interest rates determined after the sale of the KRWFC bonds that fund the Loan.

**Request No. 4.** Refer to the Application, Exhibit C, the Debt Service Comparison. Provide a detailed calculation of the \$88,407 labeled Gross PV Debt Service Savings.

**Response No. 4.** See attached **Exhibit "B"** Proof of Gross Debt Service Savings (calculated using the all inclusive interest rate cost factor of 3.6343484).

Respectfully Submitted,

Rubin & Hays

By 

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**CERTIFICATE OF SERVICE**

The undersigned hereby certifies that a copy of the foregoing Response was duly mailed by first class United States Postal Service mail to all parties of record in this proceeding on this 11<sup>th</sup> day of July, 2019.



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## OFFICIAL STATEMENT

**NEW ISSUE  
NOT BANK QUALIFIED**

**RATING: Standard & Poor's Rating Services: "A+"**  
See "BOND RATING" herein.

*In the opinion of Bond Counsel, based upon laws, regulations, rulings and decisions, and assuming continuing compliance with certain covenants made by the Corporation, interest on the Series 2016D Bonds is excludable from gross income for federal income tax purposes and is not an item of tax preference for purposes of the federal alternative minimum tax, upon the conditions and subject to the limitations set forth herein under the caption "TAX MATTERS." Receipt of interest on the Series 2016D Bonds may result in other federal income tax consequences to certain holders of the Series 2016D Bonds. In the opinion of Bond Counsel, interest on the Series 2016D Bonds is also exempt from income tax by the Commonwealth of Kentucky, and the Series 2016D Bonds are exempt from ad valorem taxation by the Commonwealth of Kentucky and any of its political subdivisions.*

**\$8,315,000**  
**KENTUCKY RURAL WATER FINANCE CORPORATION**  
**PUBLIC PROJECTS REFUNDING AND IMPROVEMENT REVENUE BONDS**  
**(FLEXIBLE TERM PROGRAM), SERIES 2016D**

**Dated Date: Date of Issuance**

**Due: February 1, as set forth below**

The Series 2016D Bonds will bear interest payable on each February 1 and August 1, beginning August 1, 2017, as determined in accordance with the Trust Indenture dated as of April 4, 2001, and the Supplemental Trust Indenture No. 67, dated as of November 30, 2016 between the Kentucky Rural Water Finance Corporation (the "Issuer") and Regions Bank, Nashville, Tennessee, as trustee (the "Trustee"). Interest is payable by check or draft mailed to the registered owners of the Bonds at their addresses appearing on the registration books kept by the Trustee as of the applicable record date preceding each interest payment date. The Series 2016D Bonds are to be delivered in fully registered form in the authorized denominations described in the Indenture.

The Bonds are issued initially under a book-entry only system, registered in the name of CEDE & CO., as registered bondowner and nominee for The Depository Trust Company ("DTC"). DTC will act as securities depository for the Bonds. Individual purchasers of Book-entry Interests in the Bonds will not receive certificates representing their interest in the Bonds.

THE SERIES 2016D BONDS ARE SUBJECT TO OPTIONAL AND EXTRAORDINARY OPTIONAL REDEMPTION PRIOR TO MATURITY AS DESCRIBED HEREIN. THE BONDS ARE LIMITED OBLIGATIONS OF THE ISSUER AND ARE PAYABLE SOLELY OUT OF REVENUES, FUNDS AND ASSETS PLEDGED UNDER THE INDENTURE. THIS OFFICIAL STATEMENT AND THE APPENDICES ATTACHED HERETO SHOULD BE READ IN THEIR ENTIRETY.

NEITHER THE COMMONWEALTH OF KENTUCKY, KENTUCKY RURAL WATER FINANCE CORPORATION, NOR ANY OTHER MUNICIPAL CORPORATION, QUASI MUNICIPAL CORPORATION, SUBDIVISION, OR AGENCY OF THE COMMONWEALTH OF KENTUCKY IS OBLIGATED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NO TAX FUNDS OR GOVERNMENTAL REVENUE MAY BE USED TO PAY THE PRINCIPAL OF OR THE INTEREST ON THE BONDS. NEITHER ANY OR ALL OF THE FAITH AND CREDIT NOR THE TAXING POWER OF THE COMMONWEALTH OF KENTUCKY, KENTUCKY RURAL WATER FINANCE CORPORATION, OR ANY OTHER MUNICIPAL CORPORATION, QUASI MUNICIPAL CORPORATION, SUBDIVISION, OR AGENCY THEREOF IS PLEDGED TO THE PAYMENT OF THE PRINCIPAL OF OR THE INTEREST ON THE BONDS.

### \$2,605,000 Serial Bonds

<u>CUSIP #</u>	<u>February 1</u>		<u>Interest</u>	<u>Price or</u>	<u>CUSIP #</u>	<u>February 1</u>		<u>Interest</u>	<u>Price or</u>
<u>49140M</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>	<u>49140M</u>	<u>Maturity</u>	<u>Amount</u>	<u>Rate</u>	<u>Yield</u>
3T4	2018	\$195,000	4.000%	1.300%	3Y3	2023	\$305,000	5.000%	2.400%
3U1	2019	260,000	4.000%	1.550%	3Z0	2024	320,000	4.000%	2.600%
3V9	2020	270,000	4.000%	1.800%	4A4	2025	335,000	4.000%	2.800%
3W7	2021	285,000	4.000%	2.000%	4B2	2026	345,000	5.000%	3.000%
3X5	2022	290,000	4.000%	2.200%					

### \$5,710,000 Term Bonds

\$1,125,000	4.000%	- Term Bond Due February 1, 2029 - Yield 3.250% <sup>c</sup>	CUSIP# 49140M 4C0
\$1,150,000	3.500%	- Term Bond Due February 1, 2032 - Yield 3.600%	CUSIP# 49140M 4D8
\$1,590,000	3.750%	- Term Bond Due February 1, 2037 - Yield 3.750%	CUSIP# 49140M 4E6
\$1,845,000	4.000%	- Term Bond Due February 1, 2047 - Yield 4.000%	CUSIP# 49140M 4F3

c = priced to call

The Bonds are offered when, as and if issued and accepted by the Underwriters, subject to the approval of legality and tax exemption by Rubin & Hays, Bond Counsel, Louisville, Kentucky. Certain legal matters will be passed upon for the Issuer by its counsel, Stoll Keenon & Ogden PLLC, Hodgenville, Kentucky. This Official Statement is deemed final for the purposes of SEC Rule 15c2-12(b)(1). Delivery of the Bonds is expected on or about November 30, 2016.

**J.J.B. HILLIARD, W.L. LYONS, LLC**

Dated: November 17, 2016

Preliminary

**\$1,170,000**

Grayson County Water District

Potential Loan through the Kentucky Rural Water Finance Corp.

Refunding 2007 USDA-RD Loan

**PROOF OF GROSS D/S SAVINGS @ 3.6343484%**

Date	NEW GROSS D/S	OLD GROSS D/S	SAVINGS	PV Factor	Present Value
12/01/2019	-	23,821.88	23,821.88	0.9954084x	23,712.50
12/01/2020	83,317.28	69,190.01	(14,127.27)	0.9573169x	(13,019.17)
12/01/2021	83,880.00	69,261.88	(14,618.12)	0.9234505x	(12,852.64)
12/01/2022	82,575.00	69,292.50	(13,282.50)	0.8907822x	(11,189.04)
12/01/2023	81,135.00	69,281.88	(11,853.12)	0.8592696x	(9,545.86)
12/01/2024	84,695.00	69,230.01	(15,464.99)	0.8288718x	(12,183.91)
12/01/2025	83,095.00	70,116.26	(12,978.74)	0.7995494x	(9,729.92)
12/01/2026	81,495.00	69,940.63	(11,554.37)	0.7712643x	(8,270.40)
12/01/2027	84,645.00	69,723.75	(14,921.25)	0.7439798x	(10,465.25)
12/01/2028	82,610.00	69,465.63	(13,144.37)	0.7176605x	(8,802.13)
12/01/2029	80,685.00	70,145.63	(10,539.37)	0.6922724x	(6,656.68)
12/01/2030	83,760.00	69,763.75	(13,996.25)	0.6677823x	(8,714.84)
12/01/2031	81,690.00	69,340.63	(12,349.37)	0.6441586x	(7,330.88)
12/01/2032	84,620.00	69,855.63	(14,764.37)	0.6213707x	(8,545.03)
12/01/2033	82,377.50	69,308.75	(13,068.75)	0.5993889x	(7,212.59)
12/01/2034	80,135.00	69,700.00	(10,435.00)	0.5781847x	(5,409.36)
12/01/2035	82,925.00	70,008.75	(12,916.25)	0.5577307x	(6,578.21)
12/01/2036	80,545.00	69,255.63	(11,289.37)	0.5380002x	(5,458.50)
12/01/2037	83,130.00	69,440.63	(13,689.37)	0.5189677x	(6,488.72)
12/01/2038	80,542.50	69,543.13	(10,999.37)	0.5006086x	(4,890.83)
12/01/2039	82,880.00	69,563.13	(13,316.87)	0.4828989x	(5,816.15)
12/01/2040	-	69,500.63	69,500.63	0.4672159x	32,987.80
12/01/2041	-	69,355.63	69,355.63	0.4506875x	31,763.23
12/01/2042	-	70,107.50	70,107.50	0.4347439x	30,981.50
12/01/2043	-	69,756.25	69,756.25	0.4193642x	29,744.62
12/01/2044	-	69,322.50	69,322.50	0.4045287x	28,522.81
12/01/2045	-	69,785.63	69,785.63	0.3902179x	27,707.00
12/01/2046	-	69,145.63	69,145.63	0.3764135x	26,490.72
12/01/2047	-	69,402.50	69,402.50	0.3696955x	25,657.79
<b>Total</b>	<b>\$1,650,737.28</b>	<b>\$1,971,626.36</b>	<b>\$320,889.08</b>	-	<b>\$88,407.85</b>