

Ernie Fletcher  
Governor

Teresa J. Hill, Secretary  
Environmental and Public  
Protection Cabinet

Christopher L. Lilly  
Commissioner  
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Jack Bragg  
Vice President of Finance  
Northern Kentucky Water District  
2835 Crescent Springs Road  
P. O. Box 18640  
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Commonwealth of Kentucky  
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psc.ky.gov

Mark David Goss  
Chairman

John W. Clay  
Commissioner

October 19, 2006

RE: Case No. 2006-00315

We enclose one attested copy of the Commission's Order in the above case.

Sincerely,

A handwritten signature in black ink, appearing to read "Beth O'Donnell".

Beth O'Donnell  
Executive Director

BOD/jc  
Enclosure



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Honorable John N. Hughes  
Attorney at Law  
124 West Todd Street  
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Assistant Attorney General  
Office of the Attorney General Utility & Rate Intervention Division  
1024 Capital Center Drive  
Suite 200  
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COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY	)	
WATER DISTRICT FOR A CERTIFICATE OF	)	
CONVENIENCE AND NECESSITY FOR	)	CASE NO. 2006-00315
CONSTRUCTION OF SUBDISTRICT F WATER	)	
MAIN EXTENSIONS, FINANCING AND	)	
SURCHARGE	)	

ORDER

Northern Kentucky Water District ("NKWD") has petitioned for rehearing of the Commission's Order of September 20, 2006, in which the Commission denied that portion of the water district's application related to the assessment of a surcharge.<sup>1</sup> NKWD asserts that it was not provided a meaningful opportunity to address certain issues that formed the basis of our decision and that our decision failed to consider the effects of the denial of the proposed surcharge.

While making no finding as to NKWD's allegation that it was denied a meaningful opportunity to address all relevant issues, the Commission finds that NKWD should be permitted to present additional evidence and argument on the proposed formation of

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<sup>1</sup> In its Petition, NKWD "seeks an order allowing the formation of the subdistrict associated with the construction approved in the order." NKWD's Petition for Rehearing at 1. In our Order of September 20, 2006, we did not deny the formation of Subdistrict F. Our review of past Commission Orders addressing the requests of NKWD or its predecessors for creation of a subdistrict indicates that the Commission has never acted upon a request for creation of the subdistrict, only upon the request for the assessment of a surcharge for the proposed subdistrict. Accordingly, we interpret NKWD's Petition for Rehearing as an application for rehearing on our decision to deny the assessment of a separate surcharge for customers within the Subdistrict F area.

Subdistrict F, the proposed surcharge, and any other relevant issues related to the extension of water service.

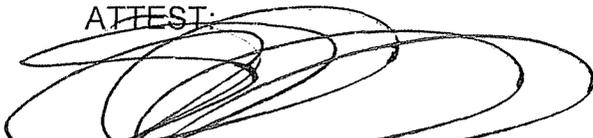
IT IS THEREFORE ORDERED that:

1. NKWD's Petition for Rehearing is granted.
2. Within 30 days of the date of this Order, NKWD shall file testimony in written, verified form on the issues raised in its Petition for Rehearing and the issues identified in Appendix A to this Order.

Done at Frankfort, Kentucky, this 19<sup>th</sup> day of October, 2006.

By the Commission

ATTEST:



Executive Director

## APPENDIX A

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2006-00315 DATED October 19, 2006.

1. What common characteristics or interests do the areas placed within the proposed Subdistrict F boundaries share?
2. Are the proposed boundaries of Subdistrict F reasonable for purposes of the assessment of the proposed surcharge?
3. What characteristics, if any, does the Flagg Springs Market share with the other potential customers located within the proposed boundaries of Subdistrict F?
4. What are the other alternatives for financing the proposed extension of water distribution main within the proposed boundaries of Subdistrict F? Are these alternatives reasonable or feasible?
5. Why it is not feasible or reasonable for all costs associated with the proposed extension of water distribution main within the proposed boundaries of Subdistrict F to be financed through general rates instead of a surcharge?
6. Why, in light of the Commission's decision in Case No. 1997-00468<sup>1</sup> to relieve NKWD of certain obligations under 807 KAR 5:066, Section 11(3), to reimburse real estate subdivision developers for water distribution main extensions, is it not reasonable for NKWD to use the savings resulting from that decision to finance water distribution main extensions in less densely populated areas in lieu of a surcharge?

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<sup>1</sup> Case No. 1997-00468, Proposed Revisions to the Mainline Extension Policy of Northern Kentucky Water Service District (Ky.PSC Sep. 4, 1998).

7. Is the methodology that NKWD used to develop the proposed surcharge reasonable and consistent with general rate-making principles?

8. Why the use of an assessment as permitted by KRS Chapter 74 is a more feasible and reasonable means of financing the cost of the extension than the imposition of a rate surcharge?