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August 24, 2007

RECEIVED

Beth O'Donnell
Executive Director
Public Service Commission
211 Sower Blvd
Frankfort, KY 40601

AUG 24 2007

PUBLIC SERVICE
COMMISSION

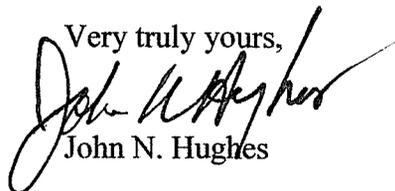
Re: Case No. 2007-00135

Dear Beth:

Northern Kentucky Water District submits for filing the responses to the Commission's Third Data Request. Northern has not completed the responses to the Attorney General's Supplemental Requests. After discussing the issue with the Attorney General, the parties agreed to a delayed filing. Northern believes they can be filed on or about August 29th.

If there are any questions about this mater, please contact me.

Very truly yours,



John N. Hughes

Attorney for Northern
Kentucky Water District

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

RECEIVED

AUG 24 2007

PUBLIC SERVICE
COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)
WATER DISTRICT FOR (A) AN ADJUSTMENT)
OF RATES; (B) A CERTIFICATE OF PUBLIC) CASE NO.
CONVENIENCE AND NECESSITY FOR) 2007-00135
IMPROVEMENTS TO WATER FACILITES; AND)
(C) ISSURANCE OF BONDS)

NORTHERN KENTUCKY WATER DISTRICT REPOSES TO
COMMISSION STAFF'S INFORMATION REQEUST
DATE August 10, 2007

- Q1. In its response to of Item 6(a) of Commission Staff's Second Information Request ("Staff's Second Request"), Northern District states that it, "[h]as not borrowed and funds from the Revolving Fund Loan, therefore there is no amortization Schedule at this point." Provide the documentation and calculations to support the State Revolving Loan Fund debt service shown in the Application, Exhibit N, Cost-of-Service Study, Schedule 3.
- A1. Witness: McKinley. Since no amortization Schedule was available for the 2007 Revolving Fund Loan, equal annual principal and interest payments were assumed for the \$4,000,000 loan and determined based on a 20 year loan term and 3.3 percent annual interest rate. The 2007 debt service payment shown in Schedule 3 is a partial year payment that reflects 7 months of principal and interest.

Q2. Refer to the schedule provided in Northern District’s response to Staff’s Second Request, Item 7. For each employee listed, state if they are included in the employee schedule provided in Northern District’s response to Staff’s Second Request, Item 9.

A2. Witness: Bragg.

Mike Blanchet	No	
Fred Marksberry	Yes	
Pam Case	No	
Tara Martin	Yes	
Amber Fletcher	Yes	
Amanda Crawford	Yes	
Shauna Price	Yes	
David Farmer	No	
Adam Smith	Yes	
Steve Findley	Yes	Went from Full Time to Part Time
Greg Warnke	Yes	
Chris Couch	Yes	
Joel Cundiff	Yes	
Anthony Smith	Yes	
Brian Flanagan	No	
Jarrod Mills	Yes	
Rob Gibbons	Yes	
William Speier	Yes	
Tina Graham	No	
Justin Krebbs	No	
Steve Vogelpohl	Yes	
Mary Jane Lickertt	No	
Chris Messmer	Yes	Went from Full Time to Part Time

Q3. Refer to Northern District’s response to Staff’s Second Request, Item 9(a).

Q3a. Provide an updated pro forma salary schedule reflecting Northern District’s staff level as of August 1, 2007. Assume all full-time employees that have been hired in calendar year 2007 will work 2,080 hours.

A3a. Witness Bragg. Refer to Tab 3.

- Q3b. The schedule in 3(a) should include the current premiums for health insurance, life and disability insurance, and dental insurance for each employee. The insurance premiums should be net of any employee contribution.
- A3b. Witness: Bragg. Refer to Tab 3
- Q3c. The schedule in 3(a) should include the 401-457 Matching Deferred Compensation for each employee using the pro forma salary.
- A3c. Witness: Bragg. Refer to Tab 3.
- Q3d. Provide a copy of the pro forma salary information requested in Item 2(a) on a computer disk in Microsoft Excel 97-2003 format.
- A3d. Witness: Bragg. Refer to Tab 3.
- Q3e. Identify in a separate schedule the employees added to and eliminated from the schedule in 3a.
- A3e. Witness: Bragg. Refer to Tab 3, Page 4.
- Q4. Refer to Northern District's response to Commission Staff's First Information Request ("Staff's First Request"), Item 8(b) and Northern District's response to Staff's Second Request, Item 10. Reducing the "Total Test-Period Payroll Expensed and Capitalized of \$7,778,729 by the amount capitalized of \$241,631¹ results in the "Test-Period Payroll Expensed" of \$7,537,098. Provide a reconciliation between the amount calculated as payroll expense from this schedule of \$7,537,097 with the reported "Salaries and Wages – Employee Expense" of \$7,749,012.²
- A4. Witness: Bragg. The District can not reconcile the difference since the two reports are not based on the same points in time. The schedule provide as Item

8(b) in was a list of all employees for the year 2006. There were employees who left employment and were hired during the year. The report filed as Tab 1, Schedule 1.6 is what was actually charged to the 601 labor accounts as of 12-31-2007. The District also post accruals throughout the year to capital accounts which would also result in a balancing problem between the two reports listed. If you refer to the schedule found behind tab 3 of this information response you will see the most accurate estimate of what the true cost of labor will be for the pro forma year of 2007, also the amount to be expensed and capitalized. However, these numbers could change if any employee leave employment during the year and new ones are hired.

Q5. Refer to the employee health insurance premiums provided in Northern District's response to Staff's Second Request, Item 16. A comparison of the June 2007 invoice to the December 2006 invoice shows that the premium increased by \$12,338³ or 8.71 percent,⁴ Explain why Northern District's proposed 12.4 percent increase in employee health insurance expense⁵ is reasonable.

A5. Witness: Bragg. You can not compare the invoices by total, but compare by rate per employee. There is a difference in the employees listed between both invoices and some employees may have changed their status on health insurance coverage. *Please refer Tab 5 for a table of premium change.* The rates for 2006 were as follows: single plan 373.03 for 2007 \$419.40, employee plus spouse 2006 was \$739.73 and for 2007 \$831.68, for employee plus dependent \$671.43 and for 2007 \$754.89, and family in 2006 \$1,193.67 and for 2007 is \$1,342.04.

Q6. Refer to Northern District's response to Staff's First Request, Item 13.

Q6a. Northern District cites the Commission decision in Case No. 2006-00172⁶ as the basis for its proposed 17 percent adjustment to test period electricity expense. Explain how Northern District determined that the Commission authorized a 17 percent increase in electricity rates of The Union Light, Heat and Power Company d/b/a Duke Energy Kentucky.

A6a. Witness: Bragg. While the District did not received an official notice from Duke Energy, the pro forma adjust was based on the articles in the local paper. Please refer to Tab 6, Pages 1 & 2.

Q6b. Northern District cites the Commission decision in Case No. 2006-001726 as the basis for its proposed 17 percent adjustment to test period gas expense. Explain how the approved increase in Duke Kentucky's electricity rates impacts the cost of the gas purchased by Northern District.

A6b. Witness: Bragg. Please refer to Tab 6, Pages 3 & 4.

Q7. Provide the number of hours per month each commissioner of Northern District spent during the test period performing district business. Include a description of the business that was being performed.

A7. Witness: Bragg. All of the Board members spend at least 4 hours per month attending the Board Meeting where they set policy, receive training, and review general business issues affecting the District.

The Chairman, Secretary, and Treasurer spend approximately one hour each week reviewing and authorizing the check disbursements.

Commissioners engage in various discussions throughout the month with the CEO as issues come up, approximately two hours.

The Chairman on average puts in 2-4 hours per month to attend public events such as Government forums and other functions of public interest.

Commissioners periodically attend AWWA National meetings.

- Q8. Refer to Northern District's response to Staff's First Request, Item 26.
- A8. Witness: Bragg. The Northern District is assuming this should have read "Staff's Second Request, Item 26".
- Q8a. For each expenditure listed in Schedule 1 of this Request identify if the expenditure was expensed or capitalized. Provide the account number and the account title in which it was corrected.
- A8a. Witness: Bragg. Refer to Tab 8.
- Q8b. Several of the expenditures to Hemmer Pangburn DeFrank PLLC are identified as general. Provide a partial list of the legal services that are identified as general.
- A8b. Witness: Bragg. The legal services provided by retainer contract which is behind Tab 8b.
- Q8c. Several of the expenditures to Hemmer Pangburn DeFrank PLLC are identified as litigation. Provide a description of the legal services identified in the response as litigation.
- A8c. Witness: Bragg. The majority of the charges were for services to purchase property or next to the District's Rossford Water Tower property for future needs through eminent domain. There were also some minor charges for open records request.
- Q9. Given the recent court decision regarding the Commission's authority to approve surcharges, if Northern District is required to cease collecting the Sub-District

Surcharges as of the date of the Order, calculate the impact this would have on the Northern District's base rates. Include copies of all work papers, calculations, and assumptions used in the determinations.

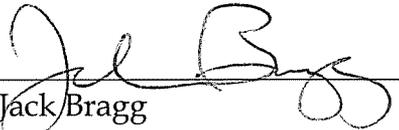
- A9. Witness: McKinley. 2007 revenues not subject to the rate increase have been adjusted to reflect discontinuation of surcharge revenue from current and proposed sub-districts. As a result of this adjustment, the indicated required revenue increase increased from 15% (Application, Exhibit N, Cost-of-Service Study, Schedule 1) to 16.8%. A revised set of schedules is attached as item 9.

AFFIDAVIT

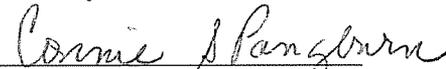
COMMONWEALTH OF KENTUCKY

COUNTY OF KENTON

Affiant, Jack Bragg, appearing personally before me a notary public for and of the Commonwealth of Kentucky and after being first sworn, deposes, states, acknowledges, affirms and declares that he is Vice President - Finance, that he is authorized to submit this Response on behalf of Northern Kentucky Water District, and that the information contained in the Response is true and accurate to the best of his knowledge, information and belief, after a reasonable inquiry, and as to those matters that are based on information provided to him, he believes to be true and correct.


Jack Bragg

This instrument was produced, signed, acknowledged and declared by Jack Bragg to be his act and deed the 24th day of August, 2007.


Notary Public

My Commission expires: May 26, 2009

NORTHERN KENTUCKY WATER DISTRICT														
DETAIL LIST OF EMPLOYEES AND PAYROLL INFORMATION														
2007														
All information as of August 1, 2007														
NAME	TITLE/DUTIES	D.O.B.	TERM	2007 Current Base Rates	Test Period Regular Hours Worked	Test Period Overtime Hours Worked	Test Period Percentage Capitalized	Dollars Capitalized	Test Period Total Payroll Expensed and Capitalized	Net Health Insurance	Life Insurance	Disability Insurance	Dental Insurance	401-457 Matching
James Abbatiello	AuicCad	1/1/2007		15.00	2,080	12	270.00		\$31,470.00	\$5,990.64	\$120.00	\$400.00	\$617.52	\$0.00
Deve Abdon	Lab Tech	10/14/1977		20.99	2,080	18	566.73		\$44,225.93	\$6,253.72	\$165.00	\$410.00	\$343.08	\$0.00
Vlary Alexander	Computer Spec PT	8/1/2003		31.00	2,080	0	-		\$54,480.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Frank Armstrong	Fieldman	10/7/2002		17.30	2,080	611.5	15,868.43	2.5%	\$1,296.31	\$8,265.72	\$145.00	\$375.00	\$343.08	\$863.72
Vlary Bach	Cust. Acct. Rep	1/2/1990		19.65	2,080	35.5	1,046.36		\$41,918.36	\$5,032.80	\$160.00	\$380.00	\$243.08	\$963.56
Willie Bailey	PI Operator	3/6/2000		18.83	2,080	179	5,055.86		\$30,549.00	\$12,744.48	\$155.00	\$384.00	\$343.08	\$939.64
Ton Barrow	PT Accountant	5/1/1974		25.50	1,198	0	-		\$4,275.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ninta Bealing	Bottler	9/50		9.50	450	0	-		\$40,749.63	\$155.00	\$150.00	\$375.00	\$243.00	\$0.00
Jim Bennett	Bldg & Grds. Tech	4/4/1988		19.57	2,080	1.5	44.03		\$35,039.83	\$5,032.80	\$130.00	\$325.00	\$243.00	\$464.36
Velissa Bielo	Cust. Acct. Rep	1/6/2002		16.30	2,080	48.5	1,185.83		\$43,350.46	\$13,890.36	\$125.00	\$315.00	\$947.52	\$0.00
Seth Bingham	Fieldman	1/21/2002		15.83	2,080	439	10,424.06		\$51,178.99	\$8,990.64	\$180.00	\$450.00	\$617.52	\$0.00
Joe Boyle	PI Operator	9/28/1980		23.09	2,080	91	3,151.79		\$100,089.60	\$1,200.00	\$375.00	\$950.00	\$947.52	\$2,402.40
Jack Bragg	VP Finance	10/3/2005		48.12	2,080	0	-		\$34,064.14	\$13,890.36	\$160.00	\$400.00	\$947.52	\$1,019.72
Steve Broering	Eng. Tech	4/9/2001		20.43	2,080	94.5	2,895.95		\$51,220.95	\$13,890.36	\$180.00	\$445.00	\$947.52	\$799.96
Jonathon Brougham	PI Operator	4/1/2005		15.26	2,080	101.5	2,323.34		\$83,740.80	\$8,990.64	\$315.00	\$790.00	\$617.52	\$260.00
Ron Bruck	Fieldman	3/6/1989		22.20	2,080	151.5	5,044.95	2.5%	\$39,536.04	\$13,890.36	\$130.00	\$340.00	\$947.52	\$0.00
Chris Bryant	Info. Sys. Mgr.	10/1/1999		40.56	2,080	0	-		\$43,691.63	\$1,200.00	\$150.00	\$365.00	\$243.00	\$704.60
Bob Buhrig	H.R. Mgr	1/5/1998		17.13	2,080	152	3,905.64		\$62,212.80	\$13,890.36	\$230.00	\$590.00	\$947.52	\$1,492.92
Kevin Carlisle	PI Operator	1/14/2002		17.13	2,080	0	-		\$44,163.15	\$13,890.36	\$160.00	\$395.00	\$947.52	\$0.00
Donny Carter	C.S. Field Rep	12/26/1994		18.61	2,080	178.5	4,982.83		\$32,922.52	\$5,032.80	\$100.00	\$215.00	\$243.00	\$0.00
Derrick Clayburn	Carrier	6/1/2007		11.00	2,080	25	412.50		\$42,640.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rusty Collinsworth	Dist. Supervisor	9/14/1987		29.91	2,080	0	-		\$9,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Rob Calvin	Fieldman	2/7/1994		20.04	2,080	82.5	2,479.95	2.5%	\$76,294.40	\$13,890.36	\$290.00	\$725.00	\$947.52	\$1,393.08
Sherril Cook	Cust. Acct. Rep	2/1/2001		14.36	2,080	36	775.44		\$59,675.20	\$13,890.36	\$220.00	\$575.00	\$947.52	\$0.00
Chris Couch	Bldg & Grds. Tech	3/10/2003		14.25	2,080	111	2,372.63		\$48,254.47	\$13,890.36	\$175.00	\$435.00	\$947.52	\$1,073.28
David Courtney	Fieldman	6/16/2003		16.07	2,080	480	11,570.40	2.5%	\$58,274.95	\$8,990.64	\$205.00	\$525.00	\$617.52	\$735.80
Joel Cundiff	Meter Reader	2/10/2003		15.57	2,080	0.5	11.68		\$34,160.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Justin Dennis	Eng. Tech	6/17/2002		17.81	2,080	16.75	447.48		\$26,894.40	\$5,032.80	\$100.00	\$250.00	\$947.52	\$509.08
Diane Deizal	Payroll Clk PT	8/1/2003		20.50	2,080	0	-		\$47,297.55	\$8,253.72	\$175.00	\$440.00	\$343.08	\$0.00
Mark Dicken	Lab Co. op	8/10/2006		9.50	1,000	0	-		\$64,197.65	\$13,890.36	\$205.00	\$500.00	\$947.52	\$260.00
Jim Dierig	Maint. Manager	10/14/1985		36.68	2,080	0	-		\$37,492.28	\$8,990.64	\$140.00	\$350.00	\$617.52	\$384.28
Vince DiGirolamo	Database Adm	5/9/2005		28.69	2,080	0	-		\$9,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
John Eifers	Maint. Tech	6/17/1986		22.13	2,080	67	2,224.07		\$76,294.40	\$13,890.36	\$290.00	\$725.00	\$947.52	\$1,393.08
Dave Enzweiler	Maint. Foreman	1/18/1988		26.79	2,080	63.5	2,551.75		\$48,254.47	\$13,890.36	\$175.00	\$435.00	\$947.52	\$1,073.28
Steve Findley	Pump Mech	1/1/2007		20.00	1,198	340	10,200.00		\$58,380.45	\$13,890.36	\$180.00	\$445.00	\$947.52	\$509.08
Amber Fletcher	Cust. Acct. Rep	11/27/2006		12.93	2,080	0	-		\$30,109.34	\$8,990.64	\$115.00	\$300.00	\$947.52	\$0.00
Mike Flynn	Flush. Fieldman	6/3/2002		16.36	2,080	346	8,490.84		\$26,894.40	\$5,032.80	\$100.00	\$250.00	\$947.52	\$593.32
Darren Fuhner	Inspector	5/29/1989		21.31	2,080	93	2,972.75		\$42,519.64	\$13,890.36	\$130.00	\$325.00	\$947.52	\$0.00
Todd Fuller	Inspector	4/27/1984		25.51	2,080	290	11,096.85	70.0%	\$47,297.55	\$8,253.72	\$175.00	\$440.00	\$343.08	\$0.00
Don Gibson	Distribution Mgr.	7/1/1985		41.91	2,080	0	-		\$64,197.65	\$13,890.36	\$205.00	\$500.00	\$947.52	\$260.00
Mark Gindale	Fieldman	12/11/1986		22.20	2,080	366.5	12,204.45	2.5%	\$87,172.80	\$13,890.36	\$180.00	\$445.00	\$947.52	\$509.08
Stephen Glass	Instrumentation Tech	7/11/2006		14.46	2,080	1.5	32.54		\$30,109.34	\$8,990.64	\$115.00	\$300.00	\$947.52	\$0.00
Joanne Goldsberry	Cust. Acct. Rep	7/24/2006		12.87	2,080	8.75	169.92		\$26,894.40	\$5,032.80	\$100.00	\$250.00	\$947.52	\$593.32
Mike Greer	Plant Foreman	6/13/2002		22.63	2,080	238.75	8,104.37		\$26,894.40	\$5,032.80	\$100.00	\$250.00	\$947.52	\$593.32
Jim Heas	PI Operator	3/15/1992		21.60	2,080	238	7,111.20		\$42,519.64	\$13,890.36	\$175.00	\$440.00	\$343.08	\$0.00
Jeff Halberstadt	Meter Shop Fieldman	6/1/1992		22.20	2,080	40.5	1,948.65		\$52,639.20	\$8,990.64	\$170.00	\$425.00	\$617.52	\$902.20
Ken Hall	Bldg & Grds. Tech	2/10/2003		11.93	2,080	61.5	1,948.65		\$47,524.65	\$8,253.72	\$180.00	\$435.00	\$343.08	\$692.32
Tonya Hall	Inv./ Adm. Clk	4/24/2000		13.75	2,080	33.5	690.94		\$25,914.94	\$90.00	\$110.00	\$270.00	\$947.52	\$260.00
Ryan Haloran	Meter Shop Fieldman	1/31/2005		15.57	2,080	29	677.30		\$33,062.90	\$5,032.80	\$125.00	\$310.00	\$243.00	\$777.40
Joyce Hamilton	Bottler	7/3/2002		9.25	450	0	-		\$4,162.90	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Charlie Hampton	Meter Reader	12/11/2000		16.12	2,080	185	4,473.30		\$38,002.90	\$50,322.00	\$130.00	\$315.00	\$243.00	\$604.96
Richard Harrison	V.P. Eng/Dist	10/17/1988		56.18	2,080	0	-	11.0%	\$116,854.40	\$13,890.36	\$435.00	\$1,125.00	\$947.52	\$2,804.36
Bob Harthun	Inspection Foreman	1/2/1980		28.43	2,080	324.5	13,838.30	50.0%	\$72,972.70	\$8,253.72	\$220.00	\$560.00	\$343.08	\$325.00
Jeff Heggie	Fieldman	1/1/1988		16.41	2,080	230.5	5,673.76	2.5%	\$39,806.96	\$8,253.72	\$130.00	\$330.00	\$617.52	\$819.52
Tracy Hehman	Accgt. Clerk	1/23/2006		15.86	2,080	29.75	707.75		\$33,696.55	\$13,890.36	\$125.00	\$310.00	\$947.52	\$0.00
Rocky Hensley	Dist. Foreman	7/21/1986		28.31	2,080	225	9,554.63		\$68,439.43	\$8,990.64	\$220.00	\$560.00	\$617.52	\$1,358.76
Fred Hiller	Pump Mech	9/8/1993		22.51	2,080	71	2,397.32		\$49,218.12	\$13,890.36	\$175.00	\$440.00	\$947.52	\$0.00
Warren Hinman	PI Operator	1/30/2003		17.30	2,080	51.5	1,336.43		\$37,320.43	\$13,890.36	\$130.00	\$295.00	\$947.52	\$0.00
Jeremy Hoffman	Meter Reader	1/16/2000		18.71	2,080	16.5	463.07		\$39,379.87	\$8,990.64	\$145.00	\$370.00	\$617.52	\$699.92
Mark Holiz	Fieldman	2/1/1988		22.20	2,080	126	4,195.80	2.5%	\$50,371.80	\$8,253.72	\$180.00	\$435.00	\$617.52	\$608.40

All information as of August 1, 2007															
NAME	TITLE/DUTIES	D.O.B.	TERM	2007 Current Base Rates	Test Period Regular Hours Worked	Test Period Overtime Hours Worked	Test Period Overtime Dollars	Test Period Percentage Capitalized	Dollars Capitalized	Test Period Total Payroll Expensed and Capitalized	Net Health Insurance	Life Insurance	Disability Insurance	Dental Insurance	401-487 Matching
Chad Hopkins	Meter Reader	7/9/2007		14.46	2,080					\$30,076.80	\$5,032.80	\$117.00	\$287.00	\$243.00	\$0.00
Terry Howard	Fieldman	5/31/1993		20.81	2,080	150	4,692.25	2.5%	\$1,199.18	\$47,967.05	\$13,890.36	\$160.00	\$410.00	\$947.52	\$1,038.44
Tao Huang	GIS Tech	12/4/2000		22.36	2,080	2.5	83.85			\$46,592.65	\$8,253.72	\$175.00	\$445.00	\$343.08	\$0.00
Scott Huddleston	Plant Operator	10/24/2005		14.89	2,080	91.5	2,043.65			\$33,014.85	\$13,890.36	\$115.00	\$285.00	\$947.52	\$0.00
Jess Ianiro	Computer Support Tech	6/23/2003		17.54	2,080	20.5	539.36			\$37,022.56	\$13,890.36	\$145.00	\$345.00	\$947.52	\$0.00
Pat Jett	Delainee Supv. PT	9/7/2006		10.75	1,998	0	-			\$12,878.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Kyle Johannemann	Meter Shop Fieldman	1/5/2006		15.04	2,080	483.5	10,907.76			\$42,180.96	\$5,023.80	\$120.00	\$305.00	\$243.00	\$0.00
Bill Johns	Delainee Supv. PT	9/17/2008		10.75	1,998	0	-			\$12,878.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Barri Joslyn	V.P. WQ&P	9/18/1978		53.52	2,080	0	-			\$11,321.60	\$5,032.80	\$411.00	\$105.50	\$243.00	\$2,505.36
Dave Keller	Plant Operator	5/23/2006		14.75	2,080	22.5	497.81			\$31,177.81	\$5,032.80	\$115.00	\$285.00	\$243.00	\$721.24
Randy Kellinghaus	Dist. Crew Leader	10/2/1972		25.51	2,080	485	18,558.53			\$71,619.33	\$13,890.36	\$205.00	\$505.00	\$947.52	\$0.00
Tim Kitzney	Inspector	5/16/1988		23.07	2,080	183	5,640.62	65.0%	\$34,857.04	\$59,626.22	\$13,890.36	\$180.00	\$445.00	\$947.52	\$608.92
Debbie Kircher	Adm. Asst.	1/6/2003		17.70	2,080	81	2,150.55			\$38,966.55	\$5,032.80	\$140.00	\$350.00	\$243.00	\$883.48
Amy Kramer	Design Eng. Mgr.	12/31/2001		40.34	2,080	0	-	11.0%	\$9,229.79	\$83,907.20	\$13,890.36	\$180.00	\$440.00	\$243.00	\$0.00
Jerry Krentz	C.S. Field Rep	1/28/1995		22.20	2,080	186	6,193.80			\$34,743.75	\$8,990.64	\$130.00	\$315.00	\$947.52	\$0.00
Kelson Combs	Comp Support Tech	8/22/2007		16.35	2,080	30	735.75			\$38,132.79	\$8,990.64	\$125.00	\$315.00	\$617.52	\$0.00
Brandon Kuiper	Fieldman	7/12/2004		15.72	2,080	230.5	5,435.19	2.5%	\$953.32	\$40,572.73	\$8,990.64	\$130.00	\$275.00	\$343.08	\$0.00
Chris Lawson	Fieldman	10/7/2003		16.07	2,080	296.5	7,147.13	2.5%	\$1,014.32	\$48,711.85	\$13,890.36	\$165.00	\$420.00	\$947.52	\$0.00
Chuck Leach	C.S. Field Rep	2/10/2003		21.14	2,080	149.5	4,740.65			\$57,892.50	\$13,890.36	\$180.00	\$445.00	\$947.52	\$325.00
Joe Lippert	Fieldman	6/26/1995		22.32	2,080	342.5	11,468.90	2.5%	\$1,447.31	\$46,510.67	\$8,990.64	\$155.00	\$390.00	\$617.52	\$260.00
George List	Fieldman	4/30/1980		19.71	2,080	186.5	5,513.87			\$98,529.60	\$13,890.36	\$205.00	\$525.00	\$947.52	\$1,179.36
Mark Lofland	V.P. Cust. Accts	5/17/1982		26.66	2,080	146	5,638.54			\$61,291.34	\$13,890.36	\$205.00	\$525.00	\$947.52	\$1,179.36
Gary Long	Pl. Operator	2/18/1992		95.91	2,080	0	-			\$199,492.80	\$13,890.36	\$760.00	\$1,350.00	\$947.52	\$4,745.00
Ron Lohan	Pres./CEO	1/31/2001		22.20	2,080	183.5	6,110.55			\$52,286.55	\$8,990.64	\$175.00	\$435.00	\$617.52	\$0.00
Tom Lutkenhoff	C.S. Field Rep	10/31/1993		13.81	2,080	38.25	792.35			\$29,517.15	\$8,253.72	\$110.00	\$275.00	\$343.08	\$260.00
Shelley Lyon	Cust. Acct. Rep	1/6/2003		18.03	2,080	159.5	4,313.68			\$41,816.08	\$8,253.72	\$145.00	\$355.00	\$343.08	\$485.04
Arienne Maines	Pl. Operator	6/28/2004		14.16	2,080	98.5	2,092.14			\$31,544.94	\$8,253.72	\$115.00	\$280.00	\$343.08	\$0.00
Denise Manning	Eng. Clerk	6/16/2003		14.16	2,080	476.5	10,492.53	2.5%	\$1,025.67	\$41,026.93	\$5,023.80	\$120.00	\$290.00	\$947.52	\$0.00
Fred Marksberry	Fieldman	7/9/2006		14.68	2,080	101.5	2,235.03			\$32,769.43	\$13,890.36	\$120.00	\$290.00	\$947.52	\$301.08
Daman Marshall	Fieldman	7/10/2006		14.68	2,080	101.5	2,235.03			\$30,784.13	\$8,253.72	\$115.00	\$285.00	\$343.08	\$171.60
Tara Martin	Cust. Acct. Rep	1/29/2001		14.37	2,080	41.5	894.53			\$57,470.40	\$5,032.80	\$215.00	\$550.00	\$243.00	\$1,326.52
Amy Matraccia	Instru. Adm	1/2/1990		27.63	2,080	0	-			\$44,488.90	\$8,990.64	\$165.00	\$410.00	\$617.52	\$1,001.52
Max McComas	Meter Shop Fieldman	1/2/1990		21.16	2,080	15	476.10			\$58,198.40	\$13,890.36	\$215.00	\$550.00	\$947.52	\$1,396.20
Becky McCormick	Str. Chemist	5/26/1992		27.98	2,080	0	-			\$48,099.41	\$8,990.64	\$165.00	\$410.00	\$617.52	\$1,039.48
Bill McGrath	Inventory Clerk	6/15/1992		20.82	2,080	153.5	4,793.81			\$34,891.18	\$8,990.64	\$125.00	\$310.00	\$617.52	\$233.48
Jackie McKinley	Dist. Clerk	1/24/1997		15.62	2,080	102.5	2,401.58			\$39,004.58	\$8,253.72	\$145.00	\$360.00	\$343.08	\$0.00
Colleen Madert	Adm Asst.	3/12/2007		17.79	2,080	75	2,001.38			\$49,439.40	\$5,032.80	\$180.00	\$460.00	\$243.00	\$1,108.12
Bryan Melcher	Inspector	11/2/1987		22.20	2,080	98	3,263.40	65.0%	\$32,135.61	\$12,878.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Chris Messmer	Mechanic	1/12/2007		10.75	1,998	0	-			\$64,558.07	\$13,890.64	\$190.00	\$480.00	\$947.52	\$1,205.92
Tim Messner	Dist. Crew Leader	10/20/1998		24.17	2,080	394	14,284.47			\$24,731.07	\$8,253.72	\$95.00	\$235.00	\$343.08	\$0.00
Maria Michalack	Scanner	3/21/2005		11.86	2,080	3.5	62.27			\$52,915.60	\$8,253.72	\$195.00	\$500.00	\$343.08	\$731.12
Dave Miller	Cust. Serv. Foreman	2/13/1989		25.15	2,080	16	603.60			\$52,231.04	\$13,890.36	\$180.00	\$445.00	\$947.52	\$0.00
Jason Miller	Dist. Foreman	7/17/2000		22.29	2,080	175.5	5,867.84			\$38,060.81	\$8,032.80	\$120.00	\$280.00	\$243.00	\$736.32
Jarrold Mills	Fieldman	7/10/2006		14.75	2,080	334.5	7,400.81	2.5%	\$952.02	\$58,764.78	\$13,890.36	\$195.00	\$475.00	\$947.52	\$0.00
Scott Moore	Pl. Operator	8/4/1986		24.66	2,080	202	7,471.98			\$96,736.63	\$13,890.36	\$215.00	\$550.00	\$947.52	\$1,391.52
Willy Mueller	Dist. Foreman	10/31/1988		27.88	2,080	926.5	38,746.23			\$55,541.53	\$8,253.72	\$160.00	\$440.00	\$343.08	\$0.00
Diarry Mullins	C.S. Field Rep	5/12/1978		22.20	2,080	281.25	9,365.63			\$62,379.20	\$13,890.36	\$235.00	\$600.00	\$947.52	\$1,497.60
Bred Murphy	Safety Coordinator	3/29/2004		29.99	2,080	0	-			\$42,829.20	\$8,990.64	\$145.00	\$375.00	\$947.52	\$953.16
Karen Murray	Cust. Acct. Rep	1/5/1987		19.10	2,080	108	3,094.20			\$40,468.80	\$13,890.64	\$150.00	\$375.00	\$947.52	\$608.84
Grag Napier	Eng. Tech	5/18/1998		19.20	2,080	18.5	532.80			\$57,915.89	\$13,890.36	\$175.00	\$440.00	\$947.52	\$499.72
Barb Northcutt	Acct. Serv. Crew Leader	2/5/1990		22.30	2,080	344.75	11,531.89			\$51,040.47	\$8,253.72	\$155.00	\$390.00	\$243.00	\$1,240.20
Kevin Owen	Maint. Supervisor	2/5/1990		29.62	2,080	0	-			\$98,697.60	\$8,253.72	\$215.00	\$575.00	\$343.08	\$325.00
Connie Pangburn	Adm. Coordinator	10/28/1985		24.84	2,080	331	9,835.67			\$8,253.72	\$5,032.80	\$140.00	\$360.00	\$243.00	\$0.00
Dave Peat	C.S. Field Rep	7/8/1991		19.81	2,080	0	-			\$38,442.21	\$5,032.80	\$145.00	\$360.00	\$243.00	\$0.00
Debbie Penick	Str. Microbiologist	1/2/1996		28.22	2,080	0	-			\$39,342.08	\$13,890.36	\$140.00	\$360.00	\$947.52	\$858.52
Gally Penick	Acct. Serv. Crew Leader	4/13/1999		18.03	2,080	34.75	939.81			\$44,870.50	\$13,890.36	\$145.00	\$360.00	\$947.52	\$903.24
Wayne Pennington	Pl. Operator	1/4/2000		18.08	2,080	64	1,735.68			\$35,877.17	\$13,890.36	\$125.00	\$400.00	\$947.52	\$0.00
Nathan Peoples	Dist. Crew Leader	1/13/2003		17.20	2,080	352.5	9,094.50			\$52,367.88	\$13,890.36	\$190.00	\$475.00	\$947.52	\$1,181.12
Matt Piccolo	Plant Foreman	5/14/2001		20.06	2,080	196	5,897.64			\$73,008.00	\$13,890.36	\$275.00	\$685.00	\$947.52	\$1,497.08
Scott Puccio	Security Tech	7/29/2004		15.57	2,080	149.5	3,491.57			\$27,049.61	\$5,032.80	\$100.00	\$250.00	\$947.52	\$0.00
Dave Powell	Meter Shop Crew Lead	4/30/1990		24.25	2,080	53	1,927.88			\$32,500.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Ed Prather	Dist. Supervisor	5/10/1976		35.10	2,080	0	-			\$100.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Shauna Price	Cust. Acct. Rep	4/25/2007		12.68	2,080	35.5	675.7			\$27,049.61	\$5,032.80	\$100.00	\$250.00	\$947.52	\$0.00

All Information as of August 1, 2007															
NAME	TITLE/DUTIES	D.O.B.	TERM	2007 Current Base Rates	Regular Hours Worked	Test Period Over Time Hours Worked	Over Time Dollars	Test Period Percentage Capitalized	Dollars Capitalized	Test Period Total Payroll Expensed and Capitalized	Health Insurance	Life Insurance	Disability Insurance	Dental Insurance	401-K Matching
John Puthoff	Cust. Acct. Rep	1/11/1999		15.61	2,080	22.75	532.69			\$33,001.49	\$13,890.36	\$125.00	\$310.00	\$947.92	\$478.92
John Reamey	Chemist	6/13/2002		21.19	2,080	0	-			\$56,555.20	\$8,253.72	\$210.00	\$530.00	\$943.08	\$0.00
Rick Rehnoiz	C.S. Field Rep	6/2/1983		21.95	2,080	148.5	4,889.36			\$50,545.36	\$13,890.36	\$170.00	\$430.00	\$947.52	\$602.88
Isisclia Reusch	Acct. Serv. Crew Leader	7/13/1989		20.90	2,080	87.75	2,750.96			\$46,222.96	\$8,990.64	\$160.00	\$415.00	\$617.52	\$0.00
Iue Richardson	Drafter	7/12/1999		17.42	2,080	57.5	1,502.48			\$37,736.08	\$5,032.80	\$135.00	\$345.00	\$243.00	\$487.76
Jim Richardson	Inspector	3/1/2007		17.50	1,199	-	-			\$20,962.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Tranese Robinson	Cust. Acct. Supv.	11/29/1976		34.11	2,080	0	-			\$70,948.80	\$13,890.36	\$675.00	\$947.52	\$756.08	\$0.00
Lerry Rogers	Maint. Foreman	7/28/1986		24.71	2,080	473.5	17,550.28			\$68,947.08	\$8,990.64	\$190.00	\$485.00	\$617.52	\$0.00
Jindy Rumege	Cust. Acct. Rep	5/11/1987		19.25	2,080	35.5	1,025.06			\$41,065.06	\$8,990.64	\$150.00	\$380.00	\$617.52	\$660.96
Nelly Ryan	Inspector	1/13/1997		18.46	2,080	312.5	8,653.13	40.0%	\$18,819.97	\$7,049.93	\$13,890.36	\$150.00	\$350.00	\$947.52	\$0.00
Edward Schwae	Maint. Foreman	2/22/1990		26.32	2,080	79.5	3,138.66			\$47,884.26	\$13,890.36	\$198.00	\$513.00	\$947.52	\$325.00
John Schoben	C.S. Field Rep	3/10/2004		15.91	2,080	73.25	1,748.11	11.0%	\$6,630.62	\$34,840.91	\$13,890.36	\$130.00	\$315.00	\$947.52	\$0.00
John Schmiede	Design Supv	2/12/1990		28.98	2,080	0	-			\$60,278.40	\$13,890.36	\$225.00	\$375.00	\$947.52	\$1,446.12
Jeff Schuchler	Maint. Tech	3/7/2/1989		22.20	2,080	114.5	3,812.85			\$49,988.85	\$13,890.36	\$171.00	\$432.00	\$947.52	\$260.00
Chip Saibert	Staff Eng	5/3/2006		21.08	2,080	0	-			\$43,846.40	\$170.00	\$435.00	\$617.52	\$1,051.96	\$0.00
Shp Shepherd	Meter Shop Foreman	12/9/1985		26.91	2,080	54	2,179.71			\$58,152.51	\$8,990.64	\$210.00	\$540.00	\$617.52	\$0.00
Scott Shepherd	Construction Mgr.	6/20/1988		33.30	2,080	0	-	50.0%	\$34,632.00	\$59,264.00	\$13,890.36	\$260.00	\$650.00	\$947.52	\$873.60
Jhad Simon	Meter Reader	4/17/2008		14.89	2,080	1	22.34			\$30,993.54	\$5,032.80	\$117.00	\$287.00	\$243.00	\$360.00
Jori Simpson	Adm. Asst.	10/18/1998		20.23	2,080	6	182.07			\$42,260.47	\$13,890.36	\$157.00	\$400.00	\$947.52	\$390.00
Doug Sipple	Maint. Tech	9/4/1984		22.20	2,080	61.5	2,047.95			\$48,223.95	\$13,890.36	\$171.00	\$432.00	\$947.52	\$1,048.32
Adam Smith	Fieldman	8/7/2006		14.68	2,080	155	3,413.10	2.5%	\$848.69	\$33,947.50	\$13,890.36	\$120.00	\$290.00	\$947.52	\$420.68
Richard Smith	Fieldman	1/6/2003		16.03	2,080	322	7,742.49	2.5%	\$1,027.12	\$41,084.89	\$13,890.36	\$130.00	\$325.00	\$947.52	\$0.00
Tony Smith	Meter Reader	3/21/2007		14.46	2,080	10	216.90			\$30,293.70	\$5,032.80	\$117.00	\$297.00	\$243.00	\$0.00
William Speler	Elect Maint. Tech	7/9/2007		20.50	1,040	0	-			\$21,320.00	\$8,990.64	\$160.00	\$400.00	\$617.52	\$0.00
Mary Stiegman	Bottler	1/30/2006		9.23	450	0	-			\$4,162.50	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Jornia Starks	Adm Clerk	1/3/2000		12.68	2,080	10	190.20			\$26,584.60	\$5,032.80	\$95.00	\$240.00	\$243.00	\$0.00
William Stewart	Instrumentation Spec	7/29/1996		22.19	2,080	212	7,056.42			\$63,211.62	\$13,890.36	\$175.00	\$435.00	\$947.52	\$1,052.48
Belinda Stock	Bottler			9.50	450	0	-			\$4,275.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Kristin Stock	Bottler			9.50	450	0	-			\$4,275.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Randy Sullander	Pump Mech	3/3/2003		21.29	2,080	12	383.22			\$44,666.42	\$13,890.36	\$165.00	\$415.00	\$947.52	\$715.00
Waj Syed	Sr. Accountant	2/20/2006		23.50	2,080	0	-			\$48,880.00	\$13,890.36	\$180.00	\$435.00	\$947.52	\$714.48
Ron Talbot	Security Guard	4/28/2002		16.50	1,040	0	-			\$17,160.00	\$0.00	\$0.00	\$0.00	\$0.00	\$0.00
Laura Talarak	Lab Tech	2/12/1997		16.70	2,080	32.5	814.13			\$38,590.13	\$5,032.80	\$140.00	\$325.00	\$243.00	\$162.76
Mark Tischner	Dist. Crew Leader	1/10/2000		22.87	2,080	419	14,373.80			\$30,202.57	\$5,032.80	\$115.00	\$285.00	\$243.00	\$1,141.92
Joan Verax	Clk/Receptionist	5/1/2000		14.51	2,080	1	21.77			\$51,771.20	\$13,890.36	\$195.00	\$500.00	\$947.52	\$1,194.44
Kim Vo	Analytic Chemist	9/7/1999		24.99	2,080	0	-			\$30,702.13	\$13,890.36	\$115.00	\$285.00	\$947.52	\$0.00
Steve Vogelwohl	Plant Operator	11/13/2006		14.75	2,080	1	22.13			\$30,702.13	\$13,890.36	\$115.00	\$285.00	\$947.52	\$0.00
Mary Carol Wagner	Lab Manager	3/25/1988		39.56	2,080	0	-	2.5%	\$1,090.26	\$82,284.80	\$13,890.36	\$310.00	\$780.00	\$947.52	\$384.80
Brett Warner	Fieldman	2/29/2000		17.64	2,080	261.5	6,919.29			\$43,610.49	\$8,990.64	\$140.00	\$350.00	\$617.52	\$881.40
Greg Warnke	Pump Mech	4/13/1992		21.68	2,080	11.5	373.98			\$45,468.38	\$13,890.36	\$170.00	\$425.00	\$947.52	\$0.00
Doug Webb	Meter Reader	11/6/2000		16.78	2,080	5	125.85			\$35,028.25	\$13,890.36	\$135.00	\$250.00	\$947.52	\$891.24
Joe Webster	Dist. Foreman	5/8/1989		28.31	2,080	248.5	10,552.55			\$69,437.35	\$13,890.36	\$220.00	\$560.00	\$947.52	\$1,130.48
Paul Webster	Pl. Operator	6/13/2002		21.37	2,080	149.5	4,792.22			\$49,241.82	\$1,200.00	\$170.00	\$417.00	\$617.52	\$1,067.04
Sharon Wells	Cust. Acct. Rep	12/19/1988		13.72	2,080	35.5	730.59			\$29,268.19	\$8,990.64	\$110.00	\$275.00	\$617.52	\$684.84
Chris Weithrell	C.S. Field Supv	5/6/1991		29.15	2,080	0	-			\$60,632.00	\$8,253.72	\$225.00	\$575.00	\$947.52	\$707.72
Ron Weyman	Meter Reader	5/1/2000		18.91	2,080	14.75	418.38			\$39,751.18	\$13,890.36	\$135.00	\$250.00	\$343.08	\$1,455.48
Valerie Wifite	Cust Acct Rep	2/19/2007		12.68	2,080	365	6,752.10			\$33,126.50	\$5,032.80	\$100.00	\$250.00	\$243.00	\$0.00
Jim Wren	Sr. Mechanic	3/23/1992		25.14	2,080	98	3,695.58			\$55,988.78	\$13,890.36	\$195.00	\$490.00	\$947.52	\$1,265.80
Bill Wuilfack	Operations Mgr.	1/1/1987		48.63	2,080	0	-			\$101,150.40	\$13,890.36	\$375.00	\$960.00	\$947.52	\$2,334.28
Patricia Sommerkamp	Commissioner			\$6,000.00						\$6,000.00	\$8,990.64	\$85.00	\$0.00	\$617.52	\$0.00
Joe Koester	Commissioner			\$6,000.00						\$6,000.00	\$8,990.64	\$175.00	\$0.00	\$617.52	\$0.00
Fred Macke Jr	Commissioner			\$6,000.00						\$6,000.00	\$13,890.36	\$175.00	\$0.00	\$947.52	\$0.00
Douglas Wagner	Commissioner			\$6,000.00						\$6,000.00	\$8,990.64	\$175.00	\$0.00	\$617.52	\$0.00
Fank Jackson	Commissioner			\$6,000.00						\$6,000.00	\$0.00	\$85.00	\$0.00	\$617.52	\$0.00
Drew Collins	Commissioner			\$6,000.00						\$6,000.00	\$0.00	\$175.00	\$0.00	\$0.00	\$0.00
Total					341,159	18,865.5	\$570,834.32		\$250,615.40	\$8,102,352.12	\$1,699,927.72	\$28,300.00	\$67,070.50	\$108,480.84	\$93,569.84

Employees Added

Darrell Claybern
Corina Starks
Valerie Witte
Chad Hopkins
William Speier
Tom Richarson
Collen Medert
Tony Smith
Shauna Price

Employees Subtracted

Mike Blanchett
Pam Case
Dave Farmer
Brain Flanagan
Tina Graham
Debbie Kuilan
Susanne Riffe
Mary Jane Lickett
Jim Scott
Kevin Sergent
Ellen Thompson
Mike Casebolt

Health Insurance Payroll Rate Change

Plans	ACTUAL PREMIUM COST				NET COST TO DISTRICT			
	2006	2007	Increase	%	2006	2007	Increase	%
Single	\$373.03	\$419.40	\$46.37	12.431%	\$373.03	\$419.40	\$46.37	12.431%
Employee Plus Spouse	\$739.34	\$831.68	\$92.34	12.490%	\$666.39	\$749.22	\$82.83	12.430%
Employee Plus Dependent	\$671.43	\$754.89	\$83.46	12.430%	\$611.75	\$687.81	\$76.06	12.433%
Family	\$1,193.67	\$1,342.04	\$148.37	12.430%	\$1,029.54	\$1,157.53	\$127.99	12.432%



News Release
Oct. 26, 2006

Duke Energy Kentucky Reaches Settlement Agreement on Electric Rate Increase

CINCINNATI – Duke Energy Kentucky announced today that it has reached a settlement agreement with the Kentucky Attorney General and other parties on the company's first increase in base rates for electric service in 14 years.

The agreement calls for an increase of \$49 million, or 20 percent, in annual revenues to be effective Jan. 1, 2007, if approved by the Kentucky Public Service Commission (KPSC). The company's original application sought a proposed increase of \$67 million, or approximately 28 percent. Its last base rate increase took effect in June 1992.

Under the settlement, the monthly bill for a typical residential customer using 1,000 kilowatt-hours of electricity would increase from \$65.89 per month to \$76.84 per month. Commercial and industrial customers should expect increases of approximately 21 percent. Even with this increase, Duke Energy Kentucky's rates will remain well below the national average.

"This settlement represents a reasonable resolution of the issues in this case and softens the initial impact of the rate increase," said Sandra Meyer, president of Duke Energy Kentucky. "If approved by the KPSC, the settlement will allow us to continue to provide safe, reliable electric service to our Northern Kentucky customers."

The key reasons for the increase are the company's higher investments to provide an adequate electric supply and a reliable electric delivery system. In addition, the costs of coal, natural gas and purchased power have increased significantly since the company's fuel rate was frozen in 2001. Approximately \$20 million of the \$49 million increase is the result of higher fuel costs. Beginning in 2007, the monthly adjustments for fuel costs will resume.

Duke Energy Kentucky recently acquired approximately 1,100 megawatts of generating capacity to provide an adequate supply of electricity for Northern Kentucky customers. The generating capacity, totaling approximately \$400 million in net book value, was acquired from Duke Energy Ohio, which had been supplying electricity to Northern Kentucky for many years under a wholesale power supply contract.

The acquisition of generating capacity was approved in 2003 by the KPSC as the lowest cost alternative to provide a dedicated electric supply for Duke Energy Kentucky. Included in the acquisition were East Bend Station, Woodsdale Station and Miami Fort Station Unit 6.

Duke Energy Kentucky has also invested approximately \$170 million in its electric delivery system to meet growth and maintenance needs since the last rate increase was filed in 1991. The company has added more than 35,000 customers in Kentucky in the last 15 years.

The \$1.3 million annual rate credit to share cost savings from the Cinergy-Duke Energy merger will continue to be in effect through April 2011, resulting in costs to customers that are lower than they otherwise would have been without the merger.

To assist customers in managing their energy usage and bills, Duke Energy has several resources available that can be accessed through the "Lower Your Winter Bill" section of the company's website, www.duke-energy.com, or by calling 1.866.2ENERGY (236-3749).

Page 1

Duke Energy is a diversified energy company with a portfolio of natural gas and electric businesses, both regulated and unregulated, and an affiliated real estate company. Duke Energy supplies, delivers and processes energy for customers in the Americas, including 28,000 megawatts of regulated generating capacity in the United States. Duke Energy's Kentucky operations provide 1,100 megawatts of safe, reliable and competitively priced electricity to more than 130,000 electric customers; the company also provides natural gas service to 93,000 customers in Northern Kentucky. Headquartered in Charlotte, N.C., Duke Energy is a Fortune 500 company traded on the New York Stock Exchange under the symbol DUK. More information about the company is available on the Internet at: www.duke-energy.com.

Contact: Steve Brash
Phone: 513-287-2226
24-Hour Phone:
e-mail:

Page 2



Gas FAQs

Frequently Asked Questions

About Natural Gas Prices

[Reasons for Increased Gas Costs](#)

[Bill Management Options](#)

[Financial Assistance](#)

[Conservation Measures](#)

[Gas Supply](#)

Reasons for Increased Gas Costs

What is the outlook for natural gas prices this winter?

Natural gas prices remain quite sensitive to weather, to a limited extent in terms of natural gas supply (such as a hurricane that may affect production in the Gulf of Mexico) and far more so in terms of natural gas demand (such as cold weather that increases usage for home heating). In fact, weather is often the biggest factor in how much residential customers pay for natural gas during the winter.

Winter gas prices are forecasted to be higher than we've seen in past years. Despite the increase, Duke Energy still remains one of the lowest gas providers in the region.

Is this occurring only in our area, or nationwide?

The price of natural gas is increasing throughout the United States.

Are my rates going up?

It's not your natural gas delivery charge that's increasing, but the cost for Duke Energy to purchase gas from its suppliers. This cost is referred to as our gas cost recovery charge that changes monthly. Regulators allow us to pass our prudently incurred gas costs along to customers on a dollar for dollar basis, without any markup.

Is this increase permanent or temporary?

It is possible that natural gas prices will remain high over the next couple of years, depending on weather and new supplies of gas coming into the market.

Why doesn't the utility absorb the cost increases, instead of passing them along to customers?

Natural gas utilities do not make any profit from supplying natural gas. We simply pass the cost of the gas on to our customers. Conditions such as extreme weather conditions or changes in the price of natural gas can create unexpected shifts in the price that customers pay for the natural gas they use.

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Bill Management Options

With these higher costs how can I better manage my energy bill?

Duke Energy offers two [Budget Billing Plans](#) to help you manage your winter heating and summer cooling bills by setting your monthly energy bill at an average amount. You can enroll online at your convenience and it's absolutely free.

What programs are available if I'm experiencing difficulty paying?

Page 3

Extended payment plans are available to qualified customers who need additional time to pay their energy bill. If you're unable to pay your entire balance by the due date, call us at 513.651.5100 or toll-free at 800.648.7777 to see what payment plan might work for you.

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Financial Assistance

Is financial assistance available?

Our [WinterCare](#) program is available to Duke Energy customers who are in need, and the guidelines for qualification are detailed in the description of that program in the Web site. WinterCare is administered through the Northern Kentucky Community Action Commission.

The [Home Energy Assistance Program \(HEAP\)](#) may also help pay for part of your heating bills if you qualify as a low-income household. There are two types of assistance available – 'Subsidy' or 'Crisis.' Applications for HEAP will be taken at local community action agency offices or designated sites within each county.

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Conservation Measures

How can I take control over the amount of energy I use?

By taking a number of no-cost, low-cost measures, you can reduce the amount of your energy usage and save money in the process. Check out our [energy-saving tips](#).

Our online energy audit tool is a great way to see where your energy dollars are being spent. The [Home Energy Calculator](#) provides a personalized energy assessment of your home.

Duke Energy offers our [Weatherization program](#) to income-qualified customers. Weatherizing your home can help hold down heating bills by keeping cold drafts out, while reducing the amount of warm air escaping from your home.

Our [Home Energy House Call](#) program gives you a step-by-step guide to help make your home energy efficient, earth friendly and help save you money. This free service is offered to any electric customer in the Duke Energy Kentucky service territory.

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Gas Supply

Is there a shortage of natural gas?

Natural gas is increasingly popular for use in homes, schools, businesses, factories and electric power-generation because it is efficient, clean and reliable. However, natural gas production has struggled to keep pace with demand. As a result, the market price of natural gas reflects an extremely tight balance between natural gas supply and demand. While supplies of natural gas are tight, the United States has adequate supplies of natural gas.

How does the utility acquire natural gas supplies?

Duke Energy buys natural gas from North American producers and then resells it to customers without any profit. We make every effort to obtain supplies at the best possible price.

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HEMMER PANGBURN DEFRAK PLLC

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Direct Dial: 859-578-3867, ext. 207

July 1, 2005

C. Ronald Lovan
President/CEO
Northern Kentucky Water District
100 Aqua Drive
P.O. Box 220
Cold Spring, KY 41076

Re: Professional Services

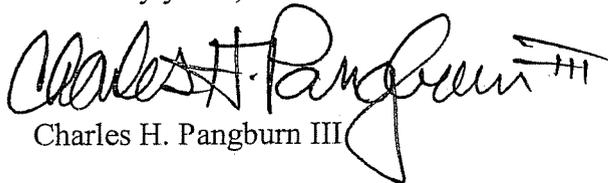
Dear Mr. Lovan:

Per your telephone call yesterday, I am providing this letter as an amendment to the letter agreement for professional services between my firm and the Northern Kentucky Water District dated March 4, 2004. I understand that the amendment approved by the Board of Commissioners at yesterday's regular Board meeting provides for the following:

Effective for all services provided during the month of July, 2005 and thereafter, the amount of the retainer is raised to \$3,000.00 per month.

To indicate your agreement with this amendment, I request that you sign this letter below and return to me one of the two originals provided. I sincerely appreciate the Board's action in this matter.

Sincerely yours,


Charles H. Pangburn III

APPROVED AND AGREED:



Ron Lovan, P.E.
President/CEO

Northern Kentucky Water District

Date: July 12, 2005

Northern Kentucky Water District

March 4, 2004

Mr. Charles Pangburn III, Esq.
Hemmer, Spoor, Pangburn, DeFrank
Suite 200
250 Grandview Drive
Ft. Mitchell, Kentucky 41017

Re: Professional Services

Dear Mr. Pangburn,

On January 29, 2004 the Northern Kentucky Water District (District) issued a Request for Proposal (RFP) for General Legal Services. Proposals were received on February 9, 2004 and evaluated by a District review committee. At the February 17, 2004 Board of Commissioners meeting, the District's review committee recommended and the Board authorized the negotiation of an agreement based upon your proposal for general legal services. This letter agreement will set forth the terms under which your firm will provide professional services to the District. This letter agreement provides the general terms of engagement as well as billing rates and procedures for, but not limited to, general legal services, except services related to bonds and bond anticipation notes, which are handled separately. Any issues not addressed in this document will be resolved by mutual agreement.

Retainer Matters

The District will be billed a flat fee of \$2,500 per month as a retainer, regardless of which attorney in your firm performs the services, for the following:

- All counsel and advice delivered via telephone calls, electronic mail and meetings when such counsel and advice do not require or involve research or the drafting of documents.
- Review of all materials in preparation for all regular and special Board meetings.
- Attendance and participation at all regular and special Board meetings.
- Preparation of minutes for all Board meetings and related correspondence.

All Other Matters

The District will be billed at the hourly rate of \$165/hour for members/partners and \$135/hour for associates for all services not included under the retainer. Generally, these services will consist of research or the drafting of correspondence, contracts, court pleadings and motions and other documents. Currently, the members of your firm are Charles Pangburn, Donald Hemmer, Richard Spoor, Michael DeFrank, David Andrew, Robert Winter and Carlo Wessels. The associates currently in your firm are Jason Atkins, Brian Dunham, Timothy Lynch, Janie Ratliff, Dean Spoor and David Steel. The District will not be billed for the services of legal assistants or paralegals.

INVOICES and OTHER COST

Services will be invoiced on a monthly bases, but not limited too, the following general descriptions with a level of specificity acceptable to both the District and your firm;

- Water Quality and Production
- Engineering and Distribution
- Customer Service
- Human Resources
- Litigation
- Sub districts

Travel Time

The District will not be billed for travel time, except for travel to or from destinations outside the three counties of Northern Kentucky.

Costs Advanced (Expenses)

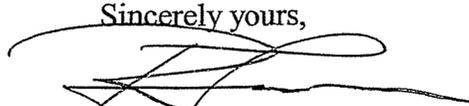
The District will be billed at the actual cost of all costs advanced.

Term

This letter agreement will be effective March 1, 2004 for a term of three years but may be modified or extended by agreement of the parties.

If you agree with the terms set forth herein, I would appreciate your signing this letter agreement below and returning a copy to me.

Sincerely yours,



Ron Lovan, P.E.
President/CEO

cc: Mr. Doug Wagner,
Chairman - Board of Commissioners

APPROVED AND AGREED:



Charles Pangburn III, Esq
Attorney/Member
Hemmer Spoor Pangburn DeFrank PLLC

Date: 3/4/04

NORTHERN KENTUCKY WATER DISTRICT

**SCHEDULE 1
SUMMARY OF TEST YEAR REVENUE REQUIREMENTS
TEST YEAR 2007**

<u>Line No.</u>		<u>Total</u>	<u>Reference</u>
		\$	
1	Operation & Maintenance Expense	21,828,354	Schedule 2
2	Debt Service Requirements	14,435,068	Schedule 3
3	Depreciation Expense	5,797,324	Schedule 4
4	Debt Service Coverage	<u>2,795,578</u>	Schedule 3
5	Total Revenue Requirements	44,856,324	
6	Less: Operating Revenue not Subject to Rate Increase (a)	(1,567,028)	Schedule 5
7	Less: Non-Operating Revenue	(1,727,018)	Schedule 6
8	Less: Boone & Florence	<u>(438,584)</u>	Schedule 6
9	Net Revenue Requirements	41,123,694	
10	Revenues Under Existing Rates	<u>(35,214,639)</u>	Schedule 7
11	Revenue Increase Required	5,909,055	
12	Percentage Revenue Increase Required	16.8%	

(a) Reflects discontinuation of Sub-District Surcharges.

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 2
TEST YEAR OPERATION AND MAINTENANCE EXPENSE
TEST YEAR 2007

Line No.		
	UNADJUSTED TEST YEAR OPERATION AND MAINTENANCE EXPENSE	
1	Operation and Maintenance Expense	20,831,914
	ADJUSTMENTS FOR KNOWN AND MEASURABLE CHANGES	
2	Salary Increases @ 4%	309,960
3	Pension & Benefit Increases @ 14.1% (a)	168,372
4	Health Insurance Increases @ 12.4%	210,229
5	Electric Cost Increases @ 17%	289,264
6	Gas Cost Increases @ 17%	26,156
7	Rate Case Amortization	(7,541)
		<hr/>
8	Total Adjustments for Known and Measurable	996,440
9	Total Test Year Operation and Maintenance Expense	21,828,354

(a) Includes \$2,209 for 401-457 match.

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 3
DEBT SERVICE

Year	Existing		Proposed 2008		Total		Proposed 2007		Taylor Mill		Total
	Revenue	Bonds	Revenue	Bonds	Revenue	Bonds	SRF	Loan	Purchase	Financing	
	\$		\$		\$		\$		\$		\$
2007	12,262,241				12,262,241		160,500		250,000		12,672,741
2008	12,747,095		754,236		13,501,331		275,100		250,000		14,026,431
2009	12,748,138		1,965,304		14,713,442		275,100		175,000		15,163,542
2010	12,742,139		1,964,319		14,706,458		275,100		175,000		15,156,558
2011	12,744,149		1,961,821		14,705,970		275,100		175,000		15,156,070
5-Year Average					13,977,888						14,435,068
Debt Service Coverage @ 20%					2,795,578						

NORTHERN KENTUCKY WATER DISTRICT

**SCHEDULE 4
DEPRECIATION EXPENSE
TEST YEAR 2007**

Line No.	Plant Account	(1)	(2)	(3)
		Dec. 31, 2006 Depreciation	Change in Current Assets	Test Year Depreciation
		\$	\$	\$
				(1) + (2)
	Source of Supply & Pumping			F-3
1	Land & Land Rights	0	0	0
2	Structures & Improvements	270,935	21,976	292,911
3	Lake River & Other Intakes	75,733	0	75,733
4	Supply Mains	23,312	2,584	25,895
5	Pumping Equipment	379,886	(29,215)	350,671
6	Subtotal	<u>749,866</u>	<u>(4,656)</u>	<u>745,210</u>
	Water Treatment Plant			
7	Land & Land Rights	0	0	0
8	Structures & Improvements	785,381	(9,093)	776,287
9	Water Treatment Equipment	386,442	(27,790)	358,652
10	Subtotal	<u>1,171,822</u>	<u>(36,883)</u>	<u>1,134,939</u>
	Transmission & Distribution			
11	Land & Land Rights	0	0	0
12	Structures & Improvements	203,582	37,466	241,048
13	Distribution Reservoirs & Standpipes	133,754	(0)	133,754
14	Transmission & Distribution Mains	1,239,489	166,083	1,405,572
15	Transmission & Distribution Services	431,065	17,620	448,686
16	Meters & Meter Installation	173,089	4,679	177,768
17	Hydrants	104,437	6,134	110,571
18	Other Plant & Misc. Equipment	303,599	(16,049)	287,551
19	Subtotal	<u>2,589,016</u>	<u>215,934</u>	<u>2,804,950</u>
	General Plant			
20	Land & Land Rights	0	0	0
21	Structures & Improvements	490,720	23,227	513,946
22	Office Equipment	239,345	(11,484)	227,861
23	Transportation Equipment	233,831	7,526	241,357
24	Tools, Shop & Garage Equipment	2,947	(926)	2,021
25	Power Operated Equipment	89,256	31,831	121,088
26	Other Tangible Plant	12,254	(6,303)	5,951
27	Subtotal	<u>1,068,353</u>	<u>43,871</u>	<u>1,112,224</u>
28	Total Plant Investment	<u>5,579,057</u>	<u>218,267</u>	<u>5,797,324</u>

NORTHERN KENTUCKY WATER DISTRICT
SCHEDULE 5
REVENUES NOT SUBJECT TO RATE INCREASE
TEST YEAR 2007

Line No.		2007 <u> </u>
		\$
	Other Operating Revenue	
1	Forfeited Discounts	713,273
2	Rent from Water Property (a)	396,716
3	Rent from Water Property - Newport	1,200
4	Fire Protection	42,637
5	Meter Tests	717
6	Income Turn On Fees	398,335
7	Income Turn on Fees - Taylor Mill	330
8	Returned Check Charge	13,820
9	Current Surcharge Revenues (b)	0
10	Proposed Sub-District F Revenues (b)	0
11	Proposed Sub-District G Revenues (b)	0
12	Total Other Operating Revenue	<u>1,567,028</u>

- (a) Represents a reduction of \$95,878.20 due to loss of 2008 rental income at central facility.
- (b) Reflects discontinuation of Sub-District Surcharges.

NORTHERN KENTUCKY WATER DISTRICT

**SCHEDULE 6
NON-OPERATING INCOME
TEST YEAR 2007**

<u>Line No.</u>		<u>2007</u>
		\$
	Non-Operating Revenues	
1	Sale of Fixed Assets	6,799
2	Income Miscellaneous	77,571
3	Lab Test Fees	29,964
4	Commission on Sales Tax	5,430
5	Material Sold	34,624
6	Interest Income	1,567,820
7	Miscellaneous Income	4,810
8	Boone & Florence Reserve	438,584
9	Total Non-Operating Revenues	<u>2,165,602</u>

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 7
 REVENUES UNDER CURRENT RATES
 TEST YEAR 2007

Line No.	Metered Sales			Bulk	Total
	Retail	Wholesale			
	\$	\$	\$	\$	\$
1	2006 Revenues	31,528,505	921,897	6,954	32,457,356
2	Plus Volume Normalization (a)	1,726,541	0		1,726,541
3	Plus New Connections (b)	276,222	0		276,222
4	Plus Prior Rate Increase (c)	739,640	14,880		754,520
5	2007 Revenues	<u>34,270,908</u>	<u>936,777</u>	<u>6,954</u>	<u>35,214,639</u>

- (a) Adjustment to normalize for abnormally low billable water usage due to rainy weather in 2006.
- (b) Extensions are expected to result in approximately 868 new connections.
- (c) Adjustment for Rate Increase approved in PSC Order 2005-00148.

NORTHERN KENTUCKY WATER DISTRICT

**SCHEDULE 8
PROPOSED RATES
EFFECTIVE**

<u>MeterSize</u>	<u>Monthly</u>	<u>Quarterly</u>
	\$	\$
Fixed Service Charge - \$/bill		
5/8"	12.42	18.79
3/4"	12.84	19.80
1"	14.02	22.76
1 1/2"	15.78	26.82
2"	19.94	37.70
3"	48.14	117.31
4"	60.30	147.27
6"	89.29	217.34
8"	120.58	296.93
10"	160.37	387.73

Monthly Volume Charge - \$/Ccf

First 1,500 cubic feet	3.28
Next 163,500 cubic feet	2.84
Over 165,000 cubic feet	2.52

Quarterly Volume Charge - \$/Ccf

First 4,500 cubic feet	3.28
Next 490,500 cubic feet	2.84
Over 495,000 cubic feet	2.52

Wholesale Volume Charge - \$/Ccf

Bullock Pen Water District	2.21
City of Walton	2.21
Pendleton County	2.21

Ccf - Hundred Cubic Feet

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 9

COMPARISON OF ADJUSTED COST OF SERVICE
WITH REVENUE UNDER PROPOSED RATES
TEST YEAR 2007

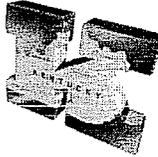
Line No.	Customer Class	(1) Cost of Service \$	(2) Revenue Under Existing Rates \$	(3) Revenue Under Proposed Rates \$	(4) Proposed Revenue as a Percent of Cost of Service %	(5) Indicated Increase Over Existing Rates
	Monthly					
1	Residential/Multi Family		944,348	1,102,873		16.8%
2	Commercial		143,705	167,910		16.8%
3	Industrial		536,803	626,568		16.7%
4	Public Authority		724,633	846,804		16.9%
5	Subtotal		2,349,490	2,744,154		16.8%
	Quarterly					
6	Residential/Multi Family		23,781,503	27,764,752		16.7%
7	Commercial		5,226,194	6,105,424		16.8%
8	Industrial		2,046,245	2,390,185		16.8%
9	Public Authority		867,476	1,013,527		16.8%
10	Subtotal		31,921,418	37,273,888		16.8%
11	Total Retail		34,270,908	40,018,042		16.8%
12	Wholesale		936,777	1,095,381		16.9%
13	Total System	41,123,694	35,207,685	41,113,423	100.0%	16.8%

NORTHERN KENTUCKY WATER DISTRICT

SCHEDULE 10
COMPARISON OF TYPICAL WATER BILLS
UNDER EXISTING AND PROPOSED RATES
TEST YEAR 2007

(1) Meter Size	(2) Monthly Usage Ccf Mgal		(3) Monthly				(7) Quarterly				(10)	(11)
			Existing Rates	Proposed Rates	Increase	Increase	Existing Rates	Proposed Rates	Increase	Increase		
5/8"	0.00	0	10.63	12.42	1.79	16.8%	0.00	0	16.09	18.79	2.70	16.8%
5/8"	2.67	2	18.13	21.18	3.04	16.8%	8.02	6	38.63	45.10	6.47	16.7%
5/8"	6.68	5	29.40	34.33	4.93	16.8%	20.05	15	72.43	84.55	12.12	16.7%
5/8"	8.02	6	33.17	38.73	5.56	16.8%	24.06	18	83.70	97.71	14.01	16.7%
5/8"	13.37	10	48.20	56.27	8.07	16.8%	40.10	30	128.77	150.32	21.55	16.7%
5/8"	20.05	15	65.05	75.96	10.91	16.8%	60.16	45	179.38	209.44	30.07	16.8%
5/8"	26.74	20	81.31	94.96	13.65	16.8%	80.21	60	228.10	266.39	38.29	16.8%
5/8"	40.10	30	113.77	132.90	19.13	16.8%	120.31	90	325.54	380.27	54.73	16.8%
5/8"	66.84	50	178.75	208.85	30.09	16.8%	200.52	150	520.45	608.07	87.61	16.8%
5/8"	133.68	100	341.17	398.67	57.50	16.9%	401.04	300	1,007.72	1,177.54	169.83	16.9%
3/4"	40.10	30	114.13	133.32	19.19	16.8%	120.31	90	326.40	381.28	54.88	16.8%
3/4"	66.84	50	179.11	209.27	30.15	16.8%	200.52	150	521.31	609.08	87.76	16.8%
3/4"	133.68	100	341.53	399.09	57.56	16.9%	401.04	300	1,008.58	1,178.55	169.98	16.9%
1"	26.74	20	82.68	96.56	13.88	16.8%	80.21	60	231.50	270.36	38.86	16.8%
1"	66.84	50	180.12	210.45	30.32	16.8%	200.52	150	523.85	612.04	88.18	16.8%
1"	133.68	100	342.54	400.27	57.73	16.9%	401.04	300	1,011.12	1,181.51	170.40	16.9%
1 1/2"	133.68	100	344.05	402.03	57.98	16.9%	401.04	300	1,014.59	1,185.57	170.99	16.9%
1 1/2"	334.20	250	831.32	971.51	140.19	16.9%	1,002.60	750	2,476.38	2,894.00	417.63	16.9%
1 1/2"	668.40	500	1,643.42	1,920.64	277.21	16.9%	2,005.21	1,500	4,912.72	5,741.42	828.70	16.9%
2"	334.20	250	834.88	975.67	140.79	16.9%	1,002.60	750	2,485.70	2,904.88	419.19	16.9%
2"	668.40	500	1,646.98	1,924.80	277.81	16.9%	2,005.21	1,500	4,922.04	5,752.30	830.26	16.9%
2"	1,336.81	1,000	3,271.22	3,823.08	551.86	16.9%	4,010.42	3,000	9,794.70	11,447.09	1,652.39	16.9%
3"	668.40	500	1,671.13	1,953.00	281.86	16.9%	2,005.21	1,500	4,990.20	5,831.91	841.71	16.9%
3"	1,336.81	1,000	3,295.37	3,851.28	555.91	16.9%	4,010.42	3,000	9,862.86	11,526.70	1,663.84	16.9%
3"	2,673.61	2,000	6,267.42	7,320.24	1,052.82	16.8%	8,020.83	6,000	18,779.03	21,933.60	3,154.57	16.8%
4"	1,336.81	1,000	3,305.78	3,863.44	557.66	16.9%	4,010.42	3,000	9,888.51	11,556.66	1,668.15	16.9%
4"	2,673.61	2,000	6,277.83	7,332.40	1,054.57	16.8%	8,020.83	6,000	18,804.68	21,963.56	3,158.88	16.8%
4"	6,684.03	5,000	14,940.33	17,438.66	2,498.32	16.7%	20,052.08	15,000	44,792.18	52,282.31	7,490.13	16.7%
6"	2,673.61	2,000	6,302.65	7,361.39	1,058.74	16.8%	8,020.83	6,000	18,864.67	22,033.63	3,168.96	16.8%
6"	6,684.03	5,000	14,965.15	17,467.65	2,502.49	16.7%	20,052.08	15,000	44,852.17	52,352.38	7,500.21	16.7%
6"	13,368.05	10,000	29,402.64	34,311.38	4,908.74	16.7%	40,104.16	30,000	88,164.67	102,883.62	14,718.96	16.7%
8"	6,684.03	5,000	14,991.94	17,498.94	2,506.99	16.7%	20,052.08	15,000	44,920.31	52,431.97	7,511.66	16.7%
8"	13,368.05	10,000	29,429.43	34,342.67	4,913.24	16.7%	40,104.16	30,000	88,232.81	102,963.21	14,730.41	16.7%
8"	26,736.11	20,000	58,304.44	68,030.18	9,725.74	16.7%	80,208.33	60,000	174,857.81	204,025.72	29,167.91	16.7%
10"	13,368.05	10,000	29,463.49	34,382.46	4,918.97	16.7%	40,104.16	30,000	88,310.55	103,054.01	14,743.47	16.7%
10"	26,736.11	20,000	58,338.50	68,069.97	9,731.47	16.7%	80,208.33	60,000	174,935.55	204,116.52	29,180.97	16.7%
10"	66,840.27	50,000	144,963.48	169,132.45	24,168.97	16.7%	200,520.82	150,000	434,810.53	507,304.00	72,493.47	16.7%

Ccf - Hundred Cubic Feet
Mgal - Thousand Gallons



Kentucky Public Employees'
Deferred Compensation Authority
Securing a Better Tomorrow

Ernie Fletcher
Governor

Robert C. Brown, CRA, CRC
Executive Director

PAYROLL REDUCTION LISTING

WEEKLY Payroll Dated 8/07/2007

W04 Billing no. 1057650
W016

Please make check payable to:
KENTUCKY STATE TREASURER
Please mail to:
KENTUCKY PUBLIC EMPLOYEES DEFERRED
COMPENSATION AUTHORITY
105 SEA HERO ROAD, STE 1
SUITE #1
FRANKFORT KY 40601
Need Assistance? (502) 573-7925

NORTHERN KY WATER SERVICE DISTRICT
Attn: DIANE DETZEL
PO BOX 18640
ERLANGER KY 41018

*** Please return a copy of this listing for proper crediting of accounts ***
M - Employer Matching Account

Table with columns: Soc. Sec. No., Name, Employee or % of Amount, 401K Salary Amount, 457 Amount, Comments / Actual Amount. Lists employees like BIELO, MELISSA, STEWART, WILLIAM R, etc.



101 Sea Hero Road, Suite 110
Frankfort, Kentucky 40601-5404

Phone 502.573.7925 or 800.542.2667 Fax 502.573.4494 or e-mail persdeferredcomp@ky.gov



Kentucky Public Employees' Deferred Compensation Authority

Securing a Better Tomorrow

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Executive Director

PAYROLL REDUCTION LISTING

WEEKLY Payroll Dated 8/07/2007 W016

W04 Billing no. 1057650 NORTHERN KY WATER SERVICE DISTRICT

Soc. Sec. No.	Name	Employee or % of Amount	401K Salary Amount	457 Amount	Comments / Actual Amount
[REDACTED]	MCKINLEY, JACQUELINE S	14.43	14.43		<i>change to 4.49</i>
[REDACTED]	PARSONS, LEONARD T	6.25	6.25		
[REDACTED]	RUMAGE, CYNTHIA L	18.48	18.48		
[REDACTED]	SCHEBEN JR, JOHN A	27.81	27.81		
[REDACTED]	LONG, GARY A	22.68	22.68		
[REDACTED]	HARTHUN, ROBERT T	6.25	6.25		
[REDACTED]	ARMSTRONG, HARLEY F	16.61	16.61		
[REDACTED]	GOLDSBERRY, JOANIE M	11.41	11.41		
[REDACTED]	COURTNEY, DAVID	15.43	15.43		
[REDACTED]	MESSMER, TIMOTHY I	23.21	23.21		
[REDACTED]	PRATHER, ED	28.79	28.79		
[REDACTED]	VERAX, JOAN M	13.92	13.92		
[REDACTED]	LIST, GEORGE A	5.00	5.00		
[REDACTED]	WULFECK JR, WILLIAM M	44.89	44.89		
[REDACTED]	PUTTHOFF, KAREN A	9.21	9.21		
[REDACTED]	LYON, SHELLIE	5.00	5.00		
[REDACTED]	HEGGE, JEFF R	15.76	15.76		
[REDACTED]	FULLER, TODD A	5.00	5.00		
[REDACTED]	WAGNER, MARY C	7.40	7.40		
[REDACTED]	SHEPHERD, SCOTT W	16.80	16.80		
[REDACTED]	MARSHALL, DAMIAN B	5.79	5.79		
[REDACTED]	SCHUCHTER, JEFF T	20.23	20.23		
[REDACTED]	KELLER, DAVID E	13.87	13.87		
[REDACTED]	DIERIG JR, JAMES L	26.79	26.79		
[REDACTED]	ELFERS JR, JOHN R	20.64	20.64		
[REDACTED]	HALL, KENNETH R	5.00	5.00		
[REDACTED]	LIPPERT, JOSEPH M	6.25	6.25		
[REDACTED]	LOFLAND, MARK	23.71	23.71		
[REDACTED]	HOFFMAN, JEREMY L	13.46	13.46		
[REDACTED]	CARTER, DONNY	13.55	13.55		
[REDACTED]	HALBERSTADT, JEFFERY S	17.16	17.16		
[REDACTED]	MELCHER, BRYAN E	21.31	21.31		
[REDACTED]	BACH, MARY H	18.53	18.53		
[REDACTED]	WREN, JAMES	24.15	24.15		
[REDACTED]	HALLORAN, RYAN G	14.95	14.95		
[REDACTED]	WANNER, BRETT A	16.95	16.95		
[REDACTED]	SIMON, CHAD M	9.30	9.30		



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Kentucky Public Employees' Deferred Compensation Authority

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Executive Director

PAYROLL REDUCTION LISTING

WEEKLY Payroll Dated 8/07/2007 W016

W04 Billing no. 1057650 NORTHERN KY WATER SERVICE DISTRICT

Soc. Sec. No.	Name	Employee or Amount	% of 401K Salary Amount	457 Amount	Comments / Actual Amount
[REDACTED]	SYED, WAJAHAT N	13.74	13.74		
[REDACTED]	NAPIER, GREGORY W	11.67	11.67		
[REDACTED]	RYMARQUIS, SCOTT D	6.25	6.25		
[REDACTED]	MATRACIA, AMY S	25.51	25.51		
[REDACTED]	NORTHCUTT, BARBARA E	9.61	9.61		
[REDACTED]	PANGBURN, CONNIE S	23.85	23.85		
[REDACTED]	BRUCK, RONALD M II	11.70	11.70		
[REDACTED]	DENNIS, JUSTEN T	7.39	7.39		
[REDACTED]	JOSLYN, BARI L	48.18	48.18		
[REDACTED]	REBHOLZ, NICHOLAS L	11.59	11.59		
[REDACTED]	KIDNEY, TIMOTHY F	11.71	11.71		
[REDACTED]	COUCH, CHRISTOPHER S	8.99	8.99		
[REDACTED]	HAMPTON, CHARLES	15.48	15.48		
[REDACTED]	MARTIN, TARA	13.80	13.80		
[REDACTED]	LOVAN, CHARLES R	91.25	91.25		
[REDACTED]	HAAS, JAMES R	17.35	17.35		
[REDACTED]	GINDELE, MARK	9.79	9.79		
[REDACTED]	ENZWEILER, DAVID J	14.15	14.15		
[REDACTED]	ROBINSON, FRANCES I	14.54	14.54		
[REDACTED]	MURPHY, BRAD A	28.80	28.80		
[REDACTED]	HOWARD, TERRY	19.97	19.97		
[REDACTED]	GREER, MICHAEL R	21.72	21.72		
[REDACTED]	CANDIFF, JOEL	5.00	5.00		
[REDACTED]	POWELL, DAVID A	13.81	13.81		
[REDACTED]	MCGRATH, WILLIAM D	19.99	19.99		
[REDACTED]	CASEBOLT, MICHAEL S	22.82	22.82		Retired 7-31-07
[REDACTED]	WEBSTER, PAUL E	20.52	20.52		
[REDACTED]	BRAGG, JACK P	46.20	46.20		
[REDACTED]	KIRCHER, DEBORAH L	16.99	16.99		
[REDACTED]	OWEN, KEVIN R	13.78	13.78		
[REDACTED]	SULLENDER, RANDAL W	13.75	13.75		
[REDACTED]	MUELLER, WILLIAM G	26.76	26.76		
[REDACTED]	PEOPLES, NATHAN C	16.51	16.51		
[REDACTED]	SIMPSON, LORI J	7.50	7.50		
[REDACTED]	MILLS, JARROD C	14.16	14.16		
[REDACTED]	HENSLEY, VIRGIL R.	26.13	26.13		
[REDACTED]	SCHMIADÉ, JOHN C	5.00	5.00		



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PAYROLL REDUCTION LISTING

WEEKLY Payroll Dated 8/07/2007 W016

W04 Billing no. 1057650

NORTHERN KY WATER SERVICE DISTRICT

Soc. Sec. No.	Name	Employee or % of Amount	401K Salary Amount	457 Amount	Comments / Actual Amount
[REDACTED]	MCCOMAS JR, MAX	19.26	19.26		
[REDACTED]	KUILAN, DEBI	18.99	18.99		<u>Resigned</u>
		1,851.17	1,851.17	0.00	
		8,621.01	1,851.17	0.00	

1799.42



101 Sea Hero Road, Suite 110

Frankfort, Kentucky 40601-5404

Phone 502.573.7925 or 800.542.2667 Fax 502.573.4494 or e-mail persdeferredcomp@ky.gov

Commonwealth of Kentucky
Before the Public Service Commission

In the Matter of:

NORTHERN KENTUCKY WATER DISTRICT'S)
NOTICE OF INTENT TO FILE RATE, FINANCING) Case No. 2007-00135
& CONSTRUCTION APPLICATION BASED ON)
HISTORIC TEST PERIOD)

ATTORNEY GENERAL'S
SUPPLEMENTAL REQUEST FOR INFORMATION
TO NORTHERN KENTUCKY WATER DISTRICT

The Attorney General of the Commonwealth of Kentucky, by and through his Office of Rate Intervention, submits his Supplemental Request for Information to the Northern Kentucky Water District.

(1) In each case where a request seeks data provided in response to a staff request, reference to the appropriate request item will be deemed a satisfactory response.

(2) Please identify the company witness who will be prepared to answer questions concerning each request.

(3) These requests shall be deemed continuing so as to require further and supplemental responses if the company receives or generates additional information within the scope of these requests between the time of the response and the time of any hearing conducted hereon.

(4) If any request appears confusing, please request clarification directly from the Office of Attorney General.

(5) To the extent that the specific document, workpaper or information as requested does not exist, but a similar document, workpaper or information does exist, provide the similar document, workpaper, or information.

(6) To the extent that any request may be answered by way of a computer printout, please identify each variable contained in the printout which would not be self evident to a person not familiar with the printout.

(7) If the company has objections to any request on the grounds that the requested information is proprietary in nature, or for any other reason, please notify the Office of the Attorney General as soon as possible.

(8) For any document withheld on the basis of privilege, state the following: date; author; addressee; indicated or blind copies; all persons to whom distributed, shown, or explained; and, the nature and legal basis for the privilege asserted.

(9) In the event any document called for has been destroyed or transferred beyond the control of the company state: the identity of the person by whom it was destroyed or transferred, and the person authorizing the destruction or transfer; the time, place, and method of destruction or transfer; and, the reason(s) for its destruction or transfer. If destroyed or disposed of by operation of a retention policy, state the retention policy.

Respectfully submitted,

GREGORY D. STUMBO
ATTORNEY GENERAL

David Edward Spenard
Assistant Attorney General
1024 Capital Center Drive, Suite 200
Frankfort, KY 40601-8204
T 502 696-5457
F 502-573-8315

Certificate of Service and Filing

Counsel certifies that an original and ten photocopies of this Request for Information were served and filed by hand delivery to Beth O'Donnell, Executive Director, Public Service Commission, 211 Sower Boulevard, Frankfort, Kentucky 40601; furthermore, it was served by mailing a photocopy, first class postage pre-paid, to John N. Hughes, 124 West Todd Street, Frankfort, Kentucky 40601 (as well as an e-mail transmission of the document in electronic format to Mr. Hughes), all on this 10th day of August, 2007.

Assistant Attorney General

Attorney General's Supplemental Request For Information
To Northern Kentucky Water District

1. Follow-up to AG Q - A1d:
 - a. Describe anticipated increases in operating and maintenance expenses resulting from each of the two projects discussed in the responses, i.e. electric, maintenance, plant, etc.
 - b. Describe the \$821,966 and \$6,843,034 expenditures anticipated to be incurred in 2008 associated with the FTTP Post-Filtration GAC. Also, explain the 1-year gap between expenditures 2008 and 2010.
 - c. Demonstrate the impact of each project on: i) debt service, ii) depreciation, and iii) coverage.
 - d. When will the \$821,966 and \$6,843,034 expenditures be capitalized to plant account 304-0002-000?

2. Follow up to AG Q - A5b.1.
 - a. What does "IRR" mean?
 - b. How do you determine what items are funded by the IRR account versus funding by debt?
 - c. How does money flow into and out of the IRR account?
 - d. Provide all policies, procedures and accounting manuals related to the IRR Account, the Debt Service Account and the Debt Service Reserve Account.

- e. Is any part of the Cost of Service you have filed in this case reflected in or driven by these accounts?
- f. Does NKWD have a formula or other mechanical process or procedure to determine the level of funds necessary to be in the IRR regardless of the source of the funds? If yes, please explain.
- g. Explain how the Debt Service and Debt Service Reserve accounts get funded? In other words, how does NKWD determine the level of funding necessary for the reserves and what is the source of the funding.
- h. Describe the type or nature of the capital projects that are funded via the IRR.
- i. Does NKWD use the IRR to fund any operation or maintenance expense projects? If yes, describe the types of operation and maintenance expense projects.
- j. Identify what projects in the Asset Management Plan will be funded via the IRR.
- k. Are projects funded by the IRR ever ultimately consumed by or covered under a BAN or Bond? If yes, please explain and provide examples.

3. Follow-up to AG Q - A9.a.

- a. The original question was referring the "2006 Independent Auditors Report" in Exhibit E and the "2006 Annual USOA Report" in Exhibit C.

Please explain why the two reports cannot be reconciled if they are both drawn from the same set of accounts.

4. Follow-up to AG Q - A10.

- a. NKWD states that it uses the USOA for Class C water companies. Should it now be using the USOA for Class A water companies? Please explain.

5. Follow-up to AG Q - A13.

- a. What types of capital replacement does the cash flow from depreciation finance if your entire construction program is financed with debt?
- b. Is there a linkage between depreciation and the IRR fund? If yes, please explain.

6. Follow-up to AG Q - A16

- a. What alternatives does NKWD currently use in lieu of "No-Dig" alternatives?
- b. What are the relative economics of "No-Dig" alternatives to whatever NKWD is using in lieu of "No-Dig"? Provide support for this.
- c. Are there any alternative funding sources available for "No-Dig" or other rehabilitation activities? If yes, what are these sources and how could NKWD obtain them.

- d. Could the IRR or a similar reserve be used to fund replacement? If no, why not? If yes, provide a description of how NKWD would estimate the annual amount necessary for this approach.

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:
NORTHERN KENTUCKY WATER DISTRICT’S)
NOTICE OF INTENT TO FILE RATE, FINANCING) Case No. 2007-00135
& CONSTRUCTION APPLICATION BASED ON)
HISTROIC TEST PERIOD)

NORTHERN KENTUCKY WATER DISTRICT RESPONSES TO SECOND
INFORMATION REQUEST FROM THE ATTORNEY GENERAL DATED AUGUST
10, 2007

Q1. Follow-up to AG Q-A1d:

Q1a. Describe anticipated increases in operating and maintenance expenses resulting from each of the two projects discussed in the responses, i.e. electric, maintenance, plant, etc.

A1a. Witness: Harrison. The District cannot quantify the operating and maintenance expenses for GAC at this time. These costs are not known and measurable and have not been included in the District’s current rate application. It is anticipated that increased power to operate the GAC treatment process will be necessary. Additional labor to maintain new equipment will be necessary and the largest operation and maintenance expense will be the purchase of carbon to operate the new GAC facility at the Fort Thomas Treatment Plant.

The annual O & M costs are preliminarily estimated to be \$48,000 annually for the UV treatment process. This estimate is for power, materials and labor to

maintain the system on an annual basis. This expense is not included in the District's rate application.

Q1b. Describe the \$821,966 and \$6,843,034 expenditures anticipated to be incurred in 2008 associated with the FTTP Post-Filtration GAC. Also, explain the 1-year gap between expenditures 2008 and 2010.

A1b. Witness: Harrison. These expenses are associated with design of the FTTP Post Filtration GAC project. The preliminary design is currently under way and the final design will be procured in late 2007 or early 2008. The total design is currently estimated to cost \$7,665,000 over the 2007 and 2008 period. The reason there is a two year gap between design and construction is because the design is anticipated to take until late 2009 to complete and construction is not anticipated to commence until 2010 at this time.

Q1c. Demonstrate the impact of each project on : i) debt service, ii) depreciation, and iii) coverage.

A1c. Witness: Bragg. i) The effect on debt service from both projects would increase P & I expense about \$575,000 per year for 20 years, depending on the Bonds issued and that the current market rates do not change. ii) The effect on depreciation would be estimated at about \$155,000 per year over the next fifty (50) years. iii) the effect on coverage is about 21% of the total 20% that is required by the District General Bond Resolution. ($\$575,000/\$2,795,578=21\%$)

Q1d. When will the \$821,966 and \$6,843,034 expenditures be capitalized to plant account 304-0002-000?

A1d. Witness: Bragg. Yes.

- Q2. Follow up to AG Q – A5b1.
- Q2a. What does “IRR” mean?
- A2a. Witness: Bragg. “IRR” stands for Improvement, Repair and Replacement fund.
- Q2b. How do you determine what items are funded by the IRR account versus funding by debt?
- A2b. Witness: Bragg. When the District plans it’s next year budget, small mainline replacement projects that will not require a certificate, (such as Highway Department relocation Project), smaller expenditures such as vehicles, power equipment, plants projects, computer equipment, furniture, backhoes, etc are normally funded by this fund.
- Q2c. How does money flow into and out of the IRR account?
- A2c. The funds that are deposited into this fund are the funds left over from operations per quarter. In other works, revenue received minus expenditures and debt service payments.
- Q2d. Provide all policies, procedures and accounting manuals related to the IRR Account, Debt Service Account and the Debt Service Reserve Account.
- A2d. Witness: Bragg. There is no policy manual on how the IRR fund is budgeted. In regards to Debt Service Account and Debt Service Reserve these are requirements per the District’s adopted General Bond Resolution.
- Q2e. Is any part of the Cost of Service you have filed in this case reflected in or driven by these accounts.
- A2e. Witness: Bragg/McKinely. Yes.

- Q2f. Does NKWD have a formula or other mechanical process or procedure to determine the level of funds necessary to be in the IRR regardless of the source of funds? If yes, please explain.
- A2f. Witness: Bragg. No. Funds that are left over after all O&M expenses and Principle and Interest payments are met, is deposited into this fund per General Bond Resolution and must be used on capital projects and purchases.
- Q2g. Explain how the Debt Service and Debt Service Reserve accounts get funded? In other words, how does NKWD determine the level of funding necessary for the reserves and what is the source of the funding.
- A2g. Witness: Bragg. They are fund by the issuance of bonds. The District maintains a five year capital budget which is adjusted at the end of each year. Any projects that need to be done and there are no funds to constructed determines the amount of a Bond Issue. The total amount issued in Bonds will determine how much must be borrow to fund the Debt Service Reserve Account. (Per General Bond Resolution).
- Q2h. Describe the type of nature of the capital projects that are funded via IRR.
- A2h. Witness: Bragg. The capital items mostly funded by IRR Account are Computer Equipment, Vehicles, Lab and Plant Equipment, Furniture, and small mainline projects. Often the mainline replacements or movement of mainlines funded from this source is requested by Department of Highways. Smaller size mainline replacements not requiring large amount of funding, and Cleaning and Relining of older mains.

Q2i. Does NKWD use the IRR to fund any operation of maintenance expense projects?

If yes, describe the types of operation and maintenance expense projects.

A2i. Witness: Bragg. NO. The IRR per the District Bond Resolution can only be used for capital items. (General Bond Resolution)

Q2j. Identify what projects in the Asset Management Plan will be funded via IRR.

A2j. Witness: Bragg. NONE

Q2k. Are projects funded by IRR ever ultimately consumed by or covered under a BAN or BOND? If yes, please explain and provide examples.

A2k. Witness: Bragg. NO, unless the funds need for a mainline project or plant project is expected to be more than what IRR and can, then that project is moved to our five year capital projects list and a Bond will need to be issue in order to fund the project. If this is done, then another smaller item will replace it on the IRR funding list.

Q3. Follow-up to AG Q – A9a.

Q3a. The original question was referring the e”2006 Independent Auditors Report” in Exhibit E and the “2006 Annual USoA Report” in Exhibit C. Please explain why the two reports cannot be reconciled if they are both drawn from the same set of accounts.

A3a. Witness: Bragg.

Q4. Follow-up to AG Q – A10.

Q4a. NKWD states that is uses the USOA for Class C water companies. Should it now be using the USOA for Class A water companies? Please explain.

- A4a. Witness: Bragg. Yes. The District does use USoA for Class A&B Water District.
The response give to AG Q- A10 was in error.
- Q5. Follow-up to AG Q – A13.
- Q5a. What types of capital replacement does the cash flow from the depreciation finance if your entire construction program is financed with debt?
- A5a. Witness: Bragg. The entire amount of projects and capital items are not all funded by debt. Please refer to the response to A2h.
- Q5b. Is there a linkage between depreciation and the IRR fund? If yes, please explain.
- A5b. Witness: Bragg. In directly. Since depreciation expense is built into the water rates, the amount of funds left over after all O&M, Principle, and Interest is paid the remaining funds are used for capital projects and purchases.
- Q6. Follow-up to AG Q – A16.
- Q6a. What alternatives does NKWD currently use in lieu of “No-Dig” alternatives?
- A6a. Witness: Harrison. Witness: Harrison NKWD utilizes open trench main replacement in lieu of “No-Dig” alternatives.
- Q6b. What are the relative economics of “No-Dig” alternatives to whatever NKWD is using in lieu of “No-Dig”? Provide support for this.
- A6b. Witness: Harrison. Witness: Harrison. Cleaning and Lining is initially cheaper than open trench excavation. However, only mains that are structurally sound are good candidates for this method. Many of the older cast iron mains are subject to breakage that makes it questionable to invest about 50 percent of the replacement cost into cleaning and lining. Additionally, the District is not sure how to fund this effort since the Kentucky Public Service Commission has ruled

that this process should be capitalized as an asset instead of expensed and may be difficult to secure bond funds for a process that is typically considered to be an expense.

The District has utilized directional drilling on a limited basis to minimize particularly challenging restoration requirements. This cost between \$200 and \$250 per foot on the couple of projects we utilized this method as compared to an estimated average cost \$175 per foot for open trench replacement. Another challenge with utilizing directional drilling is that it is very difficult to complete in urban areas with numerous underground conflicts such as natural gas, electric, sanitation, storm sewer facilities and other potential conflicts. A clear, well defined corridor is necessary to effectively utilize directional drilling as a no-dig alternative to open trench main replacement. The District works very hard to coordinate its main replacement work with Cities, Counties and the State of Kentucky to minimize restoration costs when possible.

- Q6c. Are there any alternative funding sources available for “No-Dig” or other rehabilitation activities? If yes, what are these sources and how could NKWD obtain them.
- A6c. Witness: Harrison. The alternative funding sources are the same for No- Dig activities as with open trench main replacement. The District was successful in securing \$3,500,000 in Kentucky Infrastructure Authority funding for main replacement through the 2006 Kentucky General Assembly in Covington and will continue to pursue these types of opportunities.

Q6d. Could the IRR or a similar reserve be used to fund replacement? If no, why not?

If yes, provide a description of how NKWD would estimate the annual amount necessary for this approach.

A6d. Witness: Harrison. The District would strongly prefer to utilize the IRR for main replacement funding. However, the current level of IRR for water main replacement is approximately \$1.25 million based upon Fiscal Year 2006. The estimated replacement cost for the District's over 1,100 miles of water main is estimated to be over \$800 million based upon estimates prepared earlier this year. The current District depreciation period for water mains is 99 years. This generates an estimated, minimum annual amount necessary to utilize the IRR as the funding mechanism for main replacement of approximately \$8 million. This amount does not take into consideration that the District has taken over numerous systems with infrastructure that has already reached or is nearing its useful life and the District's current depreciation study that seems to indicate a useful life of 99 years may not be appropriate and should be somewhat shorter. Given these factors, the annual level of funding needed for water main replacement could readily exceed \$10 million. This creates a funding gap of approximately \$8 million annually based upon current levels of funding. This is why the District has to utilize bond funding for main replacement as its major source of financing.