

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 THE CONSTRUCTION OF) CASE NO.
SUBDISTRICT H WATER MAIN EXTENSIONS,) 2010-00434
FINANCING AND SURCHARGE)

O R D E R

Northern Kentucky Water District ("NKWD") has applied for a Certificate of Public Convenience and Necessity to construct certain water main extensions and for authority to assess a surcharge to customers within its proposed Subdistrict H. Having reviewed the application and being otherwise sufficiently advised, the Commission finds that:

1. NKWD proposes to create for administrative, financing, and rate-making purposes a subdistrict known as "Subdistrict H."
2. NKWD uses household density as the primary criterion in the establishment of a subdistrict by determining where the highest number of households per mile can be feasibly served to maximize the number of customers served with the limited dollars available from all funding sources.
3. The proposed waterworks improvement project is broken up into 4 phases for bidding and construction that includes the installation of approximately 8,050 linear feet ("lf") of 8-inch water transmission mains and related appurtenances for Phase 1; approximately 12,140 lf of 12-inch, 11,430 lf of 8-inch, and 1,060 lf of 6-inch water transmission mains and related appurtenances for Phase 2; approximately 15,880 lf of 8-inch water transmission mains and related appurtenances for Phase 3; and

approximately 7,120 lf of 8-inch and 740 lf of 6-inch water transmission mains and related appurtenances for Phase 4. This project could potentially serve approximately 255 new customers. There are currently 131 of these new customers that have already signed up for service.

4. This project will provide potable water to the following areas of Campbell County: Phase 1 includes Rifle Range Road, Enzweiler Road, Orlando Drive, and Bars Branch Road; Phase 2 includes Creek Trace Road, John Miller Road, Indian Trace Road, Joann Lane, and Lauren Lane; Phase 3 includes Wesley Chapel Road and Schababerie Hill Road; Phase 4 includes Maddox Road, Cory Lane, and Pleasant Ridge Road.

5. The proposed waterworks improvement project will not compete with any other water utility in the area.

6. The proposed project is necessary to provide service to unincorporated areas of Campbell County and to maintain quality water service to the general area of Campbell County. It is in the public interest and is required to allow NKWD to provide adequate service to customers in its service area.

7. The total construction cost is approximately \$4,555,860.

8. NKWD proposes to fund the total construction cost from the following sources:

- a. A \$2,950,000 grant from 2008 House Bill 608;
- b. A \$25,000 grant from the Campbell County Fiscal Court; and
- c. The issuance of \$1,580,860 in NKWD revenue bonds.

9. Construction of the proposed projects will not result in the wasteful duplication of existing facilities.

10. The public convenience and necessity require the construction of the proposed projects.

11. NKWD proposes to assess each customer of Subdistrict H a monthly surcharge not to exceed \$30. This surcharge is designed to service \$933,842 of the revenue bonds.

12. The proposed surcharge is reasonable and should be approved subject to the following conditions:

a. The surcharge should continue until the collection of the debt incurred to construct the Subdistrict H facilities has been retired.

b. The surcharge proceeds should be used only to finance the facilities that are identified in NKWD's application as Subdistrict H.

c. The surcharge should be billed as a separate line item.

d. The surcharge should be adjusted annually to reflect the current number of Subdistrict H customers and the outstanding debt service obligations on Subdistrict H facilities. In no event, however, should the level of the surcharge exceed \$30 per month.

e. NKWD should file annual reports with the Commission on Subdistrict H surcharge collections, customer levels, and remaining debt service obligations.

f. After the surcharge has been in effect for five years, it should be reexamined to determine the extent to which Subdistrict H facilities have been

integrated into NKWD's overall operations and whether these facilities are benefiting non-Subdistrict H customers to the extent that additional adjustments to the surcharge are necessary.

g. In any future general rate adjustment proceeding involving NKWD, no debt attributed to the Subdistrict H facilities and financed through the proposed surcharge should be considered when determining NKWD's total revenue requirements.

h. Separate accounts for the billing and collection of surcharge proceeds, and for the payment of all debt instruments funded through the surcharge, should be maintained.

IT IS THEREFORE ORDERED that:

1. NKWD is granted a Certificate of Public Convenience and Necessity to proceed with the proposed construction as set forth in its application.

2. NKWD shall obtain approval from the Commission prior to performing any additional construction not expressly authorized by this Order.

3. Any deviation from the construction approved shall be undertaken only with the prior approval of the Commission.

4. NKWD shall furnish documentation of the total costs of this project including the cost of construction and all other capitalized costs, including, but not limited to, engineering, legal, and administrative expenses, within 60 days of the date that construction is substantially completed. Construction costs shall be classified into appropriate plant accounts in accordance with the Uniform System of Accounts for water utilities prescribed by the Commission.

5. NKWD shall file with the Commission a copy of the "as-built" drawings and a certified statement that the construction has been satisfactorily completed in accordance with the contract plans and specifications within 60 days of the substantial completion of the construction certificated herein.

6. NKWD shall require construction to be inspected under the general supervision of a licensed professional engineer with a Kentucky registration in civil or mechanical engineering, to ensure that the construction work is completed in accordance with the contract drawings and specifications and in conformance with the best practices of the construction trades involved in the project.

7. NKWD shall notify the Commission seven days prior to the actual start of construction and at the 50 percent completion point.

8. NKWD is authorized to assess each customer of Subdistrict H, a monthly surcharge of \$30 subject to the conditions set forth in Ordering Paragraphs 9 through 18.

9. NKWD shall cease collection of the surcharge when the collection of the debt incurred to construct the Subdistrict H facilities has been retired.

10. The surcharge proceeds shall be used only to finance the facilities that are identified in NKWD's application as Subdistrict H facilities and that the Commission has approved in this Order.

11. NKWD shall identify the surcharge as a separate line item on its bills to Subdistrict H customers.

12. On April 1, 2012, and each year thereafter so long as NKWD assesses the surcharge, NKWD will adjust the surcharge level to reflect the number of Subdistrict H

customers as of December 31 of the preceding year and the outstanding debt service requirements on the debt that was issued to finance the Subdistrict H facilities approved herein. In no event, however, shall the level of the surcharge exceed \$30 per month.

13. Beginning in 2012, for the period from the date of this Order, and for each calendar year thereafter in which the surcharge is effective, NKWD shall submit with the annual financial and statistical report required by 807 KAR 5:006, Section 3(1), a written report stating:

- a. The number of customers in Subdistrict H as of December 31 of the preceding year;
- b. The total surcharge billed during the preceding calendar year;
- c. The total surcharge billed since the date of this Order.

14. In its written report submitted for calendar year 2015, NKWD shall describe how Subdistrict H facilities have been integrated into NKWD's overall operations, shall list and describe the benefits, if any, that Subdistrict H facilities provide to non-Subdistrict H customers, and shall state whether further adjustments to the surcharge are necessary to reflect these benefits.

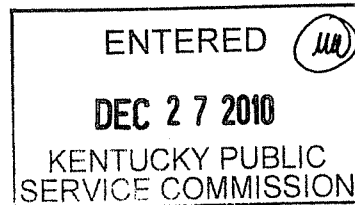
15. NKWD shall for accounting purposes maintain separate accounts for the billing and collection of surcharge proceeds.

16. Within 20 days of the date of this Order, NKWD shall revise its filed rate schedules to contain the Subdistrict H surcharge and a description of the area that Subdistrict H comprises. At a minimum, this description shall include a map of the general area and a listing of all streets and roadways within Subdistrict H.

17. NKWD shall maintain a current description of Subdistrict H in its filed rate schedules so long as the Subdistrict H surcharge is effective.

18. All persons who receive water service through the Subdistrict H facilities or through water mains that are laterals to or extensions of those facilities and are not part of any NKWD subdistrict that is subsequently created shall be considered within Subdistrict H and shall be assessed the surcharge.

By the Commission



ATTEST:

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Executive Director

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