

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

APPLICATION OF NORTHERN KENTUCKY )  
WATER DISTRICT FOR AN ADJUSTMENT OF ) CASE NO. 2012-00072  
RATES, ISSUANCE OF BONDS, AND FINANCING )

ORDER

Northern Kentucky Water District ("Northern District") has applied for authorization to issue additional revenue bonds and for authority to adjust its rates for water service. By this Order, the Commission authorizes the issuance of \$28,165,000 in revenue bonds with interest rates ranging from 1.31 percent to 4.19 percent and approves rates for service that will generate annual revenues from water sales of \$52,003,139, an increase of \$3,322,367, or 6.82 percent above pro forma operating revenues of \$48,680,772.<sup>1</sup>

Northern District, a water district organized pursuant to KRS Chapter 74, owns and operates facilities that treat and distribute water to approximately 80,358 retail customers in Boone, Campbell, and Kenton Counties.<sup>2</sup> It provides wholesale water service to the City of Walton, Bullock Pen Water District, and Pendleton County Water

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<sup>1</sup> In calculating annual revenues from water sales, the Commission has included bulk water sales of \$77,832 and fire hydrant revenue of \$30,695. See *Annual Report of Northern Kentucky Water District to the Public Service Commission of Kentucky for the Calendar Year Ending December 31, 2011* ("Annual Report") at 27; App. Ex. N, Schedule G.

<sup>2</sup> *Annual Report* at 5, 27.

District.<sup>3</sup> It is the product of the merger of Campbell County Kentucky Water District and Kenton County Water District No. 1.<sup>4</sup>

On June 29, 2012, Northern District applied for authorization to issue revenue bonds and to adjust its rates. In its application, it proposed to issue \$28,165,000 in revenue bonds with a 25-year term with interest rates varying from 1.31 percent to 4.19 percent per annum. It further proposed rates that would generate annual revenues from water sales of \$52,003,139,<sup>5</sup> an increase of \$3,322,367, or 6.82 percent above pro forma operating revenues of \$48,680,772. Northern District based its proposed rates upon historic operations for the calendar year ending December 31, 2011, as adjusted for known and measurable changes.

Northern District proposed to implement its rate adjustment in two phases. The first phase rates would become effective no later than January 1, 2013 and would produce additional revenues of \$1,690,767.<sup>6</sup> The second phase adjustment would occur on January 1, 2014 and is expected to produce additional revenues of \$1,631,600.<sup>7</sup> Table I shows the effect of the increase on an average residential customer who uses 18,000 gallons of water quarterly.<sup>8</sup>

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<sup>3</sup> *Id.* at 30.

<sup>4</sup> Case No. 96-234, *The Joint Application of Kenton County Water District No. 1 and Campbell County Kentucky Water District for Authority to Merge Into Northern Kentucky Water Service District, and for Authority for the Combined District to Operate* (Ky. PSC Aug. 28, 1996).

<sup>5</sup> Northern District calculates its proposed rates as generating revenues from water sales of \$51,894,612. (Schedule G) App. Ex. N, Schedule G. Its calculation fails to consider bulk water sales of \$77,832 and fire hydrant revenue of \$30,695.

<sup>6</sup> Northern District's Response to Commission Staff's Second Request for Information, Item 2.

<sup>7</sup> *Id.*

<sup>8</sup> Northern District bills on a quarterly basis. A customer bill, therefore, reflects a customer's usage for three calendar months.

TABLE I			
	Current Rates	Proposed Rates	Increase
First Phase	\$ 122.73	\$ 126.83	3.34%
Second Phase	\$ 126.83	\$ 130.67	3.03%

The Commission accepted Northern District's application for filing on July 11, 2012.<sup>9</sup> We subsequently suspended the effective date of the proposed rates until January 1, 2013 and established a procedural schedule for the review of Northern District's application.

In support of its application, Northern District filed written testimony from seven witnesses. These were: C. Ronald Lovan, Northern District's President; Jack Bragg, Northern District's Vice President of Finance and Support Services; Richard Harrison, Northern District's Vice President of Engineering, Water Quality and Production; Paul R. Herbert, President, Valuation and Rate Division, Gannett Fleming, Inc.; Dwight Salsbury, Financial Advisor, Ross, Sinclair and Associates, Inc.; Roger L. Peterman, member, Peck, Shaffer, & Williams, LLP; and James C. Sparrow, Partner, Rankin, Rankin and Company, Certified Public Accountants.

The Attorney General ("AG") was the only party to request intervention. The Commission granted his motion for intervention on July 5, 2012. Although granted intervention, the AG's participation in the proceeding was limited. He did not engage in discovery nor did he sponsor any witnesses.

Following discovery in this proceeding from Commission Staff, a conference was held on October 11, 2012 at Northern District's request. Based upon discussions at that conference, Northern District and the AG reached agreement on the proposed bond

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<sup>9</sup> Northern District requested a waiver from 807 KAR 5:001, Section 11(2), which required the filing of a financial exhibit that covers operations for a 12-month period that ended within 90 days of the filing of the application for authorization to issue evidence of indebtedness. The Commission granted this waiver on July 11, 2012 and declared the application filed as of that date.

issuance and rate adjustment. On October 23, 2012, they submitted a "Stipulation and Recommendation" and requested that the hearing scheduled in this matter be cancelled or postponed and that the Commission proceed to a decision based upon the existing record and the Stipulation and Recommendation. On October 30, 2012, the Commission suspended further proceedings pending completion of its review of the Stipulation and Recommendation.

The Stipulation and Recommendation has six key features. These are:

1. Northern District should be authorized to adjust its base rates in two phases to produce additional revenues of \$3,322,367 over the revenues obtained from its base rates during the test period.
2. The first phase of the proposed rate adjustment should become effective for service rendered on and after January 1, 2013. In this phase, an average residential customer's bill would increase by 3.34 percent. The second phase of the proposed rate adjustment should become effective for service rendered on and after January 1, 2014. The second phase rates will increase the average residential customer's bill by 3.03 percent.
3. The rates to produce the stipulated level of additional revenue are the same as those contained in Northern District's application.
4. Northern District should be authorized to issue revenue bonds in the amount of \$28,165,000 for the purposes set forth in its Application.<sup>10</sup>
5. Northern District should no longer be required to submit quarterly reports to the Commission on the status of its efforts to transition to monthly customer billing.
6. The Parties acknowledge that in Northern District's next general rate adjustment proceeding the methodology

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<sup>10</sup> The Stipulation was originally silent on the proposed issuance of \$28,165,000 of bonded debt. By letter filed with the Commission on November 16, 2012, the parties confirmed that the Stipulation and Recommendation extends to the proposed bond issuance and that they "[i]ntended to include approval of the issuance of the bonds and recovery of associated debt service as proposed in the application."

used to determine Northern District's revenue requirements may be examined.

Having reviewed the Stipulation and Recommendation, the Commission finds that its provisions are reasonable and consistent with the evidence of record in this proceeding and should be approved. The rates set forth in the Stipulation and Recommendation will produce an additional \$3,322,367 in annual operating revenues. Based upon our review of Northern District's test-period operations, they will result in total revenues from rates that are within the zone of reasonableness. Moreover, the phase-in of the rate increase reduces any adverse effects on Northern District's customers.

Recognizing that the phase-in of rates effectively delays for one year Northern District from obtaining a level of revenue from water sales that its historic test-period operations fully supports, we have considered whether the stipulated rates would adversely affect Northern District's ability to meet its commitments under its various bond ordinances. As shown in Table 2, the rates contained in the Stipulation will allow Northern District to meet the 1.2 times debt-service requirement of its bond ordinances in years 2013 and 2014.

**TABLE 2**

	Revenue Increase Stipulation		
	Pro Forma Operations	2013	2014
Normalized Operating Revenue - Water Sales	\$ 48,680,772	\$ 48,680,772	\$ 50,371,539
Add: Requested Increase	0	1,690,767	1,631,600
Revenues - Water Sales	48,680,772	50,371,539	52,003,139
Add: Boone-Florence Reserve	0	0	0
Add: Other Operating Revenues	3,234,195	3,234,195	3,234,195
Gross Revenues	51,914,967	53,605,734	55,237,334
Less: Operating Expenses	(32,386,193)	(22,888,188)	(23,345,952)
Net Income	19,528,774	30,717,546	31,891,382
Add: Depreciation	9,296,885	0	0
Add: Amortization	201,120	0	0
Net Revenues	29,026,779	30,717,546	31,891,382
Net Revenues	29,026,779	30,717,546	31,891,382
Divided by: Maximum Annual Principal & Interest	20,661,040	20,661,040	20,661,040
Debt Service Coverage	1.40	1.49	1.54
Pro Forma Cash Operating Exp. - Current Year	22,888,188	22,888,188	
Multiplied by 2% Escalation Factor	100.00%	102.00%	
Adjusted Operating Expenses - Next Year	22,888,188	23,345,952	

As to Northern District's proposed issuance of \$28,165,000 of water district general revenue bonds, the proceeds from this issuance will be used to refund bond anticipation notes that were issued to finance capital improvement projects including modifications to Northern District's Fort Thomas Water Treatment Plant to comply with federal water quality laws and replacement of aging or inadequately-sized water transmission and distribution mains. We find that the proposed issuance is for a lawful object within Northern District's corporate purposes, is necessary and appropriate for and consistent with the proper performance of Northern District's service to the public, will not impair Northern District's ability to perform that service, and is reasonably necessary and appropriate for such purpose.

The Parties have recommended that the Commission discontinue its requirement that Northern District file quarterly reports on its transition to monthly billing. In Case No. 2010-00094,<sup>11</sup> we directed Northern District to file such reports. In response, Northern District filed a detailed report on June 28, 2011 in which it estimated that over a ten-year period the implementation costs of monthly billing would exceed any savings by \$9.6 million.<sup>12</sup> It further reported that customer surveys indicated a strong preference for quarterly billing. It concluded in its status report that “[o]ur customer base will be better served by avoiding the costs of going to monthly billing and remaining on a quarterly basis.”<sup>13</sup> In subsequent status reports, Northern District provided no new information other than to update the results of its ongoing internet customer survey.

Based upon a review of Northern District’s reports and in light of the Parties’ recommendation, we find that the requirement for continued quarterly reports should cease. Our action, however, is not dispositive of the issue. The Commission has historically encouraged utilities to bill monthly. We have found that monthly billing allows customers to monitor individual usage and detect leaks earlier, provides better pricing signals, and assists customers with monthly budgeting, which should reduce billing disputes, late payments, and disconnections for nonpayment. Accordingly, we direct Northern District to expressly address in its next general rate application why it cannot issue bills to all customers on a monthly basis and to support its position with the most current cost and customer information.

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<sup>11</sup> Case No. 2010-00094, *Application of Northern Kentucky Water District for an Adjustment of Rates, Issuance of Bonds, and Tariff Changes* (Ky PSC Jan. 7, 2011).

<sup>12</sup> Northern Kentucky Water District, Status Report: Implementation of Monthly Billing (filed June 28, 2011), Ex. A.

<sup>13</sup> *Id.* at 2.

Finally, in this proceeding, extensive discovery took place on the methodology that Northern District used to calculate Northern District's revenue requirement. More specifically, the question was raised as to whether the debt service coverage component of revenue requirement calculations require the inclusion of anything other than actual principal and interest payments. While we have chosen not to address this issue in this proceeding, we place Northern District on notice that, absent the initiation of an administrative proceeding to address the issue of revenue requirement calculations for all water and sewer utilities in the interim, the Commission intends to consider this issue in Northern District's next general rate case proceeding.

IT IS THEREFORE ORDERED that:

1. The provisions of the Stipulation and Recommendation, a copy<sup>14</sup> of which is appended to this Order as Appendix A, are approved and adopted.
2. The rates as set forth in Appendix B to this Order are approved for water service that Northern District renders on and after January 1, 2013.
3. The rates as set forth in Appendix C to this Order are approved for water service that Northern District renders on and after January 1, 2014.
4. Within 20 days of the date of this Order, Northern District shall file with the Commission revised tariff sheets that reflect the approved rates.
5. Northern District is authorized to issue no more than \$28,165,000 of water district general revenue bonds within the interest rate and payment period set forth in its application.
6. The proceeds on the bond issuance authorized herein shall be used only for the purposes set forth in Northern District's application.

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<sup>14</sup> This copy includes the parties' letter of November 16, 2012 regarding the proposed bond issuance.



7. Within 30 days of the sale of the proposed bonds, Northern District shall file with the Commission the final version of its Plan of Finance in the same format as found in Exhibit A of Northern District's application.

8. If the sale of the proposed bonds has not occurred within 180 days of this Order, Northern District shall so advise the Commission in writing and shall further advise the Commission of the reasons for the delay in the sale and the expected date of sale.

9. As of the date of this Order, ordering paragraph 12 of the Commission's Order of January 7, 2011 in Case No. 2010-00094 is rescinded and is no longer effective.

10. In its next application for general rate adjustment, Northern District shall specifically address why it cannot issue bills to all customers on a monthly basis and to include in its application the current cost and customer survey information regarding monthly billing.

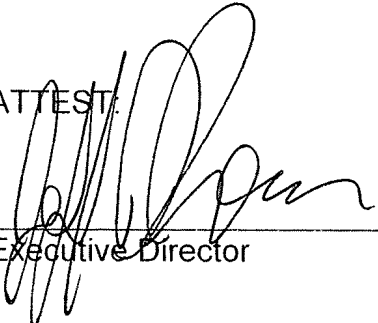
11. Any documents filed pursuant to ordering paragraphs 7 and 8 of this Order shall reference the number of this case and shall be retained in the utility's general correspondence file.

Nothing contained herein shall be deemed a warranty or finding of value of securities or financing authorized herein on the part of the Commonwealth of Kentucky or any agency thereof.

By the Commission

ENTERED  
DEC 20 2012  
KENTUCKY PUBLIC  
SERVICE COMMISSION

ATTEST:

  
\_\_\_\_\_  
Executive Director

APPENDIX A

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-000072 DATED DEC 20 2012

**COMMONWEALTH OF KENTUCKY**

**BEFORE THE PUBLIC SERVICE COMMISSION**

In The Matter of:

Application of Northern Kentucky )  
Water District (A) for an Adjustment of Rates; )  
(B) for Issuance of Bonds; and (C) Financing ) CASE NO. 2012-00072  
)

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**STIPULATION AND RECOMMENDATION**

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It is the intent and purpose of the participants to this proceeding, namely Northern Kentucky Water District ("Northern") and the Attorney General of the Commonwealth of Kentucky ("Attorney General"), (the "parties" ) and the Commission Staff ("Staff") to express their agreement on a mutually satisfactory resolution of all of the issues in the instant proceeding.

On June 29, 2012, Northern filed its application for an adjustment of rates. Based on a test year ending December 31, 2011 and annual revenues of \$52,342,592, it proposed rates to increase revenues by \$3,322,367 phased in over a two year period, which results in an approximately \$1,690,766 increase the first year and \$1,631,601 increase the second year.

On July 5, 2012, the Attorney General through his Office of Rate Intervention, which is authorized to represent the interests of utility ratepayers before the Commission pursuant to KRS 367.150(8), was granted intervention in the case. No other parties intervened.

It is understood by the parties and the Staff that this Stipulation and Recommendation is not binding upon the Public Service Commission ("Commission"), unless or until approved by the Commission and the issuance of a final order. It does not represent agreement on any specific

theory of ratemaking or on any specific claim, computation, formula, allegation, assertion, contention, methodology, theory or ratemaking principle supporting the appropriateness of any proposed or recommended adjustments to Northern's rates.

The parties and Staff have expended considerable efforts to reach the agreements that form the basis of this Stipulation and Recommendation. The parties and Staff agree that this Stipulation and Recommendation viewed in its entirety constitutes a reasonable resolution of all issues in this proceeding.

The adoption of this Stipulation and Recommendation will eliminate the need for the Commission and the parties to expend significant resources in litigation of this proceeding and will eliminate the possibility of and any need for a hearing, rehearing or appeals of the Commission's final order.

It is the position of the parties that this Stipulation and Recommendation is supported by sufficient and adequate data and information and is entitled to serious consideration by the Commission. Based upon the parties' participation in a settlement conference with the Staff on October 12, 2012, the materials on file with the Commission and upon the belief that these materials adequately support this Stipulation and Recommendation, the parties, representing diverse interests and divergent viewpoints, agree that this Stipulation and Recommendation, viewed in its entirety constitutes a fair, just and reasonable resolution of all issues in this proceeding.

It is the position of the Parties and the Staff that the terms about which they have agreed as reflected in this Stipulation and Recommendation are supported by sufficient and adequate data and information, and should be approved in their entirety by the Commission.

Based on the foregoing, the parties and Staff stipulate and recommend the following:

1. Northern is authorized to adjust its base rates in order to permit it an opportunity to recover \$3,322,367 more in revenue phased in over a two year period than it is recovering under its current rates based on proposed rates and implementation dates as stated in the application. The retail rate adjustment is to be implemented in two phases. The first phase of the adjustment shall become effective for service rendered on and after January 1, 2013, which is approximately a 3.34% increase for the average residential customer. The second phase of the rate increase shall become effective for service rendered on and after January 1, 2014, which is approximately a 3.03% increase for the average residential customer.

2. Northern's revised tariff sheets with agreed upon rates are attached.

3. The parties and Staff acknowledge that the calculation of revenue requirements and the level of debt service coverage in that calculation may be an issue in Northern's next rate case.

4. The parties and Staff agree that Northern's request to eliminate its quarterly filings related to the issue of monthly billing is granted. The parties and Staff further acknowledge that this issue may be re-evaluated by the Commission in Northern's next rate case.

5. Each party waives all cross-examination of the witnesses of the other party except in support of the Stipulation and Recommendation or unless the Commission disapproves this Stipulation and Recommendation and each party and the Staff further stipulate and recommend that the Notice of Intent, Notice, Application, testimony, pleadings and responses to data requests filed in this proceeding be admitted into the record.

6. This Stipulation and Recommendation is submitted for purposes of this case

only and is not deemed binding upon the parties in any other proceeding, nor is it to be offered or relied upon in any other proceeding involving Northern or any other utility.

7. If the Commission issues an order adopting this Stipulation and Recommendation in its entirety, each of the parties agrees that it shall not file either an application for rehearing with the Commission or an appeal to the Franklin Circuit Court with respect to such order.

8. In the event the Commission should reject or modify all or any portion of this Stipulation and Recommendation or impose additional conditions or requirements upon the parties, each party shall have the right within twenty (20) days of the Commission's order to either file an application for rehearing or terminate and withdraw from the Stipulation and Recommendation by filing a notice with the Commission. Upon rehearing, any party shall have the right within fifteen (15) days of the Commission's order on rehearing to file a notice of termination or withdrawal from this Stipulation and Recommendation. In such event the terms of this Stipulation and Recommendation shall not be binding upon the parties, and this Stipulation and Recommendation shall not be admitted into evidence, referred to or relied upon in any manner by any party or the Staff. The terms of this Stipulation and Recommendation and any matters discussed or raised during the settlement negotiations shall not be binding on any of the parties to this Stipulation and Recommendation, be construed against any of the parties in any fashion, or be the subject of cross-examination in any subsequent court or administrative proceeding.

9. The parties agree that this Settlement Stipulation and Recommendation shall

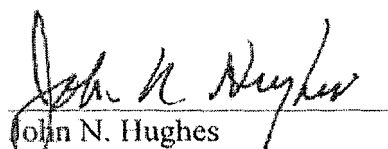
not be deemed to divest the Commission of jurisdiction under KRS Chapter 278.

10. The parties agree for the purpose of this Stipulation and Recommendation that its terms are based upon the independent analysis of the parties to reflect a fair, just, and reasonable resolution of the issues and are the product of compromise and negotiation.

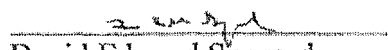
11. The parties agree that neither the Stipulation and Recommendation nor any of the terms shall be admissible in any court or administrative proceeding except insofar as such court or administrative body is addressing litigation arising out of the implementation of its terms or the approval of this Stipulation and Recommendation. This Stipulation and Recommendation shall not have any precedential value in this jurisdiction.

12. The parties agree that the Stipulation and Recommendation is reasonable and in the best interests of all concerned and urge the Commission to adopt the Stipulation and Recommendation in its entirety.

AGREED this 14<sup>th</sup> day of October, 2012.



John N. Hughes  
Attorney for Northern Kentucky Water District



David Edward Spenard  
Assistant Attorney General  
Office of Rate Intervention



**SECTION II – RETAIL WATER RATES**

**Northern Kentucky Water District Service Area**

1. Monthly Service Rate

First	1,500 cubic feet	\$4.14 per 100 cubic feet
Next	163,500 cubic feet	\$3.40 per 100 cubic feet
Over	165,000 cubic feet	\$2.65 per 100 cubic feet

**Customers in Subdistrict A** \*shall be assessed a monthly surcharge in the amount of \$ 8.55

**Customers in Subdistrict B** \*shall be assessed a monthly surcharge in the amount of \$17.92

**Customers in Subdistrict C** \*shall be assessed a monthly surcharge in the amount of \$18.48

**Customers in Subdistrict D** \*shall be assessed a monthly surcharge in the amount of \$30.00

**Customers in Subdistrict E** \*shall be assessed a monthly surcharge in the amount of \$30.00

**Customers in Subdistrict F** \*shall be assessed a monthly surcharge in the amount of \$30.00

**Customers in Subdistrict G** \*shall be assessed a monthly surcharge in the amount of \$30.00

**Customers in Subdistrict K** \*shall be assessed a monthly surcharge in the amount of \$13.65

**Customers in Subdistrict R** \*shall be assessed a monthly surcharge in the amount of \$18.73

**Customers in Subdistrict RF** \*shall be assessed a monthly surcharge in the amount of \$21.61

**Customers in Subdistrict RL** \*shall be assessed a monthly surcharge in the amount of \$36.22

\*Subdistrict charges are reviewed annually.

\*Detailed street listing within each Subdistrict can be found under Appendix A.

\*Service connections on extensions or laterals from a Subdistrict street will be assessed the appropriate Subdistrict charge.


2. Quarterly Rates

First	4,500 cubic feet	\$4.14 per 100 cubic feet
Next	490,500 cubic feet	\$3.40 per 100 cubic feet
Over	495,000 cubic feet	\$2.65 per 100 cubic feet

Date of Issue: June 29, 2012

Date Effective: January 1, 2013

Issued by:  
 Officer & Title

  
 Jack Bragg, Jr. CPA, CMA  
 Vice President - Finance

2835 Crescent Springs Road, Erlanger, KY 41018

**SECTION II – RETAIL WATER RATES – Cont'd**

3. Fixed Service Charge

<u>Meter Size</u>	<u>Monthly Service Charge</u>	<u>Quarterly Charge</u>
5/8"	\$13.60	\$27.20
3/4"	\$14.00	\$28.65
1"	\$15.30	\$32.90
1 1/2"	\$17.30	\$38.81
2"	\$21.80	\$54.54
3"	\$52.60	\$169.68
4"	\$66.00	\$212.63
6"	\$97.70	\$314.28
8"	\$131.90	\$429.40
10" and Larger	\$175.40	\$560.67

**SECTION III – WHOLESALE WATER SALES**

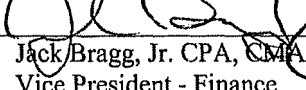
Bullock Pen Water District	\$3.195 per 1,000 gallons (or) \$2.39 per 100 cubic feet
City of Walton	\$3.195 per 1,000 gallons (or) \$2.39 per 100 cubic feet
Pendleton County	\$3.195 per 1,000 gallons (or) \$2.39 per 100 cubic feet

**SECTION IV – MISCELLANEOUS SERVICE FEES**

Returned Check Charge	\$20.00
Water Hauling Station	\$5.53 per 1,000 gallons
Service Charge	\$25.00 (See Definitions in Section I-A)
Overtime Charge	\$60.00 (To be applied to Customer account for Request for water turned On or Off outside the normally business hours.)

Date of Issue: June 29, 2012

Date Effective: January 1, 2013

Issued by:   
 Officer & Title Jack Bragg, Jr. CPA, CMA  
 Vice President - Finance

2835 Crescent Springs Road, Erlanger, KY 41018

**SECTION II – RETAIL WATER RATES**

**Northern Kentucky Water District Service Area**

1. Monthly Service Rate

First	1,500 cubic feet	\$4.25 per 100 cubic feet
Next	163,500 cubic feet	\$3.53 per 100 cubic feet
Over	165,000 cubic feet	\$2.72 per 100 cubic feet

- Customers in Subdistrict A** \*shall be assessed a monthly surcharge in the amount of \$ 8.55
- Customers in Subdistrict B** \*shall be assessed a monthly surcharge in the amount of \$17.92
- Customers in Subdistrict C** \*shall be assessed a monthly surcharge in the amount of \$18.48
- Customers in Subdistrict D** \*shall be assessed a monthly surcharge in the amount of \$30.00
- Customers in Subdistrict E** \*shall be assessed a monthly surcharge in the amount of \$30.00
- Customers in Subdistrict F** \*shall be assessed a monthly surcharge in the amount of \$30.00
- Customers in Subdistrict G** \*shall be assessed a monthly surcharge in the amount of \$30.00
- Customers in Subdistrict K** \*shall be assessed a monthly surcharge in the amount of \$13.65
- Customers in Subdistrict R** \*shall be assessed a monthly surcharge in the amount of \$18.73
- Customers in Subdistrict RF** \*shall be assessed a monthly surcharge in the amount of \$21.61
- Customers in Subdistrict RL** \*shall be assessed a monthly surcharge in the amount of \$36.22

\*Subdistrict charges are reviewed annually.

\*Detailed street listing within each Subdistrict can be found under Appendix A.

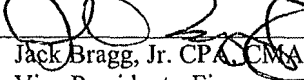
\*Service connections on extensions or laterals from a Subdistrict street will be assessed the appropriate Subdistrict charge.

2. Quarterly Rates

First	4,500 cubic feet	\$4.25 per 100 cubic feet
Next	490,500 cubic feet	\$3.53 per 100 cubic feet
Over	495,000 cubic feet	\$2.72 per 100 cubic feet

Date of Issue: June 29, 2012

Date Effective: January 1, 2014

Issued by:   
 Officer & Title Jack Bragg, Jr. CPA, CMA  
 Vice President - Finance

2835 Crescent Springs Road, Erlanger, KY 41018

**SECTION II – RETAIL WATER RATES – Cont'd**

3. Fixed Service Charge

<u>Meter Size</u>	<u>Monthly Service Charge</u>	<u>Quarterly Charge</u>
5/8"	\$14.20	\$28.40
3/4"	\$14.60	\$29.90
1"	\$16.00	\$34.30
1 1/2"	\$18.00	\$40.50
2"	\$22.70	\$56.90
3"	\$54.90	\$177.00
4"	\$68.80	\$221.80
6"	\$101.90	\$327.80
8"	\$137.60	\$447.90
10" and Larger	\$183.00	\$584.80

**SECTION III – WHOLESALE WATER SALES**

Bullock Pen Water District	\$3.26 per 1,000 gallons (or) \$2.44 per 100 cubic feet
City of Walton	\$3.26 per 1,000 gallons (or) \$2.44 per 100 cubic feet
Pendleton County	\$3.26 per 1,000 gallons (or) \$2.44 per 100 cubic feet

**SECTION IV – MISCELLANEOUS SERVICE FEES**

Returned Check Charge	\$20.00
Water Hauling Station	\$5.68 per 1,000 gallons
Service Charge	\$25.00 (See Definitions in Section I-A)
Overtime Charge	\$60.00 (To be applied to Customer account for Request for water turned On or Off outside the normally business hours.)

Date of Issue: June 29, 2012

Date Effective: January 1, 2014

Issued by:   
 Officer & Title Jack Bragg, Jr. CPA, O, FA  
 Vice President - Finance

2835 Crescent Springs Road, Erlanger, KY 41018

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Telefax (502) 875-7059

November 16, 2012

Jeff Derouen  
Executive Director  
Public Service Commission  
211 Sower Blvd.  
Frankfort, KY 40601

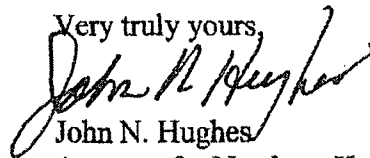
Re: Northern Kentucky Water District

Dear Mr. Derouen:

Northern Kentucky Water District and the Attorney General provide confirmation that the Stipulation and Recommendation dated October 19, 2012, filed as part of this case intended to include approval of the issuance of the bonds and recovery of associated debt serviced as proposed in the application. By this letter, the parties acknowledge their agreement of the issuance of the proposed bonds and all necessary approvals required to authorize those bonds and their financing.


If you have any questions about this matter, please contact me.

Very truly yours,



John N. Hughes  
Attorney for Northern Kentucky  
Water District

AGREED:

  
\_\_\_\_\_  
David Edward Spenard  
Assistant Attorney General

## APPENDIX B

### APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE COMMISSION IN CASE NO. 2012-00072 DATED **DEC 20 2012**

The following rates and charges are prescribed for the customers in the area served by Northern Kentucky Water District for service rendered on and after January 1, 2013. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

<u>Meter Size</u>	<u>Per Month</u>	<u>Per Quarter</u>
5/8-inch	\$13.60	\$27.20
3/4-inch	14.00	28.65
1-inch	15.30	32.90
1 1/2-inch	17.30	38.81
2-inch	21.80	54.54
3-inch	52.60	169.68
4-inch	66.00	212.63
6-inch	97.70	314.28
8-inch	131.90	429.40
10-inch	175.40	560.67

#### Consumption Charges

##### Monthly

First 1,500 cubic feet	\$4.14 Per 100 cubic feet
Next 163,500 cubic feet	3.40 Per 100 cubic feet
Over 165,000 cubic feet	2.65 Per 100 cubic feet

##### Quarterly

First 4,500 cubic feet	\$4.14 Per 100 cubic feet
Next 490,500 cubic feet	3.40 Per 100 cubic feet
Over 495,000 cubic feet	2.65 Per 100 cubic feet

##### Wholesale Water Rates

\$3.195 Per 1,000 gallons  
\$2.39 Per 100 cubic feet

##### Bulk Sales

\$5.53 Per 1,000 gallons

APPENDIX C

APPENDIX TO AN ORDER OF THE KENTUCKY PUBLIC SERVICE  
COMMISSION IN CASE NO. 2012-00072 DATED ~~DEC 20 2012~~

The following rates and charges are prescribed for the customers in the area served by Northern Kentucky Water District for service rendered on and after January 1, 2014. All other rates and charges not specifically mentioned herein shall remain the same as those in effect under authority of the Commission prior to the effective date of this Order.

<u>Meter Size</u>	<u>Per Month</u>	<u>Per Quarter</u>
5/8-inch	\$14.20	\$28.40
3/4-inch	14.60	29.90
1-inch	16.00	34.30
1 1/2-inch	18.00	40.50
2-inch	22.70	56.90
3-inch	54.90	177.00
4-inch	68.80	221.80
6-inch	101.90	327.80
8-inch	137.60	447.90
10-inch	183.00	584.80

Consumption Charges

Monthly

First 1,500 cubic feet	\$4.25 Per 100 cubic feet
Next 163,500 cubic feet	3.53 Per 100 cubic feet
Over 165,000 cubic feet	2.72 Per 100 cubic feet

Quarterly

First 4,500 cubic feet	\$4.25 Per 100 cubic feet
Next 490,500 cubic feet	3.53 Per 100 cubic feet
Over 495,000 cubic feet	2.72 Per 100 cubic feet

Wholesale Water Rates

\$3.26 Per 1,000 gallons  
\$2.44 Per 100 cubic feet

Bulk Sales

\$5.68 Per 1,000 gallons

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