

COMMONWEALTH OF KENTUCKY  
BEFORE THE PUBLIC SERVICE COMMISSION

In the Matter of:

ELECTRONIC APPLICATION OF NORTHERN	)	
KENTUCKY WATER DISTRICT FOR	)	CASE NO.
APPROVAL OF RESIDUALS HANDLING	)	2020-00283
EQUIPMENT AND IMPROVEMENTS AS AN	)	
ORDINARY EXTENSION	)	

ORDER

On September 3, 2020, Northern Kentucky Water District (Northern Kentucky District) filed a petition for an order approving acquisition, installation and financing of residuals handling equipment replacement, and improvements at its Fort Thomas Treatment Plant as an ordinary extension pursuant to KRS 278.020(1)(a) and 807 KAR 5:001, Section 15(3). Northern Kentucky District responded to one round of discovery.<sup>1</sup> No party has sought intervention in this matter. Northern Kentucky District has not requested a hearing. The record is complete, and the matter stands ready for decision.

Northern Kentucky Water District, a nonprofit water district organized under KRS Chapter 74, provides retail water service to approximately 84,139 customers<sup>2</sup> in Boone, Campbell, and Kenton counties, Kentucky<sup>3</sup> and wholesale water service to Bullock Pen Water District, city of Walton, and Pendleton County Water District.<sup>4</sup>

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<sup>1</sup> Response to Staff's First Request (filed Oct. 8, 2020).

<sup>2</sup> *Annual Report of Northern Kentucky Water District Report for the Year Ended December 31, 2019*, at 53.

<sup>3</sup> *Id.* at 15.

<sup>4</sup> *Id.* at 59.

Northern Kentucky District proposes to replace the existing plant residuals handling system and related facilities at its Fort Thomas Treatment Plant.<sup>5</sup> The residuals handling system currently in use is 28 years old, and Northern Kentucky District asserts it is at the end of its useful life and its reliability is in question.<sup>6</sup> The project includes replacing two existing belt filter presses with two new presses, replacing the residuals conveyor, polymer feed system, transfer pumps, gravity thickener troughs, and weirs, along with other piping, electrical, lighting, heating, and ventilation, instrumentation, and control upgrades.<sup>7</sup> Northern Kentucky District states that approval from the Division of Water was not required for this project because it is a replacement of existing equipment.<sup>8</sup> Further, Northern Kentucky District states no easements or rights-of-way are required because all equipment is being installed into existing facilities at Northern Kentucky District's Fort Thomas Treatment Plant.<sup>9</sup>

Northern Kentucky District states the budget for the project is \$3 million, including construction cost, engineering, and contingencies.<sup>10</sup> Northern Kentucky District states the project will be paid from its Five-Year Capital Budget.<sup>11</sup> The project will be funded using \$3 million from a future Bond Anticipation Note (BAN).<sup>12</sup> Northern Kentucky District

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<sup>5</sup> Petition at paragraph 5.

<sup>6</sup> *Id.*

<sup>7</sup> *Id.* at paragraph 8.

<sup>8</sup> *Id.* at paragraph 11.

<sup>9</sup> *Id.*

<sup>10</sup> Petition at paragraph 6. Petition at Exhibit D.

<sup>11</sup> *Id.*

<sup>12</sup> Petition at paragraph 6.

anticipates converting the BAN to permanent financing at a later date.<sup>13</sup> The estimated debt service for the financing is expected to be \$172,284 over 25 years.<sup>14</sup> Northern Kentucky District does not seek an increase in rates due to this project.<sup>15</sup>

In its petition, Northern Kentucky District requests that the project be declared an ordinary extension of facilities for which a CPCN is not required.<sup>16</sup> As support for its request, Northern Kentucky District cites 807 KAR 5:001, Section 15(3), which provides that:

(3) Extensions in the ordinary course of business. A certificate of public convenience and necessity shall not be required for extensions that do not create wasteful duplication of plant, equipment, property, or facilities, or conflict with the existing certificates or service of other utilities operating in the same area and under the jurisdiction of the commission that are in the general or contiguous area in which the utility renders service, and that do not involve sufficient capital outlay to materially affect the existing financial condition of the utility involved, or will not result in increased charges to its customers.

In its petition, Northern Kentucky District states that it satisfies the three areas of inquiry provided for in the statute because of the following:

1. There will be no wasteful duplication or interference with any other utility operations because the project replaces existing, outdated equipment to improve the operational capacity at the existing Fort Thomas Treatment Plant.<sup>17</sup>

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<sup>13</sup> Response to Staff's First Request, Item 1.

<sup>14</sup> Petition at Exhibit D.

<sup>15</sup> Petition at paragraph 9c.

<sup>16</sup> Petition at paragraph 9.

<sup>17</sup> *Id.* at paragraphs 8–9a.

2. There will be no material financial impact on Northern Kentucky District because the \$3 million cost of the project is 0.87 percent of Northern Kentucky District's net utility plant, and therefore is not expected to have a significant impact on Northern Kentucky District's financial condition.<sup>18</sup> Additionally, Northern Kentucky District states any depreciation expense related to this equipment is minimal when considering Northern Kentucky District's overall operating expenses.<sup>19</sup>

3. Rates will not be not be raised as a result of the project.<sup>20</sup>

In addition, Northern Kentucky District asserts that approval of financing for this project is not required under KRS 278.300.<sup>21</sup> Commission approval of any utility's issuance of an evidence of indebtedness is required under KRS 278.300, unless the note is payable in two years or less and is for a proper purpose.<sup>22</sup> A BAN is a short-term note issued in anticipation of long-term financing.

In light of the evidence provided in the petition, the Commission finds that Northern Kentucky District has properly demonstrated that the proposed project is an extension in the ordinary course of business, and therefore no CPCN is required. Further, the Commission finds that Commission approval of financing is not required at present. However, pursuant to KRS 278.300, Northern Kentucky District must obtain Commission approval before issuing any long-term revenue notes.

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<sup>18</sup> Petition at paragraph 9b.

<sup>19</sup> *Id.*, Northern Kentucky District indicates annual depreciation expenses of \$8,400 for 37.5 years for "Structures and Improvements, Code 304" and \$89,500 over 30 years for "Water Treatment Equipment, Code 320." Petition Exhibit D.

<sup>20</sup> Petition at paragraph 9c.

<sup>21</sup> Petition at paragraph 7.

<sup>22</sup> KRS 278.300(8).

On September 3, 2020, Northern Kentucky District filed, simultaneously with its petition, a motion, pursuant to 807 KAR 5:001, Section 13, and KRS 61.878(1)(m)(1), requesting that the Commission grant confidential protection for an indefinite period for Exhibits A.1, A.2, and A.4 to the petition.

In support of its motion, Northern Kentucky District states that the designated materials contain strategic analysis and details of the Northern Kentucky District water treatment, distribution, and transmission systems, including specifications, plans, diagrams, and maps of the system, and items related to Northern Kentucky District's system. Northern Kentucky District argues that the information contained in the specified documents provides detailed information about Northern Kentucky District's water treatment system and the type and location of equipment used in the treatment and distribution of water to the public, as such, the disclosure of this information could threaten the public safety generally and provide sensitive information relevant to the security measures to combat terrorism and other threats to the public drinking water system.

Having considered the motion and the material at issue, the Commission finds that Exhibits A.1, A.2, and A.4 to the petition contains information generally recognized as confidential or proprietary; it therefore meets the criteria for confidential treatment and is exempted from public disclosure pursuant to 807 KAR 5:001, Section 13, and KRS 61.878(1)(m)(1).

IT IS THEREFORE ORDERED that:

1. Northern Kentucky District does not require a CPCN for the proposed project as submitted.

2. Northern Kentucky District shall submit an application to the Commission prior to issuing any securities that require approval pursuant to KRS 278.300.

3. Northern Kentucky District's motion for confidential protection for Exhibits A.1, A.2, and A.4 to the petition is granted.

4. The designated information contained in Exhibits A.1, A.2, and A.4 to the petition shall not be placed in the public record or made available for public inspection for an indefinite period or until further Order of this Commission.

5. Use of the material in question in any Commission proceeding shall be in compliance with 807 KAR 5:001, Section 13(9).

6. Northern Kentucky District shall inform the Commission if the material in question becomes publicly available or no longer qualifies for confidential treatment.

7. If a nonparty to this proceeding requests to inspect the material granted confidential treatment by this Order and the period during which the material has been granted confidential treatment has not expired, Northern Kentucky District shall have 30 days from receipt of written notice of the request to demonstrate that the material still falls within the exclusions from disclosure requirements established in KRS 61.878. If Northern Kentucky District is unable to make such demonstration, the requested material shall be made available for inspection. Otherwise, the Commission shall deny the request for inspection.

8. The Commission shall not make the requested material available for inspection for 30 days from the date of service of an Order finding that the material no longer qualifies for confidential treatment in order to allow Northern Kentucky District to seek a remedy afforded by law.

9. This case is closed and removed from the Commission's docket.

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By the Commission



ATTEST:

  
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Deputy Executive Director

Case No. 2020-00283



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