

JOHN N. HUGHES
Attorney at Law
Professional Service Corporation
124 WEST TODD STREET
FRANKFORT, KENTUCKY 40601

Telephone:
(502) 227-7270

February 4, 2005

Telecopier:
(502) 875-7059

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

Case 2005-00063

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FEB 04 2005

PUBLIC SERVICE
COMMISSION

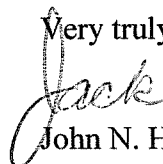
Re: Northern Kentucky Water District:
Office building Petition

Dear Ms. O'Donnell:

Please accept for filing the attached Petition of Northern Kentucky Water District for approval of the renovation of the office facilities acquired last year. Bids for the renovation have been received and are very favorable. To take advantage of these bids, the District would like to proceed as quickly as possible to resolve any questions that the staff may have.

Representatives of the District are meeting with the staff today and will be available to meet again if appropriate. Thank you for your attention to this matter.

Very truly yours,


John N. Hughes

Attorney for Northern Kentucky
Water District

COMMONWEALTH OF KENTUCKY
BEFORE THE PUBLIC SERVICE COMMISSION

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In the Matter of:

APPLICATION OF NORTHERN KENTUCKY)
WATER DISTRICT FOR APPROVAL) CASE NO. 2005- 00063
OF REMODELING BUILDING FOR OFFICES)
AND CERTIFICATE OF CONVENIENCE)
AND NECESSITY)

APPLICATION FOR APPROVAL OF REMODELING
AND CERTIFICATE OF CONVENIENCE AND NECESSITY

Northern Kentucky Water District (NKWD), by counsel, petitions for an order approving the remodeling of previously acquired facilities for use as offices and a certificate of convenience and necessity.

In support of the application for financing and incurring of debt as required by KRS 278.300, the following information is provided:

1. NKWD's office address is 100 Aqua Drive, Box 220, Cold Spring, KY 41076. Its principal officers are listed in its current Annual Report on page 6, which is filed with the Commission as are its prior years Reports;

2. NKWD is a non-profit water district organized under Chapter 74 and has no separate articles of incorporation;

3. A description of NKWD's water system and its property stated at original cost by

accounts is contained in its Annual Report, which is attached as Exhibit K.

4. NKWD serves retail customers in Kenton, Boone and Campbell Counties and sells water at wholesale to non-affiliated water distribution systems in Pendleton and Campbell Counties.

5. The District is seeking approval of the renovation of property acquired last year due to the inadequacy of its current facilities. Those existing facilities are described in Exhibit D. The District acquired the property described in Exhibits B, E, and H for use as office, warehouse and storage facilities for the District. It financed the acquisition with a Bond Anticipation Note (BAN), which will be converted to long term permanent debt in the next rate case filed by the District, expected in May, 2005. The cost of the property and building was \$4.9 million. The District received \$1.5 million for property acquisition in Case No. 2002-00105. The Commission declined the opportunity to approve funds for acquisition of the facilities in Case 2003-00429. The property has been assessed for property tax purposes at \$5.25 million. It had an initial asking price of \$6 million. An appraisal of the property is included in Exhibit F.

In addition to the acquisition costs, the District will incur remodeling costs. Those costs will also be funded initially with a BAN, which will be converted to long term permanent financing in that next rate case. The bids for these costs are attached as Exhibit H

6. The use of the funds and need for the property is justified based on a space study prepared by the District, which is attached as Exhibit C.

7. A financial analysis of the cost of the acquisition is attached as Exhibits C and H.

8. Maps, plans and specifications are in Exhibit E.

9. The zoning permit has been obtained and is attached to Exhibit F. A building permit will be obtained by the contractor at the time renovation begins. No DOW permit is required.

10. The detailed cost estimate, journal entries, effect on rates, and cost of operation and maintenance after completion are included in Exhibit I.

11. No rate adjustment is being proposed at this time. Any effect of the financing on rates will be reflected in the next rate case filed by the District;

12. The following information is provided in response to 807 KAR 5:001 (8):

a. Articles of Incorporation - None, NKWD is a statutorily created water district under KRS Chapter 74;

13. The following information is supplied pursuant to 807 KAR 5:001(9):

a. Facts relied upon to show that the application is in the public interest: See the Sale/Purchase Agreement, Exhibit B and space needs study, Exhibit C.

14. The following information is provided as required by 807 KAR 5:001 (11):

a. A general description of the property is contained in the Annual Report, Exhibit K;

b. No stock is to be issued; No bonds are to be issued in this case;

c. There is no refunding or refinancing;

d. The proceeds of the financing are to remodel the property described in Exhibit H;

e. The par value, expenses, use of proceeds, interest rates and other information is not applicable because no bonds are being issued at this time.

15. The following exhibits are provided pursuant to 807 KAR 5:001 (11)(2):

a. There are no trust deeds. All notes, indebtedness and mortgages are included in Exhibit J.

b. Property is to be acquired as described in Exhibit B.

16. The following information is provided pursuant to 807 KAR 5:001(6):

a. No stock is authorized;

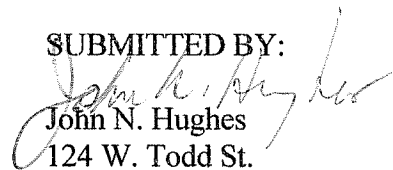
b. No stock is issued;

c. There are no stock preferences;

- d. Mortgages are listed in Exhibit J;
- e. Bonds are listed in Exhibit J
- f. Notes are listed in Exhibit J;
- g. Other indebtedness is listed in Exhibit J;
- h. No dividends have been paid;
- i. A current balance sheet, income statement and debt schedule is attached as Exhibit J.

For these reasons, the District requests authority to remodel the property, and for any other orders or authorizations that may be necessary to obtain Commission approval for the use and renovation of the subject property.

SUBMITTED BY:



John N. Hughes
124 W. Todd St.
Frankfort, KY 40601

and

Charles H. Pangburn III
Hemmer, Pangburn,
DeFrank PLLC
Suite 200
250 Grandview Dr.
Ft. Mitchell, KY 41017

Attorneys for Northern
Kentucky Water District

**NORTHERN KENTUCKY WATER DISTRICT
CENTRAL FACILITY**

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| <u>EXHIBIT</u> | <u>TITLE</u> |
|----------------|--|
| A | Certified Statement from an Authorized Utility Official |
| B | Copy of Purchase Agreement |
| C | Space Needs Study and Site Selection <ul style="list-style-type: none">- Site Selection- Growth- Report prepared in 2002 by Humpert & Wolnitzek- Report prepared in 2004 by CDS Associates, Inc. |
| D | Current Facilities |
| E | Central Facility Map, Plans, and Specifications |
| F | Property Information <ul style="list-style-type: none">- USoA Classification- City and County Assessment Valuation- Independent Appraisal- Zoning Permit |
| G | Effect on Customer Convenience |
| H | Bid Information and Board Resolution <ul style="list-style-type: none">- Bid Tabulation- Recommendation of Award- Board Resolution |
| I | Financial Information <ul style="list-style-type: none">- Detailed Cost Estimate- Estimated Cost of O&M- Cost per Square Foot- Journal Entries- Plan of Financing- Cost Analysis on Rates |
| J | Current Schedule of Outstanding Bonds, Notes, and other Indebtedness, Balance Sheet, and Income Statement |
| K | 2003 PSC Annual Report |